

# **BRICKWORKS**

LIMITED

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

12 June 2003

## **FOR IMMEDIATE RELEASE**

Dear Sir

### **INCREASED TAKEOVER OFFER FOR BRISTILE LTD**

Brickworks Limited ("Brickworks") (ASX: BKW) refers to the takeover offer by its wholly owned subsidiary, The Austral Brick Co Pty Limited ("Austral"), for all the ordinary shares in Bristile Limited ("Bristile") (ASX: BRS) and to the announcement yesterday that Austral will increase its unconditional offer for all the outstanding shares of Bristile to \$3.50 cash per share and extend the closing date of the offer to 7.00pm Friday 4 July 2003 (Sydney time).

Austral will today complete the formal steps required to extend and increase its offer and will send a letter to Bristile shareholders confirming the increased offer of \$3.50 cash per share and the new closing date of Friday 4 July 2003, together with an acceptance form which reflects the new price and closing date. A copy of the letter to be sent to Bristile shareholders is attached.

All Bristile shareholders who have accepted and who accept the increased offer of \$3.50 cash per share in the future will benefit from the increased offer. Austral will pay all shareholders who accept the offer within seven days of receiving their acceptance.

Brickworks urges Bristile shareholders to accept the Austral offer without delay.

Yours sincerely



ALEX J PAYNE  
Company Secretary

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## **BRICKWORKS LIMITED**

ABN 17 000 028 526

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12 June 2003

Dear Fellow Shareholder

**Unconditional Offer for Your Bristile Limited Shares - Bid Price Increased to \$3.50**

I am writing to advise that The Austral Brick Co Pty Limited ("Austral"), a wholly-owned subsidiary of Brickworks Limited ("Brickworks"), has **increased its offer to \$3.50 cash per share** for your Bristile shares. Austral has already declared the bid **free from all remaining conditions**.

The **closing date** for the offer has been extended until 7.00 pm on **Friday 4 July 2003** (Sydney time). Formal notices relating to the price increase and extension of the offer are enclosed. An **acceptance form is also enclosed** which reflects the new price and closing date.

**Austral will pay all shareholders who accept the offer within seven days** of receiving their acceptance (or within seven days of this letter in the case of shareholders who have already accepted the offer). You will not pay any brokerage or stamp duty if you accept, however, Austral will pay a handling fee to brokers who initiate acceptances of its offer.

**DECIDE FOR YOURSELF**

You should consider whether, in the absence of Austral's offer and the profit and dividend forecasts released as part of Bristile's defence, you could realise \$3.50 for your shares, particularly as no alternative bidder has emerged. As acknowledged by Grant Samuel, the Bristile-appointed Independent Expert, Bristile's share price is likely to fall in the absence of Austral's offer or an alternative proposal.

While the offer is still open, you can either accept it or sell on market. However, you should consider the following factors rather than do nothing and risk Bristile's price lapsing to pre-bid levels once the offer is closed.

**1. Bristile Directors accepted far less than \$3.50**

Last year, both Bristile's Managing Director and its Finance Director personally sold Brickworks a total of 3.2 million shares for \$3.01 per share.

**2. Austral's bid is fully priced at \$3.50**

The bid price is well above the highest price at which Bristile shares ever traded prior to Austral's offer and is:

- 27.7% higher than Bristile's pre-bid three-month volume-weighted average price of \$2.74;
- 20.7% above Bristile's closing share price of \$2.90 the day before the bid was announced;
- 48.9% above the \$2.35 price at which Bristile's shares traded in June last year; and
- within the range of \$3.45-3.82 at which Grant Samuel valued Bristile shares.

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### **3. Bristile's "New" Earnings Forecasts are still only that**

Following Austral's offer, Bristile's Independent Directors released a series of new higher profit forecasts, accompanied by an increased dividend forecast.

The second forecast increase was due predominantly to higher earnings from property sales included in sundry income, which now represents \$7.1 million (11%) of forecast profit before tax for 2003 and \$8.5 million (12.5%) for 2004. You should note that Grant Samuel did not include earnings from property sales in the earnings it capitalised to value Bristile's operating business, but instead attributed a separate value to "property ...planned for development".

Bristile is now forecasting a 2003 dividend payout ratio of 75%. You should ask whether such a high payout ratio is sustainable in a cyclical industry.

### **4. Threat of competition**

Bristile's strategic position, market share and earnings are under serious threat in Western Australia, where Bristile has nearly 43% of its total brick production capacity. Its major customer, BCG, recently confirmed plans to enter that market by building a large brick plant, while its major competitor, Boral's Midland Brick, has announced substantial expansion plans. Perhaps competitors prefer to take market share from Bristile rather than buy the company.

### **5. Bid Price is within Independent Expert's Valuation Range**

Austral's offer price is within the \$3.45-3.82 range at which Grant Samuel valued Bristile shares.

In arriving at these values, Grant Samuel used earnings multiples that were, depending on the multiple used, between 19%-68% higher than those of Bristile's much larger competitors, Boral and CSR, and higher than the majority of Grant Samuel's Selected Transaction Multiples.

Grant Samuel also justified its values based, among other things, on Bristile's "significant strategic attraction for participants in the Australian building materials industry", but Bristile's "strategic position" is already under serious threat in Western Australia. It also says Transaction Multiples reflect "expected synergy benefits...and expected or actual competition for the acquisition". Yet Grant Samuel acknowledges that synergy benefits are not likely to be material.

### **6. No Alternative Offer in three months**

No other bidder has emerged since the offer was announced on 4 March 2003, despite Bristile having ample opportunity to generate interest.

I encourage you to accept Austral's **unconditional** cash offer of **\$3.50** before it closes on 4 July 2003. To accept, simply follow the instructions on the enclosed acceptance form and Austral's bidder's statement. If you have any questions or need new documents, please call the shareholder information line on 1300 556 090 (from Australia) or +61 3 3649 5215 (outside Australia).

Yours faithfully



Robert Millner  
Chairman