



AFFINITY EDUCATION

G R O U P

ABN 37 163 864 195

6 July 2015

Dear Shareholder,

As you may be aware from recent media reports, on Friday 3rd July, G8 Education Limited ("G8"), a company which also provides child care services, announced its intention to make an all-scrip takeover offer to acquire all of the shares in your company, Affinity Education Group Limited ("Affinity"). The day before making this announcement, G8 acquired, for cash consideration, approximately 16% of Affinity's shares on issue on market.

Attached is a copy of an announcement that your Directors issued to the ASX today which provides initial information to Affinity shareholders about G8's actions, and a previous proposal received from G8 which make it clear that G8's share acquisitions and its current proposal are highly opportunistic.

At this stage, Affinity has **not** received a formal takeover offer from G8. Upon receipt of a formal Takeover Offer ("Offer") from G8 the Affinity Board, with the assistance of its financial, legal and other expert advisers, will undertake a detailed analysis of the Offer and then provide a recommendation to shareholders as to what action we believe you should take, if any.

Over the coming weeks you will receive a formal Bidders Statement from G8 and the formal Target's Statement that will be prepared by the Affinity Board. Until such time as you have received and considered the information presented in both documents, we recommend that you take no action in relation to this matter, other than to consult with your usual professional financial adviser.

Yours faithfully,

Stuart James  
Chairman

6 July 2015

## Affinity Education Appoints Advisers to Assess G8's Proposed Offer

Affinity Education Group Limited (**Affinity**) has appointed Luminis Partners and Corrs Chambers Westgarth to assist the Board in its assessment of G8 Education Limited (**G8**)'s proposed offer.

Affinity notes the announcement by G8 of an intention to make an off market takeover bid for all of the shares in Affinity for consideration of 1 G8 share for every 4.61 Affinity shares (**Current Proposal**). At the time of the announcement, the Current Proposal was equivalent to \$0.70 for each Affinity share. At close of trading on 3 July 2015, the value of G8 shares was \$3.180 which equates to a value for each Affinity share of \$0.6898.

Affinity also notes that G8 acquired shares in Affinity for \$0.70 cash on Thursday 2 July 2015.

Affinity advises its shareholders that the Affinity Board received an approach from G8 wishing to discuss an indicative merger proposal in April 2015. The chairs and managing directors of G8 and Affinity met on 24 April 2015 to discuss a potential proposal that G8 wished to advance. At that meeting, G8 proposed a nil premium merger between G8 and Affinity (based on the closing price of Affinity and G8 shares on 23 April 2015, this would have involved an equivalent value for each Affinity share of around \$1.105). Affinity advised G8 that it would consider the proposal.

The chairs and managing directors of G8 and Affinity agreed to meet again on 24 June 2015. At that meeting, G8 again proposed a nil premium merger between G8 and Affinity, with Affinity shareholders receiving consideration of G8 shares at a ratio based on the market price of Affinity shares on a spot or 30 day VWAP basis. Based on the closing price of Affinity and G8 shares on 23 June 2015, this would have involved an equivalent value for each Affinity share of around \$0.825 (**Previous Proposal**).

The Affinity Board met to consider the Previous Proposal on 25 June 2015. Affinity advised G8 that the Previous Proposal was not acceptable based on (among other things) the Affinity Board's view that an \$0.825 offer undervalued Affinity. Affinity advised G8 that Affinity was prepared to continue to engage in discussion with G8 but only if G8 revised the Previous Proposal.

G8 advised that it would respond to Affinity within 10 days before 4 July 2015.

Before the announcement on 3 July 2015, Affinity had not received any further proposal from G8.

At the time of discussions relating to the Previous Proposal, Affinity agreed to keep these discussions confidential.

However, in light of the subsequent unsolicited announcement of the highly conditional Current Proposal, Affinity considers that, in advance of its detailed advice in its Target Statement, it is important that shareholders are aware that G8 was very recently prepared to offer a higher value for Affinity shares which the Affinity Board had considered was inadequate.

This makes it clear that G8's share acquisitions and the Current Proposal are highly opportunistic.

Affinity is concerned to ensure that the acquisition of Affinity shares by G8 takes place in an efficient, competitive and informed market. Affinity will raise its concerns with the regulator (ASIC).

Until the Affinity Board has given further guidance, shareholders are strongly advised to Take No Action in relation to G8's announcement.

For further information please contact:

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**About Affinity Education Group Limited**

Affinity Education Group Limited has been established to be a leading provider in the Australian market of high quality education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care.

