

This is the second supplementary target's statement under section 644 of the Corporations Act 2001 (Cth) issued by Affinity Education Group Limited (Affinity) in connection with the off-market and market takeover offers by G8 Education Limited ACN 123 828 553, and was approved by a resolution passed by the directors of Affinity.

This statement supplements, and should be read together with, Affinity's target's statement dated 24 August 2015 and Affinity's supplementary target's statement dated 27 August 2015. A copy of this second supplementary target's statement was lodged with ASIC on 17 September 2015. Neither ASIC nor any of its officers take any responsibility for the content of this supplementary target's statement.

Signed for and on behalf of Affinity
Education Group Limited by



Paul Cochrane
Company Secretary

Date: 17 September 2015



AFFINITY EDUCATION

G R O U P

ABN 37 163 864 195

SECOND SUPPLEMENTARY TARGET'S STATEMENT

17 September 2015

Dear Shareholder,

Affinity Education Group Limited and Anchorage Childcare Pty Limited have entered into an agreement to implement a scheme of arrangement for \$0.92 cash for each Affinity share you hold (the "Anchorage Scheme"). The Anchorage Scheme is currently conditional on Anchorage confirming, by 21 September 2015, that it has obtained certain financing commitments.

G8's Cash Offer is \$0.80 for each Affinity share. G8's Share Offer is currently \$0.765¹ for each Affinity share. G8 has announced that if Anchorage obtains its financing commitments, G8 will not extend either of the G8 Offers, so that the G8 Offers will lapse on 28 September 2015. Your Directors recommend that you **REJECT** the G8 Offers.

Your Directors also intend to **UNANIMOUSLY RECOMMEND** the Anchorage Scheme and **VOTE IN FAVOUR** of the Anchorage Scheme, in the absence of a superior proposal.

1. Background to the Anchorage Scheme and G8 Offers

As you know, G8 Education Limited (G8) has made a Cash Offer of \$0.80 per Affinity share and a Share Offer of 1 G8 share for every 4.25 Affinity shares (G8 Offers). The Share Offer has an implied value of \$0.765² for each Affinity Share. G8 has declared that each of the G8 Offers is final and will not be increased.

Your Directors³ appointed an Independent Expert to assist them in their assessment of the G8 Offers. The Independent Expert appointed by your Directors has concluded that the G8 Offers are **NEITHER FAIR NOR REASONABLE**.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND YOU REJECT BOTH G8 OFFERS.

In response to the G8 Offers, your Directors sought out other interested parties with the aim of achieving a superior outcome for Affinity shareholders.

Affinity has now announced a revised proposal with Anchorage which involves a scheme of arrangement under which Anchorage will acquire all of the issued ordinary shares in Affinity and Affinity shareholders will receive \$0.92 cash for each share (**Scheme Consideration**).

¹ Implied value, based on G8's closing share price of \$3.25 on 16 September 2015.

² Based on G8's closing share price on 16 September 2015.

³ The Affinity Board has established an independent board subcommittee to consider the G8 Offers and the proposal from Anchorage. The husband of one of the Affinity Directors, Ms Gabriel Giufre, is working with Anchorage in relation to the Anchorage Proposal. Accordingly, Affinity has adopted protocols (in accordance with the Takeovers Panel's Guidance Note 19: Insider Participation in Control Transactions) to ensure that Affinity's consideration of the Anchorage proposal is free from any influence from Ms Giufre and that any disclosure of sensitive information is subject to appropriate oversight and control. A reference to your "Directors" or "Board" in this letter is a reference to the independent board subcommittee.

The Anchorage Scheme replaces the original Anchorage proposal of \$0.90 cash for each Affinity share that was announced on 24 August 2015.

2. What is the Anchorage Scheme and when will it proceed?

The Anchorage Scheme is an arrangement between Affinity and its shareholders. Under the Anchorage Scheme, all of the issued ordinary shares in Affinity will be acquired by Anchorage for \$0.92 for each share.

Affinity's obligations to proceed with the Anchorage Scheme are conditional upon Anchorage announcing to ASX by no later than 10:00 am (Sydney time) on 21 September 2015 that it has sufficiently detailed binding commitments in place to fund its obligations to pay the Scheme Consideration.

The Anchorage Scheme also requires:

- approval by at least 50% of Affinity shareholders present and voting (either in person or by proxy) at a shareholders meeting, holding at least 75% of the votes cast on the resolution; and
- approval by a court following the shareholders meeting.

The shareholders meeting to implement the scheme is expected to be held in November 2015. If all the shareholder and court approvals are obtained, the Anchorage Scheme is expected to be implemented in December 2015 and you will be paid \$0.92 for each Affinity share you hold.

An indicative timetable for the Anchorage Scheme is set out at the end of this letter.

3. G8 intends to vote in favour of the Anchorage Scheme and not extend the G8 Takeover Offers

G8 has announced that it intends to vote all of the Affinity shares it holds, at the time of the scheme meeting, in favour of the Anchorage Scheme, provided that:

- the scheme meeting is held before 14 January 2016;
- the Affinity Board recommends, and does not withdraw its recommendation, that Affinity shareholders vote in favour of the Anchorage Scheme in the absence of a superior proposal; and
- no superior proposal is announced, which is recommended by the Affinity Board.

G8 and Affinity have also entered into a voting deed, under which G8 has agreed, subject to the confirmation by Anchorage that it has arranged the financing for the Anchorage Scheme:

- not to extend the G8 Takeover Offers so that the G8 Takeover Offers will close on 28 September 2015; and
- to appoint irrevocably, for no consideration, the chair of Affinity as G8's proxy to vote 33,560,488 Affinity Education shares held by G8, which represent approximately 14.5% of Affinity's issued ordinary share capital, in favour of the Anchorage Scheme. The proxy may be withdrawn if any of the conditions described above in relation to G8's voting intention announcement are not met.

4. Who is Anchorage and how will they fund the purchase price?

Anchorage is a leading Australian private equity firm with over A\$450 million in funds under management, which has made significant investments in Asia-Pacific. Anchorage's investments include Dick Smith, Burger King NZ and Golden Circle.

Anchorage proposes to fund the scheme consideration through a combination of external debt, equity from Anchorage Capital Partners Fund II and binding equity support from institutional co-investors with whom Anchorage has long term established relationships.

5. Your Directors intend to unanimously recommend the Anchorage Scheme

Your Directors intend to **UNANIMOUSLY RECOMMEND** the Anchorage Scheme and **VOTE IN FAVOUR** of the Anchorage Scheme, in the absence of a superior proposal.

The Anchorage Scheme provides a superior outcome for Affinity shareholders compared to G8 Cash Offer and G8 Share Offer (together, **G8 Takeover Offers**) by G8 Education Limited (G8), being at a:

- 15.0% premium to the G8 Cash Offer; and
- 20.3% premium to the implied value of the G8 Share Offer.⁴

The Scheme Consideration falls within the range of \$0.92 to \$1.00 previously assessed by the Independent Expert, Lonergan Edwards & Associates, as being fair value for each Affinity share.

Your Directors continue to recommend unanimously that you reject the G8 Takeover Offers.

6. What should you do now?

You should **REJECT** the G8 Offers.

To reject the G8 Offers, **DO NOT RESPOND** and **DO NOTHING** in relation to any documents sent to you by G8.

Affinity shareholders do not need to take any further action in relation to the Anchorage Scheme at this time. Affinity will announce to ASX **by no later than 10:00 am (Sydney time) on 21 September 2015** whether Anchorage has confirmed that it has obtained financing commitments for the Anchorage Scheme.

An explanatory statement containing information relating to the Anchorage Scheme, reasons for your Directors' recommendation, an independent expert's report and details of the shareholders meeting is expected to be sent to Affinity shareholders in October 2015.

Affinity shareholders will then be given the opportunity to vote on the Anchorage Scheme at a meeting expected to be held in November 2015. Subject to shareholder approval, the Anchorage Scheme is expected to be implemented in December 2015.

7. Indicative timetable

Set out below is an indicative timetable for the Anchorage Scheme:

Indicative timetable	
Event	Date
Anchorage to notify Affinity if Anchorage financing has been obtained	No later than 10.00 am Monday, 21 September 2015
First court hearing to convene shareholders meeting	Wednesday, 14 October 2015
Dispatch Explanatory Booklet to Affinity shareholders	Wednesday, 21 October 2015
Shareholders Meeting to approve Anchorage Scheme	Friday, 20 November 2015
Second court hearing to approve Anchorage Scheme	Monday, 30 November 2015
Effective Date of Anchorage Scheme – lodge office copy of Court order approving the Anchorage Scheme with ASIC	Tuesday, 1 December 2015
Record Date for participating in Anchorage Scheme	7:00 pm on Tuesday, 8 December 2015
Implementation Date – pay Scheme Consideration to Affinity shareholders	Tuesday, 15 December 2015

Note: This is an indicative timetable only and is subject to change, including following any regulatory consultation, as may be required by the court and court availability.

⁴ Based on an implied value of \$0.765 for each Affinity share, based on G8's closing share price of \$3.25 on 16 September 2015.

Your Directors thank you for continued support and ask that you continue this support until 21 September 2015 when your Directors will confirm whether Anchorage has obtained financing commitments for the Anchorage Scheme.

Shareholder Information Line

Affinity shareholders who have questions about the G8 Offers or the Anchorage Scheme can call the Affinity Shareholder Information Line on 1300 911 275.

For further information please contact:

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Yours faithfully,

A handwritten signature in black ink, appearing to read 'Stuart James', with a long horizontal flourish extending to the right.

Stuart James
Chairman