



AFFINITY EDUCATION

G R O U P

ABN 37 163 864 195

21 September 2015

Anchorage confirms the financing condition under the proposed scheme of arrangement for \$0.92 cash for each Affinity share (“Anchorage Scheme”) has been satisfied.

Your Directors¹ UNANIMOUSLY RECOMMEND the Anchorage Scheme and intend to VOTE IN FAVOUR of the Anchorage Scheme, in the absence of a superior proposal.

On 15 September 2015, Affinity announced that it had entered into a scheme implementation deed with Anchorage Childcare Pty Limited (**Anchorage**) to implement a scheme of arrangement for \$0.92 cash for each Affinity share. The Anchorage Scheme was conditional on Anchorage announcing to ASX that it obtained certain financing commitments (**Financing Condition**).

In connection with the Anchorage Scheme, Affinity also entered into a voting deed with G8 Education Limited (**G8**). Certain obligations of G8 under the voting deed were also subject to satisfaction of the Financing Condition.

Anchorage has today confirmed and announced that it has obtained the funding commitments necessary to satisfy the Financing Condition. A copy of Anchorage’s announcement can be found in **Annexure A**. Now that the Financing Condition has been satisfied, Affinity and Anchorage are now obliged to proceed with the Anchorage Scheme in accordance with the scheme implementation deed between the parties.

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

G8 has announced that it intends to vote in favour of the Anchorage Scheme and will not extend the G8 Takeover Offers². Your Directors recommend that you **REJECT** the G8 Takeover Offers.

Affinity 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:

Justin Laboo
Chief Executive Officer
Affinity Education Group Limited
Tel: +61 7 3513 7700

Simon Mordant
Executive Co-Chairman
Luminis Partners
Tel: +61 2 9001 0201
Mob: +61 411 406 229

Peter Brownie
Managing Director
Luminis Partners
Tel: +61 2 9001 0205
Mob: +61 411 426 869

¹ 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.

² The voting intention statement from G8 may be withdrawn in certain circumstances, as set out in Anchorage’s announcement.

Annexure A – Anchorage announcement

21 September 2015

ANCHORAGE CONFIRMS SATISFACTION OF FINANCING CONDITION IN RELATION TO ITS UNANIMOUSLY RECOMMENDED ACQUISITION OF AFFINITY EDUCATION GROUP LIMITED FOR \$0.92 CASH PER SHARE BY SCHEME OF ARRANGEMENT

- **Anchorage Childcare Pty Limited confirms the financing condition under the proposed scheme of arrangement with Affinity (Anchorage Scheme) has been satisfied**
- **Accordingly, Affinity and Anchorage are now obliged to proceed with the Anchorage Scheme**
- **Affinity shareholders will receive \$0.92 per share if the Anchorage Scheme is implemented**
- **Affinity's Independent Board Committee has agreed to unanimously recommend the Anchorage Scheme and to vote in favour of it, in the absence of a superior proposal**
- **G8 has announced that it intends to vote in favour of the Anchorage Scheme**

On 15 September 2015, Anchorage Childcare Pty Limited (**Anchorage**) and Affinity Education Group Limited (**Affinity**) entered into a scheme implementation deed (**SID**) under which Anchorage will acquire all of the issued shares in Affinity for \$0.92 cash per share (**Scheme Consideration**) by way of scheme of arrangement (**Anchorage Scheme**).

The parties' obligations to implement the Anchorage Scheme were conditional on 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, which are conditional only upon procedural items such as delivery of a draw request, mechanical conditions that can only be satisfied on implementation of the Scheme such as repayment of Affinity's existing banking facility and conditions relating to progressing the Anchorage Scheme such as requisite Affinity shareholder approval, Court approval and lodging of the court order with ASIC (**Funding Commitments**).

Anchorage now confirms that it has these Funding Commitments in place.

This confirmation satisfies the financing condition set out in clause 3 of the SID (**Financing Condition**). Accordingly, Affinity and Anchorage are now obliged to implement the Anchorage Scheme in accordance with the SID.

Affinity's Independent Board Committee has agreed to unanimously recommend, and vote in favour of, the Anchorage Scheme, in the absence of a superior proposal.

The Scheme Consideration of \$0.92 cash per Affinity share under the Anchorage Scheme is within the fair value range assessed by the Independent Expert, Lonergan Edwards & Associates, in connection with the recent takeover bids launched by G8 Education Limited (**G8**).

The Scheme Consideration of \$0.92 cash per Affinity share also represents an attractive premium of:

- 70.4% over the last closing price, of \$0.54 on 2 July 2015 (the last day of trading prior to the announcement of the G8 takeover offers);
- 52.5% over the five day volume-weighted average price to 2 July 2015;
- 28.8% over the one month volume weighted average price to 2 July 2015;

Anchorage Capital Partners
ABN 89 163 169 800
Level 39, 259 George Street,
Sydney NSW 2000 Australia

Tel: +61 2 8259 7777
Fax: +61 2 8259 7778
www.anchoragecapital.com.au

- 15.0% premium to the G8 on-market cash takeover; and
- 22.6% premium to the implied value of the G8 off-market scrip takeover offer (based on the closing as at 18 September 2015).

Anchorage understands that the confirmation provided by it today satisfies the financing condition set out in clause 3 of the voting deed dated 15 September 2015 between Affinity and G8. Anchorage notes G8's announcement on 15 September 2015 (**G8 Announcement**) that G8:

- will not extend its takeover offers so that they will close on 28 September 2015; and
- will irrevocably appoint the Chair of Affinity as G8's proxy to vote 33,560,488 Affinity shares held by G8 Education (**Relevant Affinity Shares**), representing approximately 14.5% of Affinity's issued ordinary share capital, in favour of the Anchorage Scheme (**Proxy Appointment**),

now that the financing condition in the voting deed has been satisfied.

G8 has also announced that it intends to vote all of the other Affinity shares it holds at the time of the Anchorage Scheme meeting (in addition to the Relevant Affinity Shares) in favour of the Scheme (**Voting Intention**).

The Proxy Appointment and Voting Intention are both subject to no "Prescribed Events" (as defined in the G8 Announcement) occurring before the Anchorage Scheme meeting.¹

Anchorage is a newly incorporated company that has been established by funds managed by Anchorage Capital Partners Pty Limited (**Anchorage Capital Partners**). Anchorage Capital Partners 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 Capital Partners' investments include Dick Smith, Burger King NZ and Golden Circle.

Detailed information about the Anchorage Scheme and Anchorage, including Anchorage's funding arrangements, will be set out in a scheme booklet that the parties expect to send to Affinity shareholders in late October 2015.

Anchorage is being advised by Credit Suisse (Australia) Limited and Minter Ellison.

¹ The following are the "Prescribed Events" set out in G8's Announcement:

- the meeting of Affinity shareholders to consider and vote on the Anchorage Scheme is not held before 14 January 2016;
- the Affinity board fails to recommend, or withdraws its recommendation, that Affinity shareholders vote in favour of the Anchorage Scheme in the absence of a superior proposal; or
- a superior proposal is announced by a party other than Anchorage and is recommended by the Affinity board.