



DuluxGroup Limited
ABN 42 133 404 065

ASX Announcement

28 September 2012

ALESCO BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS ACCEPT DULUXGROUP'S \$2.05 CASH OFFER

DuluxGroup Limited (**DuluxGroup**) and Alesco Corporation Limited (**Alesco**) today announced that the Alesco Board **unanimously recommends** that shareholders **ACCEPT** DuluxGroup's \$2.05 per share cash Offer.

Under the recommended Offer, DuluxGroup will allow Alesco to exercise its discretion to determine an additional fully franked special dividend of up to \$0.27 per share (**Additional Dividend**) upon DuluxGroup's interest¹ in Alesco reaching 90%².

The Alesco Directors intend to accept the Offer for all of the Alesco shares that they own or control within 5 business days, in the absence of a superior proposal. Alesco shareholders should accept the Offer without delay so that the dividend can be paid as soon as possible.

Alesco has agreed that it may determine to pay the Additional Dividend, subject to (amongst other things) DuluxGroup's interest reaching 90% and Alesco obtaining a Favourable Tax Ruling.

The attractiveness of the 46% cash premium being offered by DuluxGroup has proved compelling. The total of DuluxGroup's voting power in Alesco and acceptance instructions under DuluxGroup's institutional acceptance facility (**IAF**) is currently **55.7%**. Alesco's largest shareholders have either sold their shares to DuluxGroup or tendered into DuluxGroup's IAF. DuluxGroup is also seeing increasing acceptance momentum from retail shareholders with over 2,200 retail shareholders having now accepted the Offer.

DuluxGroup Chairman, Peter Kirby, said: "We welcome the decision by the Alesco Board to recommend the DuluxGroup Offer to its shareholders. As a result, Alesco may distribute to its shareholders up to 27 cents per share of fully franked dividends. It's a win for Alesco's shareholders and DuluxGroup shareholders."

DuluxGroup Managing Director and Chief Executive Officer, Patrick Houlihan, said: "We look forward to working together with Alesco's management in the near future. We believe this timely resolution of the transaction will provide welcome certainty for Alesco and its employees."

¹ For these purposes, 'interest' includes the total of DuluxGroup's voting power in Alesco plus shares subject to acceptance instructions under the DuluxGroup Institutional Acceptance Facility (**IAF**) plus shares held by index funds as agreed by DuluxGroup and Alesco.

² Alesco has stated that it retains the discretion to pay additional dividends at any time, including where DuluxGroup holds an interest in Alesco that is materially below 90%, but that it cannot afford to wholly fund any material additional dividend within its existing banking facilities and covenants. In such event, DuluxGroup reserves the right to allow such determination in circumstances acceptable to it.

Annexure A contains a summary of the key terms of the Takeover Implementation Agreement between DuluxGroup and Alesco.

Offer details

If the Additional Dividend of 27 cents per share is determined and paid, DuluxGroup's \$2.05 per share cash offer would be delivered to Alesco shareholders as:

- \$1.63 cash per share from DuluxGroup³; plus
- \$0.42 per share in fully franked dividends paid by Alesco,⁴ comprised of:
 - a 5 cent fully franked final dividend (as paid on 7 September 2012);
 - a 10 cent fully franked special dividend (as paid on 7 September 2012); and
 - the Additional Dividend of 27 cents per share (fully franked).

If the Additional Dividend is not paid by 31 December 2012, the implementation agreement can be terminated and DuluxGroup may declare the offer unconditional. In that event, the cash component of the Offer consideration to be paid by DuluxGroup would be \$1.90 per share.

Offer conditions

DuluxGroup has agreed to waive all Offer conditions other than the following conditions in section 9.7 of the Bidder's Statement:

- (a) Minimum acceptance;
- (h) No prescribed occurrences; and
- (n) Index out.

DuluxGroup has agreed not to waive the minimum acceptance condition and all other remaining conditions before the date that is 3 business days after the record date for the Additional Dividend or unless the agreement is terminated (unless otherwise agreed).

DuluxGroup has also agreed that it will not terminate or withdraw its Offer or allow its Offer to lapse in circumstances where the index out condition is triggered unless the S&P/ASX 200 index closes below 3,750 for 3 or more consecutive trading days.

Dividend timetable

The record date in respect of any Additional Dividend is expected to be shortly after the conditions to the determination of the dividend are met, such conditions being:

- DuluxGroup's interest in Alesco reaching 90% (unless otherwise agreed); and
- a Favourable Tax Ruling in relation to the Additional Dividend being received from the Australian Tax Office (as defined in Annexure A).

³ To the extent that the Additional Dividend of up to 27 cents per share cannot be paid in full, the cash component of the Offer payable by DuluxGroup will be increased by the shortfall.

⁴ Shareholders who acquired their shares on or after the ex-dividend date of 13 August 2012 and who accept the offer will not receive the 5 cent final dividend and 10 cent special dividend per share from Alesco. Provided they are shareholders on the record date for the Additional Dividend, they will receive at least \$1.63 cash per share from DuluxGroup and, if the Additional Dividend is determined and paid, up to 27 cents per share Additional Dividend. If the Additional Dividend is not paid and all conditions to the offer are satisfied or waived, such shareholders will receive \$1.90 cash per share from DuluxGroup.

Shareholders accepting the Offer should note that at present the Additional Dividend may only be determined if DuluxGroup achieves an interest of 90% in Alesco shares and a favourable tax ruling is received. Shareholders accepting the Offer should note there is no guarantee that the conditions for the payment of the Additional Dividend will be met and, in this respect, Alesco may not determine the Additional Dividend.⁵

Retail shareholders will have withdrawal rights in the event the implementation agreement is terminated including if any Additional Dividend does not become payable. See Annexure A for further details.

If the Additional Dividend is not determined and paid but all other conditions to the Offer are satisfied or waived, shareholders who accept the Offer will receive \$1.90 cash per share from DuluxGroup and, if they were on the register of Alesco shareholders on 17 August 2012, would have already received 15 cents per share of fully franked dividends from Alesco.

If shareholders have any questions in relation to the Offer, they should be directed to the DuluxGroup Offer Information Line on 1300 652 672 (within Australia) or +61 3 9415 4109 (international) between 9.00am and 5.00pm (Melbourne time) on business days.

Media enquiries:

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⁵ Alesco has stated that it retains the discretion to pay additional dividends at any time, including where DuluxGroup holds an interest in Alesco that is materially below 90%, but that it cannot afford to wholly fund any material additional dividend within its existing banking facilities and covenants. In such event, DuluxGroup reserves the right to allow such determination in circumstances acceptable to it.

Annexure A: Summary of the Takeover Implementation Agreement

The following is a summary of the key terms of the Takeover Implementation Agreement (**TIA**) between DuluxGroup and Alesco under which the parties have agreed to cooperate in relation to the Offer.

1 Additional Discretionary Dividend

- (a) DuluxGroup's headline offer price will remain \$2.05 per share.
- (b) Subject to DuluxGroup acquiring a relevant interest (as that term is defined in the TIA) in Alesco shares of 90%, Alesco may (at its discretion) determine to pay a fully franked dividend of up to \$0.27 per share (**Additional Discretionary Dividend**) conditional on DuluxGroup declaring the Offer free of all defeating conditions.
- (c) The Offer will be revised such that:
 - (i) the amount payable by DuluxGroup will be at least \$1.63 per share, being \$2.05 less the amount of any Additional Discretionary Dividend and the fully franked dividends paid by Alesco on 7 September 2012; and
 - (ii) shareholders which are shareholders on the record date for any Additional Discretionary Dividend will receive a fully franked dividend of up to \$0.27 per share from Alesco.
- (d) If a Favourable Tax Ruling is not received by Alesco or it becomes clear that the Additional Discretionary Dividend, if paid, cannot be fully franked, the Additional Discretionary Dividend will not be paid.
- (e) The Additional Discretionary Dividend will be funded:
 - (i) by Alesco drawing down (to the maximum extent possible in a financially prudent manner) funds from any Alesco (or Alesco Subsidiary) debt facilities; and
 - (ii) to the extent the Additional Discretionary Dividend cannot be fully funded under (i) above, by a loan provided by DuluxGroup on arms length terms.
- (f) The record date for any Additional Discretionary Dividend will be 7 business days after the date that Alesco determines to pay the Additional Discretionary Dividend unless the parties agree otherwise.

2 Offer conditions

DuluxGroup will waive all conditions to its offer other than minimum acceptance, no prescribed occurrences and index out. DuluxGroup agrees that it will not rely on the Index out condition unless the S&P/ASX 200 index closes below 3,750 for 3 or more consecutive trading days.

Unless the TIA is terminated, DuluxGroup will not waive any remaining defeating conditions of the Offer before the date that is 3 business days after the record date for the Additional Discretionary Dividend (**Declaration Date**).

3 Recommendation

- (a) The Alesco Board agrees to unanimously recommend the Offer (and maintain that recommendation for the duration of the Offer) subject to:
 - (i) there being no superior proposal;
 - (ii) the Additional Discretionary Dividend being paid; or

- (iii) the TIA not being terminated.
- (b) Each Alesco director intends to accept the Offer for shares they own or control within 5 business days and will not withdraw such acceptance except if the TIA is terminated.
- (c) Alesco will in good faith provide support for the Offer and if requested by DuluxGroup, procure that its Board and management will reasonably assist DuluxGroup to acquire a relevant interest in Alesco shares of at least 90%.
- (d) Alesco will facilitate integration planning, provided such measures do not disrupt the day to day operations of the Alesco business.

4 Tax ruling

Alesco must within 5 business days of the date of the TIA (in consultation with DuluxGroup) seek a class ruling on behalf of Alesco shareholders from the ATO in relation to the Additional Discretionary Dividend which seeks to confirm that:

- (a) Alesco shareholders are not precluded from entitlement to the franking credits and associated tax offset attached to the Additional Discretionary Dividend;
- (b) the amount of the capital proceeds received by Alesco shareholders in respect of the takeover offer excludes any Additional Discretionary Dividend paid; and
- (c) the Commissioner of Taxation will not make a determination under section 204-30(3)(c) of the Income Tax Assessment Act 1997 or section 177EA(5)(b) of the Income Tax Assessment Act 1936 to deny any franking benefits on any Additional Discretionary Dividends.

5 Exclusivity

- (a) Until the TIA is terminated, Alesco agrees to usual no shop and no talk provisions such that they will not solicit any competing transactions. The no shop provision is subject to a fiduciary exception for a competing transaction to acquire 100% of the Alesco shares which the Alesco Board determines in good faith and acting reasonably that it may reasonably be expected to lead to a superior proposal.
- (b) Alesco agrees to promptly notify DuluxGroup of any approaches which may lead to a competing transaction which it or its advisers receives (and all material details in relation to such proposal).

For the purposes of the TIA, a competing transaction will include any transaction relating to the sale of a material business of Alesco, including for the avoidance of doubt any of the following divisions (or a material part of the relevant division): Garage Doors & Openers; Cabinets, Windows & Appliances; and Construction Products & Equipment.

6 Conduct of business

Alesco agrees, among other matters, to:

- (a) not take or omit to take any action within its control which would breach any of the conditions in sections 9.7(l) and 9.7(h) of the bidder's statement (including if already waived);
- (b) advise DuluxGroup monthly of its net debt and amount drawn under its debt facilities and promptly advise DuluxGroup of any change in its net debt position or the amount drawn under its debt facilities that is outside the ordinary course of business; and
- (c) conduct its business in the ordinary course.

7 Change of board

Alesco agrees that on the day following the Declaration Date, and provided that DuluxGroup has declared the Offer free of all defeating conditions by then, Alesco will use its reasonable endeavours to procure that all of the existing directors resign from the Alesco Board and three DuluxGroup nominees are appointed to the Alesco Board, provided that a validly constituted board is in place at all times.

8 Termination

The TIA may be terminated by:

- (a) Alesco, if a majority of Alesco directors determine that a competing transaction is a superior proposal and to recommend that proposal;
- (b) DuluxGroup, if a majority of Alesco directors or the Alesco chairman recommend a competing transaction withdraw or adversely change their recommendation;
- (c) the non-defaulting party, if the other party has materially breached this agreement and failed to remedy that breach within 5 business days of receiving written notice from the non-defaulting party to do so; or
- (d) either party, if:
 - (i) an Additional Discretionary Dividend is not paid by 31 December 2012;
 - (ii) a Favourable Tax Ruling is not received by 31 December 2012;
 - (iii) DuluxGroup does not acquire a relevant interest of 90% or greater before 31 December 2012; or
 - (iv) it becomes clear that an Additional Discretionary Dividend, if paid, cannot be fully franked.

9 Consequences of Termination

- (a) If the TIA terminates, DuluxGroup may, at its sole discretion, waive any or all of the remaining defeating conditions of the Offer.
- (b) If a party terminates this agreement under clause 8(c) (the Terminating Party), the other party must pay the Terminating Party's costs of implementing the transaction under this agreement up to an amount of \$2,000,000 (excluding GST) within 10 business days of receiving the Terminating Party's written demand.

10 Withdrawal rights

If the TIA is terminated, DuluxGroup will permit retail shareholders and Alesco directors to withdraw acceptances of the Offer in the 15 business days after the date of termination. This clause survives termination of the TIA.

11 ALSAF

As soon as possible after the date of the TIA, Alesco will terminate the Alesco Shareholder Acceptance Facility in accordance with the terms of that facility and all acceptance instructions under the facility will be returned in accordance with those terms.

12 Performance Rights Plan

DuluxGroup agrees that if it declares the Offer unconditional, Alesco's Board is permitted to determine to cancel any or all of the Performance Rights and in consideration immediately pay the relevant Performance Rights holder \$2.05 for each Performance Right cancelled. DuluxGroup agrees to fund the payment for the cancellation of the Performance Rights.

13 Interpretation

For the purposes of the TIA:

A **Favourable Tax Ruling** is a draft class ruling (or other document agreed between the parties as providing sufficient comfort the draft ruling will be issued) issued by the ATO which Alesco determines, acting reasonably adequately provides the confirmations set out in clause 4(a) and (c).

A reference to **Performance Rights** means the 1,337,592 "Performance Rights" as at the date of this agreement granted under the Alesco Performance Rights Plan Rules approved at the 2010 Annual General Meeting.

Relevant interest includes any shares the subject of acceptance instructions in an acceptance facility and any shares which Alesco and DuluxGroup (both acting reasonably) agree are held by index funds.

A **superior proposal** is a bona fide proposal for the acquisition of 100% of the issued shares of Alesco which has the same or superior conditionality and certainty as the DuluxGroup offer, which is capable of being implemented within 6 months and which, after taking advice from Alesco's financial advisers, the Alesco Board considers is at a superior offer price.