SGH | Industrial Services, Media, Energy and Investments

24 August 2018

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgment

Total Pages: 71 (including covering letter)

Dear Sir / Madam

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

In accordance with Listing Rule 3.17.1, we attach a copy of the Notice of Meeting and Explanatory Memorandum as sent to TELYS4 holders today.

Yours faithfully

Warren Coatsworth
Company Secretary

SGH | Industrial Services, Media, Energy and Investments

This is an important document and requires your immediate attention.

You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Resolution.

If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

Notice of meeting and explanatory memorandum

Seven Group Holdings Limited

ACN 142 003 469

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Explanatory Memorandum

Letter from Chairman of the Board of Directors

22 August 2018

Dear TELYS4 Holder,

Seven Group Holdings (**SGH**) is inviting you to attend a meeting of TELYS4 Holders to be held on Monday 24 September 2018 to consider and vote on a proposal for the conversion of TELYS4 that the Company has on issue into ordinary shares of SGH (**Ordinary Shares**) (the **Conversion Proposal**).

The Conversion Proposal gives you the opportunity to receive 4.60645 Ordinary Shares for each TELYS4 you hold. If the vote is passed, it will also give you the option of selling up to 50% of the TELYS4 you hold for cash, at a price of at least $88.00 per TELYS4.

The conversion ratio of 4.60645 Ordinary Shares per TELYS4 has been calculated as the ratio required to deliver $92.50 value for each TELYS4 you hold, based on the 30 day volume average weight price (**VWAP**) of Ordinary Shares. This ratio represents a premium of 14% to the 30 day VWAP of the TELYS4 and a 15% premium based on the closing prices of the TELYS4 and the Ordinary Shares as at 21 August 2018. Note that, at the time of conversion, the market price of the Ordinary Shares into which each TELYS4 will convert could be more or less than $92.50 depending on trading prices at that time which TELYS4 Holders can check at asx.com.au. The cash price of $88.00 offered under the Partial Cash Exit Opportunity represents a 8.5% premium to the closing TELYS4 price as at 21 August 2018.

The Conversion Proposal, if implemented, has benefits including:

- It would allow you to sell your post conversion Ordinary Shares in a more liquid market than the market for your TELYS4;
- The Conversion Ratio of 4.60645 Ordinary Shares per TELYS4 represents a 15% premium to the current trading price of the TELYS4, based on the closing prices of Ordinary Shares and TELYS4 on 21 August 2018; and
- It would enable you to receive cash for up to 50% of your TELYS4 at a minimum price which is a 8.5% premium to the current trading price of the TELYS4, based on the closing price of TELYS4 on 21 August 2018.

As well as the benefits listed above, you should consider the potential disadvantages of the Conversion Proposal, as set out in Section 3, which include that you may prefer the existing yield investment in the TELYS4 and that the price of the Ordinary Shares issued on conversion could fall. TELYS4 Holders are encouraged to read and consider all the information provided before making a decision on whether to vote in favour of the Conversion Proposal.

The SGH Board has considered a range of alternatives available to SGH having regard to the interests of the TELYS4 Holders, Ordinary Shareholders, SGH's financial position, our rights under the terms of the TELYS4 and SGH’s capital structure. Based on this assessment, we believe that the Conversion Proposal is the most suitable option available.

Recognising that different TELYS4 Holders may have different investment preferences, we are also offering you the opportunity to have each of your TELYS4 converted into 4.60645 Ordinary Shares even if the vote on the Conversion Proposal does not pass.

To facilitate your consideration of the Conversion Proposal, KPMG Financial Advisory Services[1] has been appointed as an Independent Expert and has expressed its opinion that: "the Conversion Proposal is in the best interests of TELYS4 Holders".

The Independent Expert's Report, which you should read in full, is contained in Annexure C.

The Board unanimously recommends that you vote in favour of the Conversion Proposal, and those Directors who hold TELYS4 have indicated that they intend to vote their TELYS4 in favour of the Conversion Proposal.

Your vote is important. The Board strongly encourages you to vote either by attending the meeting in person, by voting online or by appointing a proxy, attorney or corporate representative to attend the meeting and vote on your behalf.

If, having read the Explanatory Memorandum, you would like your TELYS4 converted into Ordinary Shares even if the vote fails, it is important that you opt for this on your Proxy Form.

SGH will keep TELYS4 Holders informed of any material developments in relation to the proposal through releases to ASX (which will also be published on SGH's website).

If you have any questions in relation to the proposal, please contact the Shareholder Information Line on 1300 046 609 (for callers within Australia) or +61 2 9290 9611 (for callers outside Australia) or visit http://www.sevengroup.com.au.

Yours sincerely

Mr Kerry Matthew Stokes AC

Chairman, Board of Directors

Seven Group Holdings Limited

[1] KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) hereinafter referred to as KPMG Corporate Finance.

Important information

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the TELYS4 Holders in connection with the meeting to be held on 24 September 2018. The purpose of this Explanatory Memorandum is to provide the TELYS4 Holders with important explanatory information that SGH believes to be material to deciding whether or not to approve the Resolution detailed in the Notice of Meeting.

This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read in conjunction with it.

Board of Directors

In considering whether to vote in favour of the Resolution, the Board of Directors of SGH encourages you to:

- carefully read the whole of this Explanatory Memorandum (including the Independent Expert's Report);
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Conversion Proposal and obtain taxation advice on the effect of the Conversion Proposal being implemented.

They also encourage you to attend the Meeting and vote in person or by proxy.

Not an offer

This Explanatory Memorandum is not an offer of securities. None of the TELYS4 or Ordinary Shares have been or will be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration except in transactions exempt from or not subject to the registration requirements of the Securities Act.

Definitions

Terms and abbreviations used in the Notice of Meeting and Explanatory Memorandum are defined in Annexure B.

Important Information on the Conversion Proposal

1.1 The Conversion Proposal

As explained in section 1.2 below, there have been significant market and other changes since the TELYS4 were issued, which have impacted on their market price of TELYS4.

SGH is putting forward a proposal which provides an opportunity for TELYS4 Holders to have their TELYS4 converted into Ordinary Shares in SGH. Under this proposal, a meeting of TELYS4 Holders will be held to vote on changes to the rights of TELYS4 Holders.

The proposal gives you the opportunity to receive 4.60645 Ordinary Shares for each TELYS4 you hold. If the vote is passed, each TELYS4 will be converted into 4.60645 Ordinary Shares, and you may elect to sell up to 50% of your TELYS4 for cash, at a price of at least $88.00 per TELYS4.

The conversion ratio of 4.60645 Ordinary Shares per TELYS4 has been calculated as the ratio required to deliver $92.50 value for each TELYS4 held, based on the 30 day volume average weight price (**VWAP**) of Ordinary Shares. This ratio represents a premium of 14% to the 30 day VWAP of the TELYS4 and a 15% premium based on the closing prices of the TELYS4 and the Ordinary Shares as at 21 August 2018. Note that, at the time of conversion, the market price of the Ordinary Shares into which each TELYS4 will convert could be more or less than $92.50 depending on trading prices at that time which TELYS4 Holders can check at asx.com.au. The cash price of $88.00 offered under the Partial Cash Exit Opportunity represents a 8.5% premium to the closing TELYS4 price as at 21 August 2018.

If you would like each of your TELYS4 to be converted into Ordinary Shares even if the vote is not passed, you can also elect to have them convert on that scenario. However, the Partial Cash Exit Opportunity will only apply if the vote is passed.

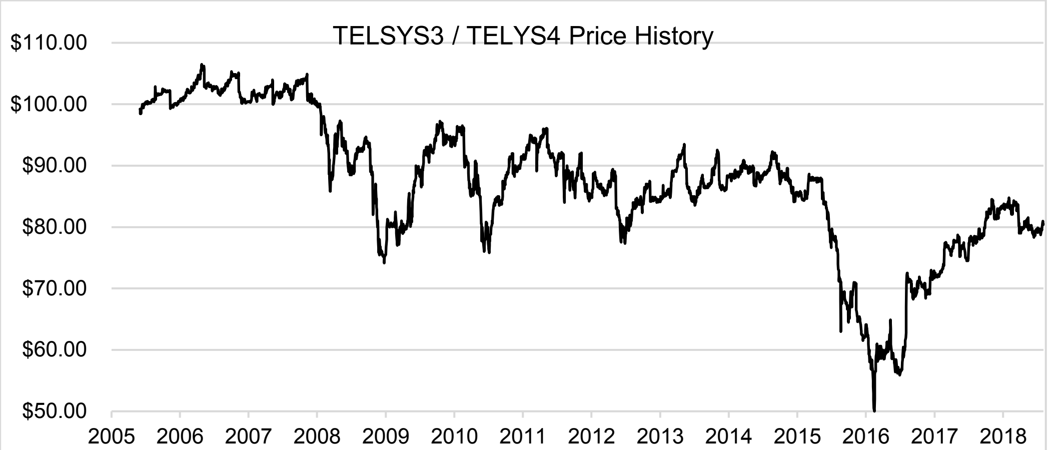
The proposed conversion is not a conversion under the existing conversion terms of the TELYS4. The current terms do not give TELYS4 Holders any rights to have their TELYS4 converted other than when there has been a breach of the dividend or capital restrictions. No such breach exists.

Those terms do give SGH a right to convert the TELYS4. However, having regard to the relative trading prices of TELYS4 and Ordinary Shares over the past ten years, SGH does not consider it appropriate to exercise those conversion rights. SGH does not view that as consistent with the best interests of SGH or Ordinary Shareholders.

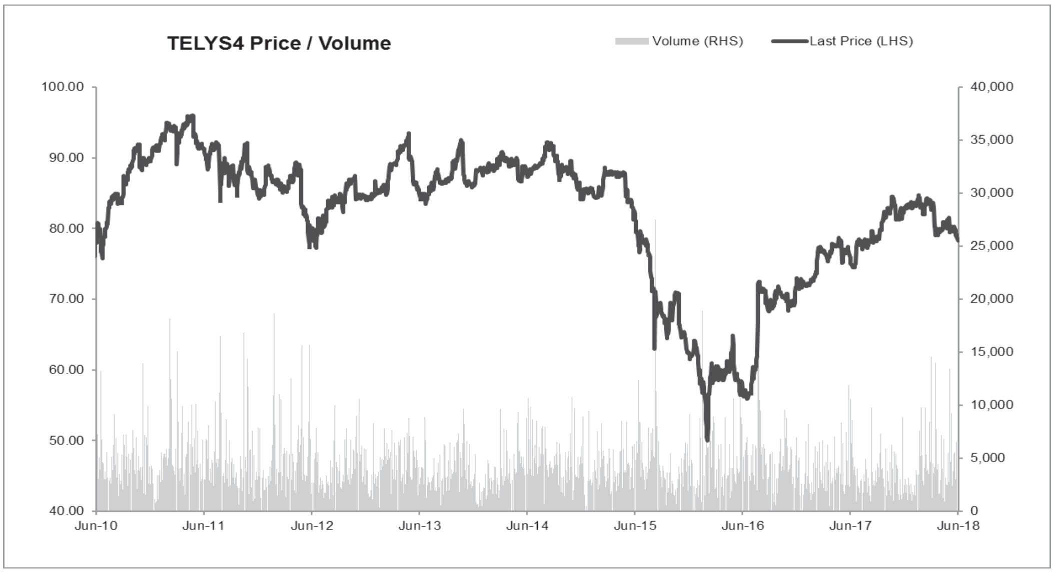
Therefore, SGH is providing this opportunity for TELYS4 Holders to consider, and vote on, whether they wish to convert each TELYS4 into 4.60645 Ordinary Shares.

1.2 Why is SGH proposing these changes?

SGH has been approached by a number of TELYS4 shareholders who have sought to understand why the TELYS4 shares have not enjoyed the share price rally experienced by the Ordinary Shares. Given the nature of the TELYS4 share, as a perpetual non-cumulative share with limited rights, the market since the Global Financial Crisis has not applied the same valuation principles to securities like the TELYS4. As a result, the TELYS4 and their former TELYS3 have traded well below their face value since 15 January 2008.

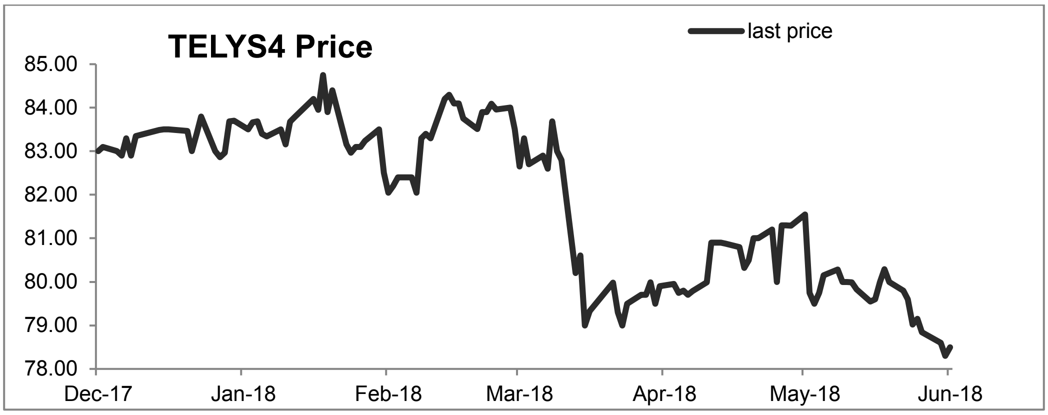


The graph below highlights the value and volume of TELYS4 trades since the formation of SGH which has seen the register trade over 1.2 times at a weighted average price of $81.69.



Since March 2018, the TELYS4 have traded down approximately 8%. This coincided with the announcement of potential tax reform[2] which could impact the refundability of excess imputation credits. The proposed reform, if enacted, would prevent future cash refunds for excess imputation credits for individuals and superannuation funds. Under the proposal, imputation credits would only be a non-refundable tax offset and cash refunds would not arise if imputation credits exceed tax liabilities. Such a policy change, if enacted, would impact a significant number of TELYS4 shareholders. Although it is not known whether this proposal will be enacted, its announcement has impacted TELYS4 and other similar securities across the market.

[2] https://d3n8a8pro7vhmx.cloudfront.net/australianlaborparty/pages/7652/attachments/original/1520827674/180313_Fact_Sheet_Dividend_Imputation_Reform.pdf?1520827674



As such, the potential for tax reform placing further pressure on the TELYS4 price has motivated SGH to consider the restructure option.

1.3 Choices open to TELYS4 Holders

SGH has designed this Conversion Proposal to offer you flexibility by providing you with options with respect to your TELYS4. Some of these options will only be available if the vote is passed. However, a conversion option is also available to you if the vote does not pass but you would still like each of your TELYS4 to be converted into 4.60645 Ordinary Shares.

The choices that are open to you are described below.

1.3.1 Choices open if the vote passes

If the Resolution to approve the Conversion Proposal is passed, you will have the option of electing to participate in either:

- Full Conversion by having all of your TELYS4 converted into Ordinary Shares; or
- the Partial Cash Exit Opportunity by having 50% of your TELYS4 converted into Ordinary Shares with the option of selling the balance for cash for a minimum price of at least $88.00.

Full Conversion and the Partial Cash Exit Opportunity are described in sections 1.4 and 1.6 below respectively.

If, following approval of the Resolution, you elect the Partial Cash Exit Opportunity, you also have the option of either:

- selling the balance of your TELYS4 on the market using the broker appointed by SGH; or
- selling all, or a specified portion, of your TELYS4 on the market using your own broker.

The details of these options are set out in section 1.7.

1.3.2 Choices open if the vote does not pass

You have the option to elect to convert your TELYS4 into Ordinary Shares even if the vote is not passed. If you opt for this, on conversion, you will receive 4.60645 Ordinary Shares for each TELYS4 you hold.

The details of this option are described in section 1.8.

1.4 Full Conversion

Full Conversion allows you to convert all of the TELYS4 you hold into Ordinary Shares.

For each TELYS4 you hold, you will receive 4.60645 Ordinary Shares. Conversion will occur on 27 September 2018.

1.5 How do I participate in the Full Conversion?

If the vote is passed, all of your TELYS4 will be converted into Ordinary Shares in accordance with the Full Conversion unless you elect to participate in the Partial Cash Exit Opportunity.

1.6 Partial Cash Exit Opportunity

If the vote is passed, the Partial Cash Exit Opportunity will apply. Under the Partial Cash Exit Opportunity, you can elect to have only 50% of the TELYS4 you hold converted upfront, and to sell up to 50% for cash.

Initially, 50% of the TELYS4 you hold will be converted into 4.60645 Ordinary Shares per TELYS4 on 27 September 2018.

The remaining 50% of your TELYS4 can then be sold on the market. On 28 September 2018, SGH will stand in the market with offers to purchase any TELYS4 at $88.00. Other buyers in the market may offer to buy your TELYS4 at a higher price than $88.00, in which case you may achieve a higher price for your TELYS4. However, at a minimum, you would receive $88.00 for any TELYS4 you offer for sale under the Partial Cash Exit Opportunity.

SGH will appoint a Sale Facility Broker, who can sell all of your TELYS4 on your behalf if you so elect. If you opt to use the Sale Facility Broker, you will receive the net average proceeds of all TELYS4 sold by the Sale Facility Broker. No brokerage fees will be payable for your use of the Sale Facility Broker

Alternatively, you can, at your own cost, instruct your own broker to sell some, or all, of your TELYS4 for cash. This is explained further in section 1.7 below.

If you elect to use your own broker, the sale broker appointed by SGH will not sell your TELYS4 for cash. It will be up to you to instruct your own broker to sell them. If you have not sold all your remaining TELYS4 by 5.00pm on 28 September 2018, any remaining TELYS4 you own will be converted into 4.60645 Ordinary Shares per TELYS4 on 4 October 2018.

1.7 How do I participate in the Partial Cash Exit Opportunity?

The Partial Cash Exit Opportunity will only apply if the vote is passed.

To participate in this opportunity, you must complete the Election Form in Annexure E and send it to SGH in accordance with the instructions on the Election Form by 22 September 2018.

If you do not send in a completed Election Form by 22 September 2018 and the vote is passed, you will be taken to have elected Full Conversion and all of your TELYS4 will be converted into Ordinary Shares under the process described in section 1.4 above.

As mentioned in section 1.6 above, you have the option of selling your TELYS4 through the SGH appointed Sale Facility Broker or through your own broker. You can make this selection on your Election Form. If you elect to use the Sale Facility Broker, you also authorise and provide consent for 50% of the TELYS4 you hold to be transferred to a custodian of SGH's choosing once the resolution to approve the Conversion Proposal is passed to facilitate the sale of 50% of your TELYS4 through the Sale Facility.

If your Election Form does not specify whether you will sell through the Sale Facility Broker, or through your own broker, you must sell your TELYS4 through your own broker.

1.8 Voluntary Conversion

To give TELYS4 Holders maximum flexibility, SGH is also offering you the opportunity to have your TELYS4 converted into Ordinary Shares even if the vote is not passed.

You can opt to have each of your TELYS4 converted into 4.60645 Ordinary Shares in the event that the Resolution for the Conversion Proposal is not approved.

This conversion is scheduled to occur on 27 September 2018, if the vote does not pass.

The Partial Cash Exit Opportunity will not apply on this scenario. It will only be available if the vote is passed.

To take advantage of this Voluntary Conversion opportunity, you must select the "Voluntary Conversion" option on your Proxy Form.

If you return both the Partial Cash Election Opportunity Election form and a Proxy Form with "Voluntary Conversion" selected, you will participate in the Partial Cash Exit Opportunity if the vote is passed. If the vote is not passed, your TELYS4 will be converted in full under the Voluntary Conversion.

1.9 Board Recommendation

As explained further in section 2.1 below, the SGH Board unanimously recommends that you vote in favour of the Conversion Proposal. Sections 2 and 3 set out various advantages and disadvantages which the SGH Board encourages you to read in considering how to vote.

1.10 Independent Expert's Report

SGH commissioned KPMG Corporate Finance as an independent expert to prepare a report expressing its opinion as to whether the Conversion Proposal is in the best interests of the TELYS4 Holders.

The Independent Expert's Report contained in Annexure C, expresses the opinion that the Conversion Proposal is in the best interests of TELYS4 Holders.

1.11 Impact of the Conversion Proposal on SGH

If the Conversion Proposal proceeds, the capital structure of SGH would consist of Ordinary Shares and the equity aspect of the $350 million convertible notes issued in February 2018. The benefit to SGH of a unified TELYS4 and ordinary capital structure is that it is expected to increase SGH's market capitalisation by approximately $460 million, which would effectively increase the number of Ordinary Shares that can be freely traded – the free float – by 4.4%, to a total of 339,349,949.

By increasing the free float, the likelihood of SGH's inclusion on relevant ASX and MSCI indexes also increases, as those indexes are free float-adjusted. This may drive incremental demand for Ordinary Shares post the conversion being undertaken, as institutions with passive index investment mandates look to increase their Ordinary Shareholding to eliminate tracking error.

The Conversion Proposal will also generate a cash saving to SGH of approximately $14.2 million per annum given the difference in current dividend rates between the

TELYS4 and Ordinary Shares. As such, the Conversion Proposal, if implemented, is expected to increase SGH's earnings per share and to preserve franking credits compared to the current position.

1.12 TELYS4 Holder approval

The Conversion Proposal is a variation of the class rights attached to the TELYS4 which can only proceed with the approval of TELYS4 Holders. This is because the proposal involves a variation to your rights as a TELYS4 Holder.

Annexure A sets out the Resolution which, if passed, will allow for the Conversion Proposal to go ahead by amending the TELYS4 Terms. The Resolution requires approval by a special majority (more than 75%) of votes cast on the resolution by TELYS4 Holders who are present at the Meeting (in person or by proxy). You may elect Voluntary Conversion of your TELYS4 even if the vote is not passed. However, the Partial Cash Exit Opportunity will not apply in that scenario.

1.13 Timing

The indicative timetable for the Conversion Proposal is as follows:

Event	**Date**
Announcement of Conversion Proposal	22 August 2018
Last day of trading of TELYS4	21 September 2018
Suspension of trading of TELYS4	24 September 2018, market open
Meeting of TELYS4 Holders	24 September 2018, 4.00pm
First Conversion Record Date	25 September 2018, 7.00pm
First Conversion Date and Ordinary Shares issued	27 September 2018
Trading of First Conversion Date Ordinary Shares commences	28 September 2018
Suspension of trading of TELYS4 lifted	28 September 2018
Day of trading for on-market sale of TELYS4	28 September 2018
Suspension of trading of TELYS4	28 September 2018, close of trade
Second Conversion Record Date	2 October 2018, 7.00pm

Second Conversion Date and Ordinary Shares issued	4 October 2018
Trading of Second Conversion Date Ordinary Shares commences	5 October 2018

SGH reserves the right to amend this timetable at any time and for any reason. Any amendments will be notified to shareholders via an announcement to ASX.

2 Key reasons to vote in favour of the Resolution

2.1 Board recommendation

The Board unanimously recommends that you vote in favour of the Resolution. In reaching their recommendation, the Board has considered:

- The advantages of the Conversion Proposal, as set out in section 2;
- The disadvantages of the Conversion Proposal, as set out in section 3;
- The other relevant considerations set out in this Explanatory Memorandum; and
- The expression of opinion of the Independent Expert, as set out in Annexure C.

Mr Ryan Stokes and Mr Terry Davis, each of whom hold TELYS4 have indicated that they intend to vote their TELYS4 in favour of the Conversion Proposal.

2.2 Independent Expert conclusion

The Independent Expert has concluded that the Conversion Proposal is in the best interests of TELYS4 Holders.

2.3 SGH capital structure

Over the last ten years the TELYS4 have been thinly traded at a substantial discount to their Face Value. The unification of these two elements of SGH's capital structure would increase the free float of SGH. The conversion into Ordinary Shares is therefore expected to result in TELYS4 Holders being able to sell their shares post conversion in a more liquid market than the TELYS4 market.

In support of this liquidity, it is noted that the average daily volume in dollar terms of Ordinary Shares traded over last financial year exceed average daily volume in dollar terms of TELYS4 traded by 34.6 times or 3,466%.

As such, post conversion, any TELYS4 shareholders who elect to sell their Ordinary Shares will be less likely to move the market, as they will proportionally represent a smaller proportion of the average daily volume of Ordinary Shares traded than they would have as an overall proportion of TELYS4 traded.

2.4 Premium on market price

Assuming all TELYS4 are converted, the conversion ratio represents a 15% premium being received by the TELYS4 Holders on their market prices as at announcement.

The amended conversion terms also provide an option for TELYS4 Holders to monetise up to 50% of their holding at a minimum amount which represents a 8.5% premium to the closing TELYS4 share price as at 21 August 2018.

The fact that TELYS4 Holders have 28 days to consider the Conversion Proposal before they are required to vote will allow them to see whether the price of the Ordinary Shares trades above the effective price used in the conversion ratio post announcement and thus obtain visibility as to how the market values the Conversion Proposal.

Finally, if the vote is passed, the Partial Cash Exit Opportunity provides each TELYS4 Holder with an option to sell 50% of their TELYS4 at $88.00 which is a premium to where the TELYS4 are currently trading, with all resulting costs of sale being met by SGH.

2.5 Proposed Tax Reform

Voting in support of the conversion also mitigates the risk posed by the pre-election tax reform proposal which, if enacted, would effectively reduce the value of imputation credits and therefore the future value of the TELYS4.

2.6 Comparative Total Shareholder Return

The total shareholder return for the past five financial years being the period from 1 July 2013 to 30 June 2018 for the Ordinary Shares was 31%, and for TELYS4 was a loss of 1.3%. Past performance is not a reliable indicator of future performance, and the price and total shareholder return of Ordinary Shares could fall. However, this illustrates that the market since the Global Financial Crisis has not applied the same valuation principles to TELYS4 as to Ordinary Shares, and that, absent the Conversion Proposal, market conditions have been challenging for the TELYS4.

2.7 Voting Rights

TELYS4 shares currently have limited voting rights which effectively only arise where the dividend stopper has been invoked. By contrast, the Ordinary Shares have full voting rights and Ordinary Shareholders can participate in major decisions impacting SGH which require a shareholder vote.

3 Reasons why you may consider voting against the Conversion Proposal Resolution

3.1 Disagree with the recommendation of the Board

Despite the unanimous recommendation of the Board to vote in favour of the Resolution, you may believe that the Conversion Proposal is not in your best interests.

3.2 Disagree with the conclusion or reasoning of the Independent Expert

Despite the expression of opinion of the Independent Expert that the Conversion Proposal is in the best interests of TELYS4 Holders, you may believe that the proposal is not in your best interests.

3.3 Yield Preference

You may prefer to keep the TELYS4 as they currently represent a higher yielding security relative to the Ordinary Shares you would receive under the Conversion Proposal.

3.4 Ordinary Share price movement

The Ordinary Shares may be more susceptible to price volatility given that SGH operates in markets which are sensitive to economic cycles. As noted above, the Ordinary Shares may fall in price, and this potential volatility may offset or outweigh the potential for an increase in the total shareholder return as described in section 2.6.

4 Taxation Considerations

The tax outcomes of the Conversion Proposal will vary depending on your circumstances. It is therefore recommended that you consult with your taxation professional regarding your particular circumstances.

Introduction

This summary has been prepared as a general guide based on Australian tax legislation and practices current as at the date of this Explanatory Memorandum.

It assumes that the income tax consequences of the conversion of your TELYS4 are determined under the Capital Gains Tax ("**CGT**") provisions – this will not be the case, for example, if you are a share trader and hold TELYS4 as a revenue asset.

Has the ATO issued a ruling about the Conversion Proposal?

SGH previously requested and obtained a Class Ruling from the Australian Tax Office ("**ATO**") in 2010 (Class Ruling 2010/14) – publicly available on the ATO website.

CR2010/14, at Paragraphs 37, 38 and 71-81 outlined the tax considerations of a conversion of TELYS4 Holdings into Ordinary Shares under the current TELYS4 Terms.

SGH has requested that the ATO issue an addendum to CR2010/14 on your behalf in relation to the tax implications of the Conversion Proposal, confirming the tax outcomes outlined in CR2010/14 will remain the same under the Conversion Proposal.

SGH has a received an in-principle confirmation and a draft copy of the addendum from the ATO that the tax implications outlined in CR2010/14 regarding conversion of TELYS4 into Ordinary Shares will continue to apply should the Conversion Proposal be approved by TELYS4 Holders.

Formal confirmation from the ATO cannot be given until such time as the Conversion Proposal is approved by TELYS4 Holders. However, this summary accords with what SGH anticipates the final addendum will say, based on the non-binding ATO confirmation that SGH has received.

How will I be able to see a copy of the addendum?

After the addendum is issued, it will be available on the ATO website. A link will also be posted on the SGH website at www.sevengroup.com.au to the addendum and CR 2010/14.

Conversion of a TELYS4 into an SGH share - CGT event

The conversion of a TELYS4 into an Ordinary Share and the entitlement to allotment of an additional number of Ordinary Shares will not give rise to a CGT event for a TELYS4 Holder pursuant to Division 104 of the *Income Tax Assessment Act 1997* ("**the Act**").

Once the TELYS4 are converted, the rights attached to TELYS4 which equate to the rights attached to one Ordinary Share will take effect and all other rights under TELYS4 will no longer apply. Each TELYS4 will entitle the holder to be allotted an additional number of Ordinary Shares.

Shares are comprised of a bundle of rights; however, those rights are not separate pieces of property capable of being divided out and held separately. Accordingly, the rights attaching to shares do not constitute individual assets as defined by section 108-5 of the Act, but rather combine to make up the relevant CGT asset, being the share (Taxation Ruling TR 94/30).

Under section 104-25 of the Act, CGT event C2 happens if, among other things, the ownership of an intangible asset, such as a preference share, ends by the share:

- being redeemed or cancelled (paragraph 104-25(1)(a)); or
- if the share is a convertible interest - being converted (paragraph 104-25(1)(f)).

The mere variation of rights attaching to TELYS4 and allotment of an additional number of Ordinary Shares is not a 'redemption' or 'cancellation' of the share under paragraph 104-25(1)(a) the Act. Further, the conversion of TELYS4 does not involve TELYS4 being converted into equity interests under paragraph 104-25(1)(f), but rather, is consistent with a 'Conversion' as defined according to the TELYS4 Terms.

For completeness we note, that although CGT event C2 does not happen because of the variation of the rights attaching to TELYS4, the receipt of money or other consideration in respect of such a variation may attract the operation of CGT event H2 (paragraphs 10 and 46 to 48 of TR 94/30). Under the proposed amendment to the conversion terms no cash nor other consideration is being provided.

The Conversion Proposal of TELYS4 involving the allotment of additional number of Ordinary Shares will result in an adjustment to the cost base and reduced cost base of TELYS4 under subsection 130-20(3). Accordingly, CGT event H2 does not happen on the conversion of TELYS4 involving the allotment of additional number of Ordinary Shares. It follows from the above that no CGT event happens as a result of the Conversion Proposal.

The issue of bonus shares will not be a dividend because the share issue will be debited to the share capital account of SGH for accounting purposes (paragraph (d) of the definition of 'dividend' in subsection 6(1) of the *Income Tax Assessment Act 1936*).

What is my tax cost base of the Ordinary Shares?

A TELYS4 Holder is to apportion the first element of their cost base and reduced cost base for the TELYS4 in a reasonable way over both the converted TELYS4 and the additional Ordinary Shares in accordance with section 130-20 of the Act.

Pursuant to Item 1 of the table in subsection 130-20(3) of the Act, a TELYS4 Holder will be taken to have acquired the additional Ordinary Shares when they acquired the original TELYS4 and the TELYS4 Holder is to apportion the first element of their cost base and reduced cost base for the TELYS4 in a reasonable way over both the converted TELYS4 and the additional Ordinary Shares.

What if I choose the Partial Cash Exit Opportunity?

If you choose the Partial Cash Exit Opportunity, the normal CGT rules will apply to 50% of your TELYS4 and we recommended that you consult with your taxation professional as the outcome will vary subject to your personal circumstances.

5 Additional information

5.1 Disclosure of Information

SGH is subject to regular disclosure and reporting obligations under the ASX Listing Rules and the Corporations Act.

As a company listed on the ASX, SGH is under an obligation, subject to certain exceptions, to immediately disclose any information which SGH has that a reasonable person would expect to have a material effect on the price or value of SGH's securities.

Copies of information disclosed by SGH under its disclosure and reporting obligations is available on ASX's website at www.asx.com.au.

5.2 Rounding

Where the total number of Ordinary Shares to be allotted to a TELYS4 Holder under the Conversion Proposal is a fraction, that fraction will be disregarded. This approach to rounding is consistent with the approach taken to rounding generally in clause 3.7(c) of the TELYS4 Terms.

5.3 Holder approved Conversion

The proposed clause to which the Resolution refers – that is, the proposed amendment to the TELYS4 Terms to implement the Conversion Proposal is set out below:

'3.11 HOLDER APPROVED CONVERSION

(a) *This clause 3.11 applies not withstanding any other clause in these Terms of Issue.*

(b) *Each TELYS4 confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until the time specified in clauses 3.11(c) or 3.11(j) below.*

(c) *Subject to clauses 3.11(d) and 3.11(e) below, the Company must at 5.00pm (Sydney time) on 27 September 2018 convert either:*

1. *all the TELYS4 held by a Holder; or*
2. *50% of the TELYS4 held by a Holder,*

entitling the Holder to be allotted an additional number of Ordinary Shares equal to one less than 4.60645 *Ordinary Shares per TELYS4. On and from this time:*

3. *all other rights and restrictions conferred on that TELYS4 under these Terms of Issue will no longer have effect; and*
4. *the shares issued will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a specified number of shares so ranking.*

(d) *Subject to clause 3.11(e), at any time prior to 4.00pm on 22 September 2018, a Holder may elect either for the conversion of:*

1. *all of the TELYS4 held by that Holder (**Full Conversion**); or*
2. *50% of the TELYS4 held by that Holder in (**Partial Cash Exit Opportunity**),*

and the Company must make the conversion in clause 3.11(c) in accordance with the Holder's election.

(e) *If a Holder does not make an election in accordance with clause 3.11(d), that Holder will be deemed to elect Full Conversion.*

(f) *In respect of the Partial Cash Exit Opportunity, the Company must, at its own cost:*

1. *appoint a sale broker who may sell TELYS4 on ASX on behalf of Holders (**Sale Broker**); and*

2. *stand in the market on ASX for one trading day being 28 September 2018 (**Buy-back Date**) with orders to buy any TELYS4 which are offered for $88.00,*

(g) *Subject to clause 3.11(h), if a Holder elects the Partial Cash Exit Opportunity, that Holder may elect to:*

1. *sell all of the TELYS4 they hold through the Sale Broker; or*
2. *sell the TELYS4 they hold through a broker of their own choosing by instructing that broker to sell either:*
   i. *all of the TELYS4 held by that Holder; or*
   ii. *any other amount of TELYS4 held by that Holder.*

(h) *If a Holder does not make an election in accordance with clause 3.11(g), that Holder will be deemed to elect to sell through their own broker.*

(i) *On the Buy-back Date, a Holder's TELYS4 will be offered for sale on the market in accordance with their election under clause 3.11(g).*

(j) *On 4 October 2018, being the fourth trading day after the Buy-back Date, at 5:00pm (Sydney time) the Company must Convert any TELYS4 held by a Holder , entitling the Holder to be allotted an additional number of Ordinary Shares equal to one less than 4.60645 Ordinary Shares. On and from this time:*

1. *all other rights and restrictions conferred on that TELYS4 under these Terms of Issue will no longer have effect; and*
2. *the shares issued will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a specified number of shares so ranking.*

(k) *The operation this clause 3.11 does not constitute the cancellation, redemption or termination of the TELYS4 or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clauses 3.11(c) and 3.11(j))*

(l) *Where the total number of additional Ordinary Shares to be allotted to a Holder on conversion of their TELYS4 under this clause 3.11 includes a fraction, that fraction will be disregarded.*

(m) *The Company must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure and maintain, at its own expense, quotation of the additional Ordinary Shares on the Australian Securities Exchange.*

(n) *Each TELYS4 Holder:*

1. *must provide all documentation and execute any authorisation or power necessary, and take all other action necessary or desirable, to effect the conversion of the TELYS4 to Ordinary Shares under either clauses 3.11(c) or 3.11(j) above; and*
2. *appoints the Company and each of its authorised officers severally to be the agent and attorney of the Holder with power in the name and on behalf of the Holder to do all such things and acts including signing all documents, as may be necessary or desirable to be done in order to give effect to this conversion under either clauses 3.11(c) or 3.11(j) above.*

(o) *The Company may determine the manner in which any elections made under this clause 3.11 may be made by Holders.'*

5.4 Voluntary Conversion Term which has been added to the TELYS4 Terms

5.4.1 Voluntary Conversion Term

On 21 August 2018, SGH added the following clause to the TELYS4 Terms:

'3.10 VOLUNTARY CONVERSION

(a) *This clause 3.10 applies notwithstanding any other provision of these Terms of Issue.*

(b) *The Company may, at any time, put forward a proposal to Holders for the conversion of all or some of the TELYS4 on terms the Company deems appropriate (**Voluntary Conversion**).*

(c) *Holders may elect to participate in the Voluntary Conversion.*

(d) *Voluntary Conversion of a TELYS4 will only occur if:*

1. *the Company distributes the terms of the Voluntary Conversion (**Voluntary Conversion Terms**) to Holders which must include:*
    - i. *the number of Ordinary Shares that will be issued on conversion (**Voluntary Conversion Ratio**);*
    - ii. *how Holders can elect to participate and the time period during which Holders can elect to participate in the Voluntary Conversion;*
    - iii. *when the Voluntary Conversion will occur (**Voluntary Conversion Date**);*
    - iv. *any conditions to the Voluntary Conversion; and*
2. *the Holder of the TELYS4 elects to participate in the Voluntary Conversion within the time period specified by the Company in accordance with clause 3.10(d)(1)(ii) above.*

(e) *Each TELYS4 confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until the Voluntary Conversion Date.*

(f) *If the conditions in clause 3.10(d), and any conditions which the Company has specified under clause 3.10(d)(1)(iv), are met, the Company must allot an additional number of Ordinary Shares equal to one less than the Voluntary Conversion Ratio to Holders in accordance with the Voluntary Conversion Terms. On and from the Voluntary Conversion Date:*

1. *all other rights and restrictions conferred on that TELYS4 under these Terms of Issue will no longer have effect; and*
2. *the shares issued will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a specified number of shares so ranking.*

(g) *The operation this clause 3.10 does not constitute the cancellation, redemption or termination of the TELYS4 or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clause 3.10(f).*

(h) *Where the total number of additional Ordinary Shares to be allotted to a Holder on conversion of their TELYS4 under this clause 3.10 includes a fraction, that fraction will be disregarded.*

(i) *The Company must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary* *in order to procure and maintain, at its own expense, quotation of the additional Ordinary Shares on the Australian Securities Exchange.*

(j) *Each TELYS4 Holder:*

1. *must provide all documentation and execute any authorisation or power necessary, and take all other action necessary or desirable, to effect the Voluntary Conversion of the TELYS4 to Ordinary Shares under clause 3.10(f) above; and*

2. *appoints the Company and each of its authorised officers severally to be the agent and attorney of the Holder with power in the name and on behalf of the Holder to do all such things and acts including signing all documents, as may be necessary or desirable to be done in order to give effect to the Voluntary Conversion under clause 3.10(f) above.*

(k) *TELYS4 may only be converted under this clause 3.10 if, immediately following the conversion, there will remain on issue not Converted or Exchanged TELYS4 with an aggregate Face Value of not less than $100 million. If any Voluntary Conversion is oversubscribed, the Company must endeavour to treat Holders on an approximately equal basis, but may discriminate between Holders to take account of the effect of the conversion on marketable parcels and other factors considered by the Company.'*

The term was added in accordance with clause 7(c) of the TELYS4 Terms which provides that SGH can amend the terms without TELYS4 holder approval if the amendment is not materially prejudicial to the interests of the holders.

This term was added, and activated as described in section 5.4.2 below, to enable SGH to be able to offer Voluntary Conversion even if the vote in favour of the Conversion Proposal (which would otherwise apply to all TELYS4 Holders) does not pass (see section 5.4.2 below)

5.4.2 Activation of Voluntary Conversion Term

SGH sets the following terms for Voluntary Conversion under clause 3.10 of the TELYS4 Terms:

i. 4.60645 Ordinary Shares will be issued on conversion of each TELYS4.

ii. TELYS4 Holders may elect to participate in this Voluntary Conversion by lodging the Election Form in Annexure E with Boardroom Pty Limited by no later than 22 September 2018.

iii. The Voluntary Conversion will occur on 27 September 2018.

iv. The Voluntary Conversion is conditional on the Resolution not being passed. If the Resolution is passed, conversion under clause 3.11 of the TELYS4 Terms will occur instead.

5.5 Copies of Documents

SGH will provide a copy of the TELYS4 Terms, as amended, free of charge to any TELYS4 Holder who requests a copy.

5.6 ASX Relief

ASX has granted the following to SGH in connection with the Conversion Proposal:

- Confirmation that the Conversion Proposal and the Voluntary Conversion does not require a vote of Ordinary Shareholders under Listing Rule 7.1.

- Confirmation that the Conversion Proposal and the Voluntary Conversion does not require a vote of Ordinary Shareholders under Listing Rule 10.11.
- A waiver of Listing Rule 7.33 that allows SGH buy-back TELYS4 at the Partial Cash Exit Opportunity Minimum Price of $88.00, even if that price if more than 5% above the 5 day VWAP.

5.7 Sale Facility

The Sale Facility will be open until 5:00pm Sydney time on 28 September 2018. By appointing the Sale Facility Broker, TELYS4 Holders are electing to sell 50% of the TELYS4 they hold, which will be all their remaining TELYS4 after the initial conversion on 27 September 2018.

If the proceeds of sale of any TELYS4 is more than the Partial Cash Exit Opportunity Minimum Price of $88.00, any amount in excess will be allocated to participating TELYS4 Holders in proportion to the number of TELYS4 sold on their behalf. Therefore, the amount that each TELYS4 Holder receives from the sale of their TELYS4 through the Sale Facility may be more or less than the actual price received by the Sale Facility Broker.

Any expenses (including brokerage fees) relating to the sale of the TELYS4 through the Sale Facility will be paid by SGH.

The market price of the TELYS4 is subject to change from time to time. Up to date information about the market price of the TELYS4 can be obtained from a share broker or by visiting the website of the ASX at www.asx.com.au.

5.8 Change of Law provision in TELYS4 Terms

The TELYS4 Terms provide that SGH may convert or exchange the TELYS4 if a change of law occurred which will:

- materially increase the net costs to the Company of having TELYS4 on issue;
- affect whether TELYS4 can be franked or whether the Holders are entitled to franking credits;
- affect whether TELYS4 are classified entirely as equity for accounting purposes; or
- impose additional requirements that the Directors consider unacceptable.

This change of law provision would not provide impacted TELYS4 shareholders with any protection from the proposed change in imputation law described in section 1.2 above.

Based on the information currently available, the policy, if enacted into law, would not:

- increase the cost to the Company of having TELYS4 on issue;
- affect the classification of TELYS4 as entirely equity; or
- impose additional requirements.

The policy would also not affect whether TELYS4 can be franked or whether the TELYS4 Holders are entitled to franking credits. Although franking credits under the policy may be of less value to TELYS4 Holders because of the removal of the cash refund concession, a reduction in the value of franking credits does not trigger the provision. As long as dividends can still be franked, the change of law provision would not be triggered.

5.9 Directors’ and Key Management Interests

The Directors and Key Management Personnel of SGH have relevant interests (held directly, indirectly, beneficially and including their personal related entities) in the following securities of SGH:

SGH – Directors’ and Key Management Personal Interests

As at 30 June 2018	Number of Ordinary Shares	Number of TELYS4
Kerry Matthew Stokes AC	207,304,349	Nil
Ryan Kerry Stokes	378,000	2,500
Annabelle Chaplain	21,339	Nil
Terry James Davis	50,000	15,510
Christopher John Mackay	10,000	Nil
David McEvoy	31,339	Nil
Bruce Ian McWilliam	180,665	Nil
The Hon. Warwick Leslie Smith AM	40,800	Nil
Richard Anders Uechtritz	547,170	Nil
Jarvas Croome	60,144	1,650
Jeff Fraser	3,000	Nil
Richard Richards	45,801	28,245
Murray Vitlich	Nil	Nil

6 TELYS4 Holder Meeting and how to vote

6.1 TELYS4 Holder Meeting

SGH is holding a meeting of TELYS4 Holders on 24 September 2018. At the meeting, TELYS4 Holders will be asked to approve the Resolution. The terms of the Resolution to be considered at the Meeting are contained in the Notice of Meeting.

6.2 Am I able to vote at the Meeting?

Instructions on how to attend and vote at the Meeting (in person, by proxy, online or in person through an attorney or body corporate representative) are set out in the Notice of Meeting. Details of TELYS4 Holders' entitlements to vote at the Meeting are also set out in the Notice of Meeting.

Voting is not compulsory. However, the Board unanimously recommends that TELYS4 Holders vote in favour of the Resolution.

The results of the Meeting will be available as soon as possible after the conclusion of the Meeting and will be announced to ASX once available. The results will also be published on SGH's website at www.sevengroup.com.au.

6.3 Resolution approval requirements

The Resolution requires approval by a special majority (more than 75%) of votes cast on the Resolution of by TELYS4 Holders present and voting at the Meeting (either in person or by proxy).

The Conversion Proposal will only proceed if the Resolution is approved. However, as explained in section 1.8 above, TELYS4 Holders will still have the option to have their TELYS4 converted into Ordinary Shares under Voluntary Conversion if the Resolution does not pass.

7 Key Q&A

Q. Why are we proposing the conversion now?

The Conversion Proposal resolution is being proposed as a result of inquiries made by a number of TELYS4 Holders who have not enjoyed the share price rally experienced by holders of the SGH Ordinary Shares. Since 15 January 2008, TELYS4 have been trading significantly below their face value of $100. Your board is also being proactive in relation to the pre-election tax reform proposal which, if enacted, would impact the refundability of excess imputation credits. See section 1.2 for further details.

Q. What are the rights attached to the TELYS4?

TELYS4 are redeemable convertible preference shares with no maturity date. TELYS4 pay a semi-annual, fully franked dividend at a gross margin of 4.75% over the 180-day bank bill swap rate.

Q. What are the advantages and disadvantages of the Conversion Proposal for TELYS4 Holders?

Advantages (see section 2 for further details)

- The conversion ratio represents a 15% premium on the current market price of the TELYS4, based on closing prices as at 21 August 2018.

- TELYS4 Holders would be able to participate in the more liquid market for Ordinary Shares.
- Conversion could mitigate the risk posed by the pre-election tax reform proposal in respect of imputation credits.
- Ordinary Shares confer full voting rights, as opposed to the limited voting rights under the TELYS4.
- The total shareholder return for the past five financial years being the period from 1 July 2013 to 30 June 2018 for the Ordinary Shares was 31%, and for TELYS4 was a loss of 1.3%. Past performance is not a reliable indicator of future performance, and the price and total shareholder return of Ordinary Shares could fall.

Disadvantages (see section 3 for further details)

- TELYS4 represent a higher yielding security than the Ordinary Shares.
- Ordinary Shares may be more susceptible to price volatility.

Q. How will Ordinary Shareholders be affected if the resolution is passed?

The Conversion Proposal does not require the approval of Ordinary Shareholders.

If the Conversion Proposal is approved, and all TELYS4 Holders elect to participate in Full Conversion into Ordinary Shares, the SGH's ordinary share capital will increase by 22,864,741 shares, with a dilutionary effect on Ordinary Shareholders of 7.2%.

If the Conversion Proposal is approved, and all TELYS4 Holders elect to participate in the Partial Cash Exit Opportunity, at least 50% of the TELYS4 on issue would convert. Whether the other TELYS4 would convert would depend on whether SGH bought them back under the on-market buy-back (in which case they would be cancelled) or another buyer paid more than the $88 on-market buy-back price of them, in which case they would convert into Ordinary Shares. On the least dilutive scenario where all TELYS4 were offered in the Partial Cash Exit Opportunity and bought by SGH in the on-market buy-back, SGH's Ordinary Share capital would increase by 11,432,370 Ordinary Shares, with a dilutionary effect on Ordinary Shareholders of 3.6%.

The Conversion Proposal, if the vote passes, would mean that that dual class structure would no longer exist. Ordinary Shareholders would benefit from increased market capitalisation, potential inclusion or increased weighting in various indexes, cash savings and increased expected earnings per share.

Q. How will SGH be affected if the resolution is passed?

The market capitalisation of SGH will increase which increases the likelihood of SGH's inclusion in ASX and MSCI indexes. This may drive incremental demand for Ordinary Shares. The conversion would also generate a cash saving for SGH, resulting in increased expected EPS. SGH's executive incentive plan is subject to diluted EPS, and as such, there will be no impact on the executive incentives as a result of the conversion. See section 1.11 for further details.

Q. What happens if the resolution does not pass?

TELYS4 Holders will still have the option to convert each of their TELYS4 into 4.60645 Ordinary Shares on 27 September 2018 but there will be no opportunity to participate in the Partial Cash Exit Opportunity. See section 1.8 for further details.

Annexure A

Notice of General Meeting of TELYS4 Holders

Seven Group Holdings Limited (ASX: SVW) (Company)

ACN 142 003 469

Notice is given to the holders of the Transferable Extendable Listed Yield Shares (**TELYS4**) in the Company that a meeting of TELYS4 Holders will be held at the Company's head office at 38-42 Pirrama Road Pyrmont NSW 2009 on 24 September 2018 at 4.00pm (**Meeting**).

The purpose of the Meeting is to consider, and if thought fit, to pass the resolution referred to in this notice.

The enclosed Explanatory Memorandum has been prepared to provide TELYS4 Holders with an explanation of the Resolution to be proposed and considered at the Meeting. The Board of the Company has commissioned KPMG Corporate Finance (**Independent Expert**) to prepare an independent expert's report (**IER**). A copy of the IER is annexed to this Explanatory Memorandum at Annexure C. The Explanatory Memorandum and Independent Expert's Report should be read in conjunction with this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and in the Explanatory Memorandum are defined in Annexure B.

Resolution: To consider, and if thought fit, to pass the following resolution as a special resolution:

'That for the purposes of section 246B of the Corporations Act 2001 (Cth), clause 2.3(a)(i) of the Company's constitution and for all other purposes, approval is given for the variation of the rights attaching to the Transferable Extendable Listed Yield Shares (**TELYS4**) by amending the terms of the TELYS4 by adding the Holder Approved Conversion Term set out in section 5.3 of the Explanatory Memorandum.'

Entitlement to vote: The Board has determined that a person's entitlement to vote at the Meeting will be taken to be the entitlement of that person shown in the Register of TELYS4 Holders at 4.00PM on 22 September 2018.

Voting members can vote in one of two ways:

1. by attending the meeting and voting, either in person (or by attorney), or in the case of corporate members, by corporate representative; or
2. by appointing a proxy to attend the meeting and vote on their behalf, using the proxy form enclosed with this Notice of Meeting.

Proxies: A TELYS4 Holder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote at the Meeting on their behalf.

A TELYS4 Holder entitled to cast 2 or more votes may appoint not more than 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where 2 proxies are appointed, and the appointment does not specify the proportion or number of the TELYS4 Holder's votes, each proxy may exercise half of the votes.

Proxy Forms: If voting members wish to appoint a proxy to vote on their behalf at the meeting, they can do so by completing the proxy form that accompanies this Notice of Meeting and returning it to the Secretary, Seven Group Holdings Limited either:

by mail to the Secretary, Seven Group Holdings Limited, either at:

Company Secretariat, level 4, 38-42 Pirrama Road Pyrmont NSW 2009; or

Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001

by fax to Company Secretariat on +61 2 2777 7192 or to Boardroom Pty Limited on +61 2 9290 9655; or

online at www.boardroomlimited.com.au

For further instructions on voting, please refer to the proxy form.

Proxy forms must be received by Company Secretariat or Boardroom Pty Limited by 4.00pm on 22 September 2018 (being 48 hours before the commencement of the meeting).

If the proxy form is signed by the member's attorney, the original or an original certified copy of the authority under which the attorney was appointed must accompany the proxy form.

The person appointed as proxy does not need to be a member of the Company, and a member can appoint an individual or a body corporate as a proxy. A body corporate appointed as a proxy must also lodge a Certificate of Appointment of a Corporate Representative.

A member who is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes.

If a member who has appointed a proxy to vote on their behalf attends or takes part in the meeting, the proxy appointment is not revoked, but if the member votes on any resolution, the proxy is not entitled to vote, and must not vote, as the proxy on that resolution.

Default to the Chairman Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote those proxies as directed on the proxy form (the Chairman intends to vote all available proxies in favour of all items of business).

If you are attending this meeting please bring this notice and a photocopy of your proxy form with you.

By order of the Board

sign here ►

Secretary

print name Warren Coatsworth

date 22 August 2018

Annexure B

Glossary and interpretation

The meanings of the terms used in the Notice of Meeting and Explanatory Memorandum are set out below.

Term	Meaning
$	Australian dollar.
ASX	as the context requires, ASX Limited (ACN 008 624 691) or the securities market conducted by it.
Board	the board of directors of SGH.
Company or SGH	Seven Group Holdings Limited (ACN 142 003 469).
Conversion Proposal	the proposal to convert the TELYS4 to Ordinary Shares, as detailed in this Explanatory Memorandum.
Corporations Act	the *Corporations Act 2001* (Cth).
Election Form	the form attached in Annexure E.
Explanatory Memorandum	this document, including the annexures to it.
Face Value	The “Face Value” of the TELYS4 under the TELYS4 Terms, being $100.
First Conversion Date	27 September 2018 or such other date as determined by the Board.
First Conversion Record Date	25 September 2018, 7.00pm or such other date as determined by the Board.
Full Conversion	the full conversion described in section 1.4

Term	Meaning
Independent Expert	KPMG Corporate Finance, the independent expert in respect of the Conversion Proposal.
Independent Expert's Report	the independent expert's report issued by the Independent Expert in connection with the Conversion Proposal and attached at Annexure C.
ITAA	*Income Tax Assessment Act 1997* (Cth).
Listing Rules	the official listing rules of ASX.
Meeting	the meeting of TELYS4 Holders to be held at 4.00pm on 24 September 2018 at SGH's head office at 38-42 Pirrama Road Pyrmont NSW 2009 convened by SGH pursuant to its constitution at which TELYS4 Holders will vote on the Resolution.
MSCI	the global equity indexes provided by MSCI Inc.
Notice of Meeting	the notice of meeting relating to the Meeting which is contained in Annexure A of this Explanatory Memorandum.
Ordinary Share	a fully paid ordinary share in the capital of SGH.
Partial Cash Exit Opportunity	the partial cash exit opportunity described in section 1.5.
Partial Cash Exit Opportunity Minimum Price	$88.00 per TELYS4.
Proxy Form	the form attached in Annexure D.
Register of Members	the register of members of SGH maintained in accordance with the Corporations Act.
Resolution	the resolution set out in the Notice of Meeting.

Term	Meaning
Sale Facility	the sale facility described in section 1.7.
Sale Facility Broker	the broker to be appointed by SGH in respect of the sale facility described in section 1.7.
Second Conversion Date	4 October 2018 or such other date as determined by the Board.
Second Conversion Record Date	2 October 2018, 7.00pm or such other date as determined by the Board.
Sydney time	the local time in Sydney, New South Wales, Australia.
TELYS4	the 4,963,640 redeemable convertible preference shares known as Transferable Extendable Listed Yield Shares.
TELYS4 Holder	each person who is registered on the Register of Members as the holder of TELYS4.
TELYS4 Terms	The current terms of the TELYS4.
Voluntary Conversion	the conversion mechanism described in section 1.8.
VWAP	volume weighted average price.

1.1 Interpretation

In this Explanatory Memorandum, unless the context otherwise requires or appears:

(a) Other words and phrases not in the glossary have the same meaning (if any) given to them in the Corporations Act.

(b) Words of any gender include all genders.

(c) Words importing the singular include the plural and vice versa.

(d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(e) A reference to a Section or Annexure is a reference to a section or annexure of this Explanatory Memorandum as relevant.

(f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(g) Headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum.

(h) A reference to time is a reference to Sydney time.

(i) A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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The Directors
Seven Group Holdings Limited
38-42 Pirrama Road
Pyrmont NSW 2009

22 August 2018

Dear Directors

Independent Expert's Report and Financial Services Guide

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

Seven Group Holdings Limited (SGH) has announced a proposal to restructure the terms of the Transferable Extendable Listed Yield Shares (TELYS4s). The restructure will alter the rights of the TELYS4s and provide for them to be converted into Ordinary Shares (Conversion Proposal) under either the Full Conversion option, in which each TELYS4 held would be converted into 4.60645 Ordinary Shares ($92.50[1] per TELYS4), or Partial Cash Exit Opportunity, in which TELYS4 holders (TELS4 Holders) would receive a cash amount of at least $88.00 in respect to 50% of their TELYS4s.

We note that since listing on the ASX on 30 April 2010, TELYS4s have traded at a discount to face value ($100). This discount increased from March 2018 following changes to franking credit legislation proposed by the Opposition.[2] Noting this, the SGH Board considered a range of alternatives available to SGH having regard to the interests of the TELYS4 Holders, Ordinary Shareholders, SGH's financial position, its rights under the terms of the TELYS4 and SGH's capital structure. Based on this assessment, the SGH Board believe that the Conversion Proposal is the most suitable option available.

The Directors of SGH have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to provide an independent expert's report (IER) in relation to the Conversion Proposal, stating whether the Conversion Proposal is or is not in the best interests of the TELYS4 Holders.

The TELYS4 Holders will be invited to vote on the Resolution in relation to the Conversion Proposal at a meeting of TELYS4 Holders to be held on 24 September 2018. In order for the

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[1] Based on the volume weighted average price (VWAP) of Ordinary Shares over the 30 trading dates to 21 August 2018 of $20.08 and the conversion ratio of 4.60645 Ordinary Shares per TELYS4

[2] Source: Labor Media Releases, "A Fairer Tax System: Dividend Imputation Reform", 13 March 2018

Conversion Proposal to proceed, 75% or more of the votes cast on the Resolution (in person or by proxy) must be in favour of the Resolution.

If the vote is not passed, TELYS4 Holders may still elect to convert their TELYS4s into 4.60645 Ordinary Shares (Voluntary Conversion), however, the Partial Cash Exit Opportunity will not be available.

We note that our IER will form part of the notice of meeting and explanatory memorandum (Explanatory Memorandum) to be sent to TELYS4 Holders. The Conversion Proposal is set out in more detail in Section 4 of this IER and in Section 1 of the Explanatory Memorandum.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this IER, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this IER.

2 Scope of Report

There is no statutory requirement for the preparation of this IER. However, the Directors of SGH have requested KPMG Corporate Finance to prepare this IER on the basis of an assessment as to whether the Proposed Offer is in the best interests of TELYS4 Holders.

In undertaking our work we have had regard to the guidance provided by ASIC in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports' (RG 111), which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion. Further details of the basis of assessment in forming our opinion are set out in Section 5 of this IER.

3 Opinion

3.1 Summary of opinion

In our opinion, having regard to the advantages, disadvantages and other considerations of the Conversion Proposal, as well as the implications if the Conversion Proposal is not approved, **the Conversion Proposal is in the best interests of TELYS4 Holders**.

If the Conversion Proposal is approved

By approving the Conversion Proposal, TELYS4 Holders will elect to either: fully convert their TEYS4s into 4.60645 Ordinary Shares, which implies a conversion price of $92.50[3] per TELYS4, or receive cash in respect to 50% of their interest at a minimum price of $88.00 per TELYS4. If the Conversion Proposal is approved:

- both the implied conversion price of $92.50 and minimum cash price of $88.00 represent a significant premium to the prices at which TELYS4s have recently traded
- to the extent that TELYS4 Holders receive cash under the Partial Cash Exit Opportunity:
  - they are provided with certainty. They may also receive more than the minimum cash price as a result of an arbitrage opportunity[4]

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[3] Based on the VWAP of Ordinary Shares over the 30 trading days to 21 August 2018 of $20.08 and the conversion ratio of 4.60645 Ordinary Shares

[4] TELYS4s will trade in the market on 28 September 2018 during which time, there will be an arbitrage opportunity to acquire the TELYS4 for as low as $88.00, after which any remaining TELYS4s will be converted into 4.60645 Ordinary Shares at an implied value of $92.50.

  - they will no longer receive high yields associated with the TELYS4. Yields on the TELYS4 are high in comparison to other listed preference shares and consequently, these yields would be difficult to replicate
- to the extent that TELYS4s are converted into Ordinary Shares:
  - they will have the opportunity to participate in any capital gains associated with an investment in Ordinary Shares which, under its current operational structure, provides upside potential through its exposure to the mining recovery, east coast infrastructure boom and domestic energy market. However, there is a risk that the Ordinary Share price will fall
  - they will participate in a more liquid market, particularly as it is likely that the liquidity of Ordinary Shares will be enhanced as the increase in SGH's free float may result in an increased weighting in or inclusion in various indices (e.g. S&P/ASX or MSCI indices) that only include free float
  - they will exchange a high yield instrument for a lower yield instrument (but which provides an opportunity to participate in capital growth), and
  - they will be exposed to the relatively higher volatility associated with Ordinary Shares as opposed to the TELYS4.

If the Conversion Proposal is not approved

It is important to recognise that even if the Conversion Proposal is not approved, TELYS4 Holders can elect the Voluntary Conversion option which will allow them to convert their TELYS4s into 4.60645 Ordinary Shares. In this situation, they will experience the same advantages and disadvantages as if the Conversion Proposal was approved and they had elected the Full Conversion option.

If the Conversion Proposal is not approved, and in the absence of an alternative future proposal, TELYS4 Holders who do not elect the Voluntary Conversion option will experience the following:

- their TELYS4s will continue to trade on the ASX into perpetuity with no defined liquidity event (no conversion or redemption rights) and limited voting rights (that only arise if the dividend stopper has been invoked)
- they will continue to be exposed to downside risk as dividends are at the Director's discretion and are non-cumulative (although we note that to date, SGH has paid a distribution on TELYS4s in all periods) and will have limited upside opportunity (distributions are a fixed margin above the six month bank bill swap rate (BBSW) and are not tied to the performance of SGH). They will continue to be exposed to the risk that franking credit legislation may change (although this is in part already reflected in the TELYS4 trading prices), and
- they will only be able to realise the value of their investment by selling their shares on market at a price that is likely to be significantly less than face value (particularly if franking credit legislation changes) and which may be impacted by their relatively thin trading. Trading may be even less liquid as a result of the reduced number of TELYS4s on issue (to the extent that other TELYS4 Holders elect the Voluntary Conversion option) and if changes to franking credit legislation come into effect (which may also reduce the number of potential acquirers of securities such as TELYS4s).

Whilst there are disadvantages for TELYS4 Holders associated with the Conversion Proposal, on balance, we consider that the advantages of the Conversion Proposal outweigh the disadvantages and as such, the Conversion Proposal is in the best interests of TELYS4 Holders.

3.2 *Principal matters considered in forming our opinion*

We have set out below and throughout this IER, the principal matters we have considered in forming our opinion.

Implied value of TELYS4s under the Full Conversion option

Under the Full Conversion option (as well as with respect to Voluntary Conversion and 50% of their TELYS4s under the Partial Cash Exit Opportunity), each TELYS4 will be converted into 4.60645 Ordinary Shares. Based on the volume weighted average price (VWAP) of Ordinary Shares over the 30 trading days to 21 August 2018 of $20.08 and the conversion ratio of 4.60645 Ordinary Shares, this implies a value for the TELYS4s of $92.50. This value is:

- less than the face value of the TELYS4s ($100), and
- less than the price at which the TELYS4s could be converted by SGH under the TELYS4 Terms ($105.0),[5] which takes into account accrued but unpaid interest on the TELYS4s (although the benefit of the unpaid accrued interest is reflected in the TELYS4 price upon which conversion ratio is based) and the 2.5% discount to be applied to the relevant Ordinary Share price. However, SGH is under no obligation to convert TELYS4s in accordance with these terms and there is little incentive for it to convert the TELYS4s at this price, nor do TELYS4 Holders have a right to require conversion (except in very limited circumstances).

Furthermore, we note that the implied value for the TELYS4s under the Full Conversion option will fluctuate with movements in the Ordinary Share price as illustrated below.

Table 1: Implied value of TELYS4s under Full Conversion option

SGH Ordinary Share price	$18.50	$19.50	$20.50	$21.50	$22.50	$23.50	$24.50
TELYS4 price	$85.22	$89.82	$94.43	$99.04	$103.64	$108.25	$112.86

Source: KPMG Corporate Finance analysis

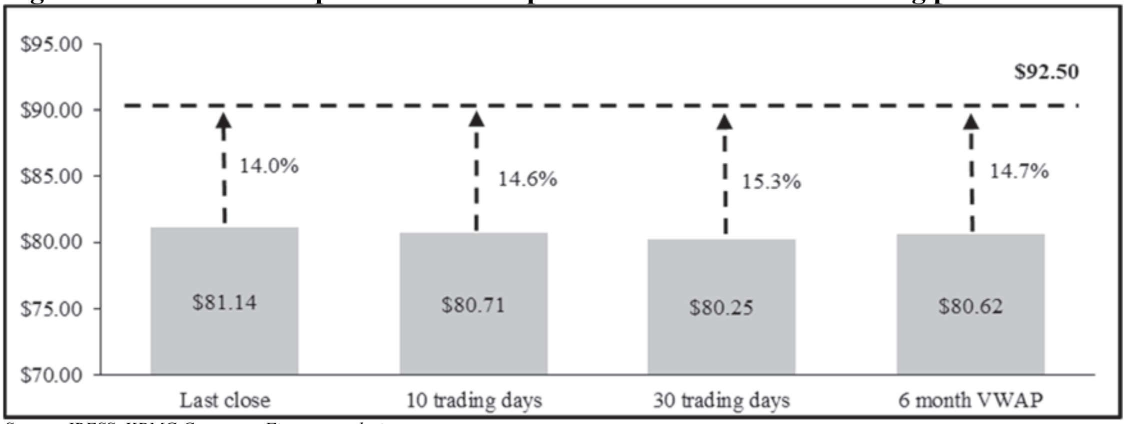
An Ordinary Share price in excess of $21.7087[6] will result in an implied value for the TELYS4s that is greater than the face value ($100).

Importantly, the implied conversion price of $92.50 per TELYS4 is a substantial premium to the prices at which TELYS4 have traded over a 10 day, 30 day and six month period prior to 21 August 2018 as illustrated in the following chart.

[5] Under the TELYS4 Terms, Conversion Ratio = A/[VWAP - (CD x VWAP)] where A = Face Value + unpaid amount of the two immediately preceding dividends; VWAP = VWAP in the 20 business days immediately preceding, but not including, the conversion date; and CD = conversion discount of 2.5%. That is, Conversion Ratio = (100 + $2.3264) / $20.08 – (2.5% x $20.08) = 5.2265. Assuming a price of $20.08 for the Ordinary Shares, this implies a value of $105.0 for the TELYS4s.

[6] Calculated as $100 face value for the TELYS4s divided by the conversion ratio of 4.60645.

Figure 1: Premium of implied conversion price to recent TELYS4 trading prices



Source: IRESS, KPMG Corporate Finance analysis

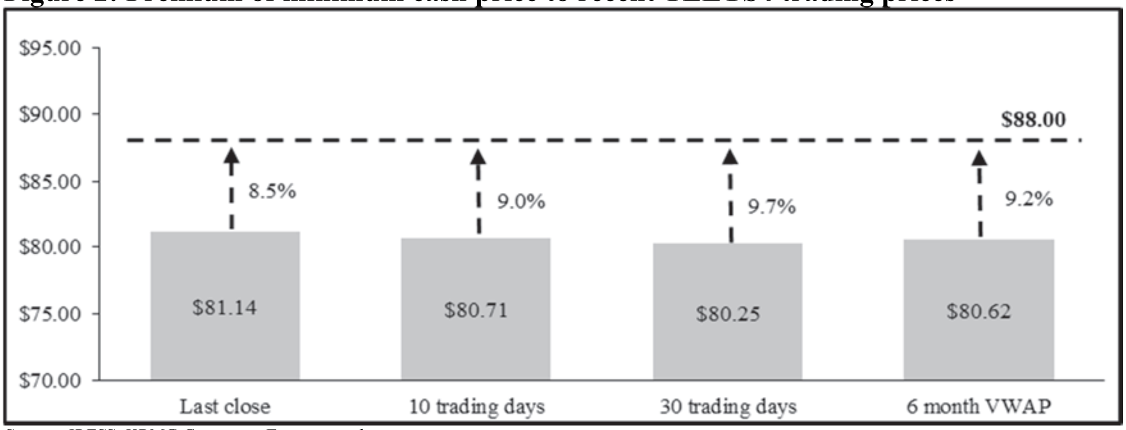
Since listing, TELYS4s have traded in the range of $50.0 to $96.1, at a VWAP of $81.7. TELYS4s have not traded as high as $92.50 since 3 September 2014 and prior to that, only traded above $92.50 for relatively short periods. Furthermore, the factors which have contributed to the discount (i.e. illiquidity, non-cumulative discretionary nature of dividends, subordination to other creditors) are likely to persist. Consequently, it is unlikely that TELYS4 Holders would be able to sell their shares for this price on market.

A review of the TELYS4 register by SGH management also indicates that 90% of the register acquired their shares[7] for less than the implied value of the TELYS4s under the Full Conversion option of $92.50. As such the majority of TELYS4 Holders will receive a premium to their buy in price. The Full Conversion option represents a sharing of benefits between Ordinary Shareholders and TELYS4 Holders in the ratio of approximately 50%/50%.[8]

Implied value of TELYS4s under the Partial Cash Exit Opportunity

TELYS4 Holders can elect to receive cash in respect to 50% of their interest. The Partial Cash Exit Opportunity provides certainty for TELYS4 Holders as they will receive a minimum of $88.00 per TELYS4. This price represents a premium to recent trading prices as follows.

Figure 2: Premium of minimum cash price to recent TELYS4 trading prices



Source: IRESS, KPMG Corporate Finance analysis

7 Using an acquisition date based on when they were first on the register.

8 Benefit to TELYS4 Holders is calculated as the $92.50 implied conversion price under the Conversion Proposal less the TELYS4 closing price on 21 August 2018 of $81.14. Benefit to Ordinary Shareholders is $102.28 (face value plus accrued dividend, which represents the cost to convert under the TELYS4 Terms) less $92.50 conversion price.

Although a floor of $88.00 will be set, TELYS4s will trade in the market on 28 September 2018 during which time, there will be an arbitrage opportunity to acquire the TELYS4 for as low as $88.00, after which their TELYS4s will be converted into 4.60645 Ordinary Shares at an implied value of $92.50. It is anticipated that the existence of this opportunity will potentially increase the TELYS4 price towards $92.50 such that TELYS4 Holders are likely to receive more than $88.00 (potentially up to $92.50).

TELYS4 Holders will forego the distribution for the six months to 29 November 2018

On 31 May 2018, SGH announced a dividend in respect to the TELYS4s for the period from 31 May 2018 to 29 November 2018, payable on 30 November 2018, of $2.3264 per TELYS4. Under the Conversion Proposal, TELYS4 Holders will not receive this distribution, nor is the conversion ratio explicitly adjusted for the distribution as occurs in the conversion ratio under the TELYS4 Terms. However, we note that the TELYS4 trading price will generally reflect any unpaid accrued interest.

Change in risk profile

TELYS4 Holders have limited upside opportunity, however, are exposed to downside risk as TELYS4s are subject to discretionary dividends which are non-cumulative if unpaid (although we note that to date, SGH has paid a distribution in all periods). Furthermore, TELYS4 Holders carry no voting rights at SGH general meetings and are subordinated to all creditors (other than Ordinary Shareholders), leaving TELYS4 Holders exposed to changes in the operating performance or capital structure of SGH. This, in turn, affects the trading price and liquidity of TELYS4s as the perceived risk of non-payment becomes greater during periods of high gearing and/or low earnings.

TELYS4s are also exposed to other risks common to preference shareholders including fluctuations in interest rates (although we note that interest rates are extremely low and are trending upwards), as well as general movements in Australian and international equity and debt markets and economic conditions within regional and global economies.

To the extent that TELYS4 Holders receive Ordinary Shares, they will have the opportunity to participate in any increases in the Ordinary Share price. In this regard, SGH is leveraged to growth in east coast infrastructure through its investment in Coates Hire, east and west coast mining through its investment in WesTrac and domestic energy market through its Energy segment.

However, Ordinary Shares will have greater downside risk since:

- Ordinary Shares rank behind the TELYS4 in terms of dividend and in the event of a winding up
- Ordinary Shares are more volatile than TELYS4. This may be an issue for some shareholders, and is exacerbated by the cyclical nature of the industries in which SGH operates.

To the extent that TELYS4 Holders elect the Partial Cash Exit Opportunity, their risk will be reduced.

Composition of yields and capital gains

To the extent that TELYS4 Holders receive Ordinary Shares, they will exchange a stable, high yield for a relatively low yield and an opportunity to benefit from capital gains (or losses) (refer to Section 8.5 of this IER). SGH has no formal dividend policy, although aims to maintain dividends per share through the cycle with a view to increase the dividend over the longer term. As minority holders of Ordinary Shares, they will have limited ability to influence SGH's dividend policy.

TELYS4 Holders may consider voting in favour of the Resolution with the intention of subsequently exchanging their Ordinary Shares/cash for other, high yielding securities. However, it may be difficult to replicate the yield generated on the TELYS4s. There are few comparable securities that offer a yield that is as high as that offered by SGH (refer to Section 7.6.1 of this IER).

Voting rights

TELYS4s have limited voting rights which only effectively arise when the dividend stopper has been invoked. TELYS4 Holders who receive Ordinary Shares under the Conversion Proposal will be entitled to one vote on each new Ordinary Share received. However, as SGH has a majority shareholder (who will hold between 61.1%[9] and 63.2%[10] of Ordinary Shares if the Conversion Proposal is implemented) and as TELYS4 Holders' combined interest in Ordinary Shares will be 4.4% at most[11], their ability to influence the direction of the company and distribution policy will be limited.

Enhanced liquidity

TELYS4s are thinly traded 16.1% of TELYS were traded in the 12 months to 21 August 2018) and there is no prescribed liquidity event (redemption or conversion) under the TELYS4 Terms. TELYS4 Holders are reliant on selling their shares on market at a price that may be impacted by their relatively illiquid trading.

Despite SGH's limited free float, the Ordinary Shares have been relatively liquid 46.9% of total Ordinary Shares and 135.9% of free float were traded in the 12 months to 21 August 2018). In addition, it is likely that the liquidity of Ordinary Shares will be enhanced as a result of the Conversion Proposal as a result of the following:

- the conversion of a portion of the TELYS4 to Ordinary Shares will result in SGH's free float increasing from 34.5% to between 36.8%[10] and 38.9%[9] (refer to Section 9.1 of this IER)
- the combined impact of unifying the capital structure and increasing SGH market capitalisation will increase the dollar free float by between $230 million[10] and $459 million[9] which increases SGH's index weighting in ASX indexes and allows for the potential of MSCI inclusion which is free float-adjusted. Inclusion in additional indices may create additional demand from passive index investment mandates seeking to rebalance their portfolio to track the index and may enhance liquidity (refer to Section 9.1 of this IER)
- an increase in earnings per Ordinary Share (EPS) of between 1.1%[9] and 1.2%[10] (refer to Section 9.2 of this IER), and
- simplification of SGH's capital structure and increase in free float is likely to allow for greater institutional support (Section 9.3 of this IER).

Consequently, if the Conversion Proposal is implemented, TELYS4 Holders will be able to sell their Ordinary Shares into a more liquid market relative to the TELYS4 market.

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[9] Assuming 100% of TELYS4 Holders elect the Full Conversion option.

[10] Assuming 100% of TELYS 4 Holders elect the Partial Cash Exit Opportunity.

[11] The combined interest of TELYS4 Holders in Ordinary Shares if the Conversion Proposal is effective will be 4.4% if all TELYS4 Holders elect the Full Conversion option. If they all elect the Partial Cash Exit Opportunity, their combined interest will be 2.3%.

TELYS4 trading if the Conversion Proposal does not proceed

Since listing, TELYS4 have traded at an average discount to face value of 18.3% (refer to Section 7.5 of this IER) likely reflecting:

- the existence of downside risk (payment of dividends is subject to there being sufficient funds available and distributions are non-cumulative) with limited upside opportunity
- TELYS4 Holders do not have a right to require redemption or conversion into Ordinary Shares (except in limited circumstances), and conversion by SGH is at the discretion of SGH Directors
- unusual nature of the TELYS4s (non-bank, non-cumulative)
- SGH is highly leveraged (a leverage ratio of 2.4 times as at 30 June 2018), its borrowings are unrated and it has a complex capital structure
- trading in TELYS4s is relatively illiquid and TELYS4s have limited institutional support, and
- the risk of adverse changes to franking credits legislation.

If the Conversion Proposal does not proceed, TELYS4 Holders can still elect to have their TELYS4s converted into Ordinary Shares at the exchange ratio of 4.60645 Ordinary shares per TELYS4 (**Voluntary Conversion**), however, no Partial Cash Exit Opportunity will apply.

If the Conversion Proposal does not proceed, to the extent that TELYS4 Holders do not elect the Voluntary Conversion, they will continue to hold TELYS4s. In this situation, it is likely that:

- the TELYS4s will continue to trade at a substantial discount to face value, particularly if changes in tax legislation with respect to franking credits take effect, and
- TELYS4s will be even less liquid as a result of any reduction in the number of TELYS4s outstanding arising as other holders elect the Voluntary Conversion option. Furthermore, if proposed changes to franking credit legislation take effect, there may be fewer buyers of the TELYS4s.

Likelihood of an alternative proposal in relation to the TELYS4s

TELYS4 Holders could vote against the Conversion Proposal in the anticipation that SGH will offer a higher implied conversion price at a future date. However, there is no certainty that SGH will introduce an alternative, more favourable Conversion Proposal at a future date.

Tax implications

The conversion of TELYS4s into Ordinary Shares will not constitute a capital gains tax event. It is anticipated that the ATO will issue a class ruling which confirms this position. If TELYS4 Holders elect the Partial Cash Exit Opportunity, a capital gains tax will arise with respect to the 50% of their holding for which they may receive cash. Refer to Section 4 of the Explanatory Memorandum for further details.

3.3 Other matters

In forming our opinion, we have considered the interests of TELYS4 Holders as a whole. This advice, therefore, does not consider the financial situation, objectives or needs of individual TELYS4 Holders. It is not practical or possible to assess the implications of the Conversion Proposal on individual TELYS4 Holders as their financial circumstances are not known. The decision of TELYS4 Holders as to whether or not to approve the Resolution to effect the Conversion Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual TELYS4 Holders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed Resolution may be influenced by his or her particular circumstances, we recommend that individual TELYS4 Holders including residents of foreign jurisdictions seek their own independent professional advice.

Our IER has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This IER has been prepared solely for the purpose of assisting TELYS4 Holders in considering the Conversion Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this IER for any other purpose.

All currency amounts in this IER are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY.

Neither the whole nor any part of this IER or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to TELYS4 Holders in relation to the Conversion Proposal, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this IER in the form and context in which it appears in the Explanatory memorandum

Our opinion is based solely on information available as at the date of this IER as set out in Appendix 2. We note that we have not undertaken to update our IER for events or circumstances arising after the date of this IER other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our IER.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this IER, including the appendices.

Ian Jedlin	Sean Collins
Authorised representative	Authorised representative

Contents

4 Overview of the Conversion Proposal

Since listing on the ASX on 30 April 2010, TELYS4s have traded at a discount to face value ($100). This discount increased from March 2018 following changes to franking credit legislation proposed by the Opposition.[12]

On 22 August 2018, SGH Directors put forward a proposal under which TELYS4 would be converted into new Ordinary Shares in SGH (Conversion Proposal). A meeting of TELYS4 Holders will be held to vote on a Resolution to change the rights of the TELYS4s. At the meeting, approval will be sought for the variation of the rights attaching to the TELYS4 by way of special resolution of the TELYS4 Holders in accordance with Article 2.3 of the SGH Constitution. If the vote passes at the TELYS4 meeting, TELYS4 Holders would have the choice of either:

- ***Full Conversion**:* each TELYS4 they hold being converted into 4.60645 Ordinary Shares, effective 27 September 2018, or
- ***Partial Cash Exit Opportunity:*** TELYS4 Holders may elect to sell up to 50% of their TELYS4s on market for a minimum cash amount of $88.00 per TELYS4 and have their remaining TELYS4s held converted into 4.60645 Ordinary Shares per TELYS4, effective 27 September 2018.

  On 28 September 2018, SGH will stand in the market with offers to purchase any TELYS4 at $88.00. Other buyers may offer to acquire those TELYS4s at a higher price than $88.00.

  TELYS4 Holders will have the option of:

  - selling the balance of TELYS4s on market using UBS, the broker appointed by SGH (Sale Facility Broker). TELYS4 Holders will receive the net average proceeds of all TELYS4s sold by the Sale Facility Broker and no brokerage fees will be payable, or
  - selling all, or a specified portion, of their TELYS4s on market using their own broker. TELYS4 Holders will be required to instruct their own broker to sell them and will incur brokerage costs. Any TELYS4s not sold by their broker by 5:00 pm on 28 September 2018 will be converted into 4.60645 Ordinary Shares per TELYS4 on 4 October 2018.

If the vote is passed, all TELYS4s will be converted into Ordinary Shares in accordance with the Full Conversion option unless the Holder elects to participate in the Partial Cash Exit Opportunity.

If the vote is not passed, TELYS4 Holders can elect to have their TELYS4s converted into Ordinary Shares at the exchange ratio of 4.60645 Ordinary shares per TELYS4 (**Voluntary Conversion**) on 27 September 2018, however, no Partial Cash Exit Opportunity will apply.

The SGH Directors have unanimously recommended that TELYS4 Holders vote in favour of the Conversion Proposal.

[12] Source: Labor Media Releases, "A Fairer Tax System: Dividend Imputation Reform", 13 March 2018

5 Scope of the report

5.1 Purpose

There is no statutory requirement for the preparation of this IER. However, the Directors of SGH have requested KPMG Corporate Finance to prepare this IER on the basis of an assessment as to whether the Conversion Proposal is in the best interests of the TELYS4 Holders.

RG 111 "Content of expert reports" issued by ASIC provides guidance on the content of an IER and how an expert can help securityholders make informed decisions about transactions.

RG 111 does not provide specific guidance for proposals of this nature. In our view, the proposal is most similar to that of a demerger or demutualisation in that it does not involve a change in the underlying economic interests of securityholders, a change of control or selective treatment of different classes of securityholders.

RG 111.36 states that in the absence of these factors, the issue of 'value' may be of secondary importance and the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages. As such, where the advantages of the Conversion Proposal are considered to outweigh the disadvantages, the Conversion Proposal will be in the best interests of TELYS4 Holders.

5.2 Basis of assessment

We have considered the following factors in determining whether the Conversion Proposal is in the best interests of TELYS4 Holders:

- premium of the price offered under the Conversion Proposal over recent TELYS4 prices
- risks associated with an investment in TELYS4s versus Ordinary Shares
- nature of return (yields and capital growth) associated with TELYS4s versus Ordinary Shares
- requirement to forego the November 2018 TELYS4 distribution
- rights associated with the shares (including voting rights)
- liquidity of the TELYS4 versus Ordinary Shares
- trading price of TELYS4s if the Conversion Proposal does not proceed
- likelihood of an alternative proposal, and
- the taxation implications of accepting the Conversion Proposal.

5.3 Limitations and reliance on information

In preparing this IER and arriving at our opinion, we have considered the information detailed in Appendix 2 of this IER. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this IER should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of SGH for the purposes of this IER.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with SGH's management in relation to the Conversion Proposal, rationale for the Conversion Proposal and alternatives considered.

SGH has been responsible for ensuring that information provided by it or its representatives is not false, misleading or incomplete. Complete information is deemed to be information which at the time of completing this IER should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this IER are given in good faith, and in the belief that such statements and opinions are not false or misleading.

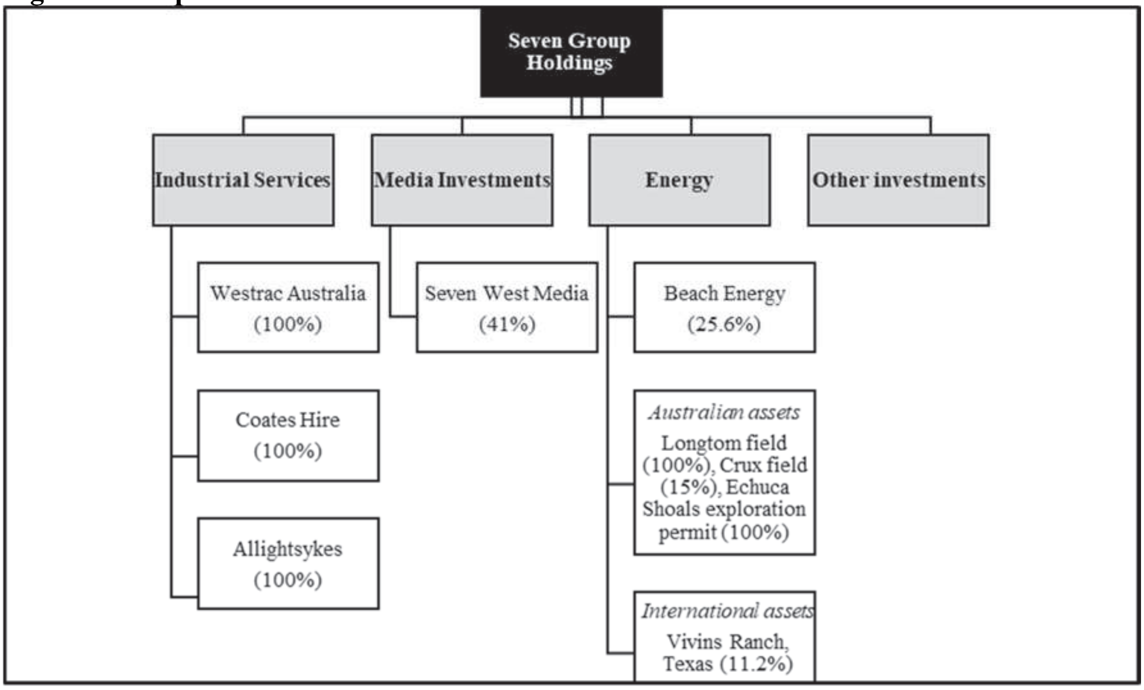
The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this IER. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our IER for events or circumstances arising after the date of this IER other than those of a material nature which would impact upon our opinion.

6 Overview of Seven Group Holdings Limited

6.1 Corporate structure

SGH has a complex corporate structure, with diverse interests comprising its industrial operating businesses, listed media shareholdings and other investments. Each of these businesses is highly cyclical.

Figure 3: Corporate structure



Source: SGH management

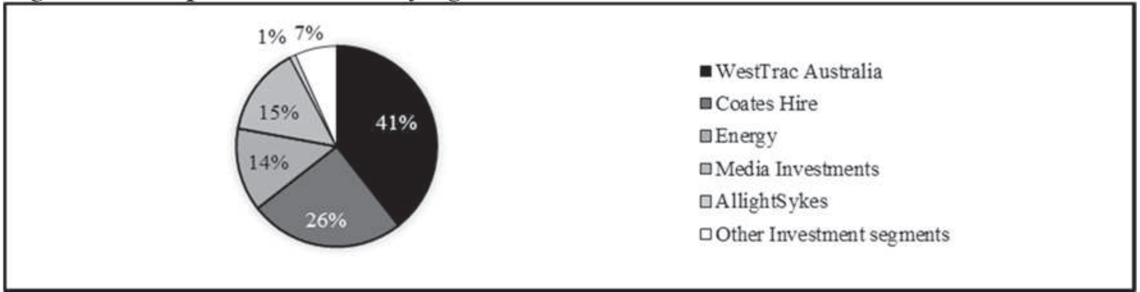
SGH's interests include:

- ***WesTrac Australia (100%)***, which provides heavy equipment, servicing, and support to the construction and mining industries (particularly the iron ore and coal sectors) and is the sole authorised Caterpillar dealer for New South Wales, the Australian Capital Territory and Western Australia. It offers strong exposure to the local government, construction and mining sectors
- ***AllightSykes (100%) and Coates Hire (100%),*** the largest domestic general equipment hire company in Australia and it is exposed to the east coast infrastructure and mining sectors
- ***ASX listed Seven West Media (41.0%),*** provides exposure to the cyclical domestic television, newspaper and magazine sectors
- ***Energy segment,*** includes a 25.6% interest in ASX listed Beach Energy Limited, an oil and gas exploration company, an 11.2% interest in the Bivins Ranch basin in Texas, United States and 100% owned SGH Energy Pty Limited, and
- ***Other investments.***

6.2 *Composition of earnings and financial performance*

The contribution of each of the major segments to SGH's underlying FY18 EBIT is illustrated as follows.

Figure 4: Composition of underlying FY18 EBIT



Source: SGH management

SGH's underlying EBIT declined from $622.8 million in FY13 to $302.8 million in FY16 as a result of the cyclical downturn in mining and east coast infrastructure and a structural decline in media interests, however, experienced a recovery in FY17 and FY18, principally as a result of:

- cyclical upswings in the asset maintenance/replacement cycle in the resources sector (via WesTrac and Coates Hire) and the east coast infrastructure boom (via Coates Hire)
- cost reduction initiatives implemented in WesTrac Australia in FY16 and FY17
- sale of loss making WesTrac China in 2017 for $540 million, and
- acquisition of remaining 53.3% interest in Coates Hire for $517 million (effective 25 October 2017), which resulted in Coates Hire being consolidated.

6.3 *Capital structure*

SGH maintains a diversified capital base with a mix of equity and debt funding. Equity funding comprises both Ordinary Shares and TELYS4s. At 30 June 2018, SGH held $3.4 billion in total debt facilities and a $350 million convertible bond settled in March 2018. As at 30 June 2018, SGH had a leverage ratio of 2.4 times,[13] which is well within its financial covenants. All of SGH's borrowings are unrated.

[13] Calculated as enterprise value divided by net debt.

7 Profile of TELYS4s

7.1 TELYS4 Terms

On formation of SGH, TELYS3s (issued by Seven Network Limited) were converted into TELYS4s (issued by SGH) on a one-for-one basis. On 30 April 2010, 4,963,640 TELYS4s were listed on the ASX. A summary of the TELYS4 Terms as set out in the prospectus and term sheet are summarised in the table below.

Table 2: Summary of TELYS4 Terms

Issuer	Seven Group Holdings (SGH)
Security	Transferable Extendable Listed Yield Shares (TELYS4) which are non-cumulative, redeemable and convertible preference shares in SGH
Face Value	$100

Dividend rate	Each holder of TELYS4 is entitled to a preferred, non-cumulative, floating rate dividend equal to:
	Dividend = (Dividend Rate x Face Value x N) / 365 where:
	• N is the number of days from (and including) the preceding dividend payment date until (but not including) the relevant dividend payment date
	• Dividend Rate for each Dividend Period is calculated as: (Market Rate + Margin) x (1 – T) where:
	    • Market Rate is the BBSW for 180 day bills applying on the first business day of each Dividend Period expressed as a percentage per annum
	    • Margin is 4.75% per annum
	    • T means the Australian corporate tax rate applicable to the franking account of SGH as at the relevant dividend payment date
	The dividends are payable in arrears on 31 May and 30 November of each year unless the TELYS4 are converted or exchanged. The payment of dividends is at the Directors' discretion and is subject to there being sufficient funds available for the payment of dividends.

Franking	TELYS4 dividends are fully franked. If a dividend is not fully franked, the dividend will be grossed up to compensate for the unfranked component.

Conversion or exchange by SGH	TELYS4 are perpetual securities and have no maturity. SGH may exchange some or all of the TELYS4 for $100 in cash or convert some or all of the TELYS4 to Ordinary Shares at its election on any dividend payment date. SGH also has the right to:
	• convert or exchange TELYS4s in certain circumstances including where the SGH Directors resolve that there has been a change or proposed change in a law, interpretation, governmental ruling (including one relating to taxation) or accounting standard (or interpretation of an accounting standard) which will:
	    • materially increase SGH's costs in retaining TELYS4 on issue
	    • affect the franking and availability of franking credits in respect of TELYS4
	    • affect whether TELYS4 are classified entirely as equity for accounting purposes, or
	    • impose additional, unacceptable requirements on SGH.
	• convert or exchange TELYS4 if a takeover bid or scheme of arrangement is made in respect of SGH.
	SGH cannot elect to convert or exchange only some TELYS4 if such conversion or exchange would result in there being less than $100 million in aggregate Face Value of TELYS4 on issue.

Dividend and capital stopper, and conversion or exchange by TELYS4 Holders	If, for any reason, a dividend has not been paid in full within 20 business days after its dividend payment date, a 'Dividend and Capital Stopper' will come into effect, such that SGH must not without approval of a TELYS4 Holder special resolution resolve to pay, or pay, a cash dividend or make any distribution on any share capital over which TELYS4 rank in priority for participation in profits, or redeem, reduce, cancel, or acquire for any consideration any share capital of SGH (other than a TELYS4), until (broadly): • two consecutive dividends on TELYS4 thereafter have been paid in full • an optional dividend has been paid to the TELYS4 Holders equal to the unpaid amount (if any) of the two immediately preceding dividends to which they were entitled but

	which were unpaid prior to the date of payment of the optional dividend, or all TELYS4s have been converted or exchanged. If this 'Dividend and Capital Stopper' comes into effect and is breached by SGH, a TELYS4 Holder may notify SGH in writing demanding conversion or exchange of their TELYS4. SGH must then elect to either convert or exchange that holder's TELYS4 on the next Dividend Payment Date that is at least 25 business days after the notice is given by the TELYS4 Holder.
Conversion Ratio	The ratio at which TELYS4 will convert into Ordinary Shares. Conversion Ratio = A/[VWAP - (CD x VWAP)] Where: A = Face Value + unpaid amount (if any) of the two immediately preceding dividends VWAP = volume weighted price during the 20 business days immediately preceding, but not including, the conversion date CD = conversion discount of 2.5%
Ranking	TELYS4 rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Ordinary Shares.
Voting rights	TELYS4 do not carry a right to speak or to vote at general meetings of SGH, except in limited circumstances, in which case TELYS4 Holders will have one vote per TELYS4 held.

7.2 *Risks*

Summarised below are the key potential risks specific to the holding of TELYS4s:

- ***price and liquidity***: there is no prescribed liquidity event and consequently, TELYS4 Holders are reliant on selling their TELYS4s on market. The market for TELYS4s has historically been illiquid. TELYS4 are perpetual and do not constitute deposit liability from SGH. SGH has no obligation to redeem or convert them into Ordinary Shares (other than where there has been a breach in dividend or capital restrictions) and there is no reset date. Despite the TELYS4 being listed on ASX, trading may be limited or only possible at significant discounts to the original issue price of $100 if insufficient liquidity exists in the market. This is particularly relevant for TELYS4 which, has been observed to be a relatively inactive market

- ***trading price***: the trading price may be influenced by various factors including interest rates, movements in Australian and international equity and debt markets and economic conditions within regional and global economies. However, the TELYS4 price is less volatile than Ordinary Share price

- ***dividends***: the payment of dividends is at the discretion of the SGH Directors and subject to there being sufficient current year or retained profits available. SGH's profitability is impacted by specific business risks of the SGH and the general risks associated with the various industries (mining, maintenance, media and energy) to which SGH is exposed. Therefore, there is a risk that a TELYS4 dividend may not be paid. Dividends are non-cumulative and, therefore, if a dividend is not paid in any period, it does not need to be made up in subsequent periods (although we not that the Dividend and Capital Stopper will come into effect such that dividends on Ordinary Shares also cannot be paid)

- ***ranking:*** TELYS4 will rank behind other creditors in the event of a winding up but in priority to Ordinary Shareholders to the amount of the face value of the TELYS4s and any dividend on TELYS4s from the preceding dividend payment until the commencement of the winding up. TELYS4 Holders will not be entitled to any unpaid dividends with respect to earlier dividend periods

- ***further debt issuance:*** there is no adjustment for the issuance of additional debt that takes priority to the TELYS4s. In February 2018, SGH issued a $350 million convertible bond.

- ***interest rate risk:*** movements in the six month BBSW will impact yield. We note that interest rates are extremely low and are trending upwards, which would have a favourable impact on distributions on TELYS4s. In addition, increases/decreases in credit spreads in the market could reduce/increase the price of the TELYS4s
- ***franking***: dividends are expected to continue to be fully franked and, to the extent that dividends are not fully franked, they are grossed up to compensate holders for the reduced amount of franking credits. However, there is a risk that legislation with respect to excess franking credits will change
- ***the perceived credit quality:*** of the TELYS4 may be at risk as a result of changes in the operating performance or capital structure of SGH, which may affect the trading price and liquidity of TELYS4
- ***privatisation***: if SGH is privatised, there is no requirement to buy back TELYS4s.

7.3 Composition of TELYS4 Holders

As at 21 August 2018, SGH had 4,963,640 TELYS4s on issue and 8,484 registered TELYS4 Holders. The TELYS4 Holder register indicates a high dispersion of ownership with no substantial TELYS4 Holders and limited institutional investors. The top 10 registered TELYS4 Holders accounted for only 17.7% of TELYS4s on issue and primarily comprised trustees, nominees and private investors. Retail investors (holders of less than 500 TELYS4s) accounted for 75% of TELYS4 Holders and 23% of TELYS4s on issue.

The top 10 TELYS4 Holders are presented in the following table:

Table 3: Top 10 registered TELYS4 Holders

TELYS4 Holders	Number of TELYS4s	Percentage interest
Citicorp Nominees Pty Limited	282,464	4.8%
HSBC Custody Nominees	207,684	3.6%
Navigator Australia Ltd	96,959	1.7%
Nulis Nominees (Australia)	52,790	0.9%
National Nominees Limited	50,339	0.9%
Netwealth Investments Limited	45,248	0.8%
Jamplat Pty Ltd	41,300	0.7%
BNP Paribas Nominees Pty Ltd	38,532	0.7%
BNP Paribas Nominees Pty Ltd	33,044	0.6%
Zw 2 Pty Ltd	31,100	0.5%
Total Ten Largest TELYS4 Holders	**879,460**	**17.7%**
Total TELYS4 Holders	**4,963,640**	**100.0%**

Source: SGH management

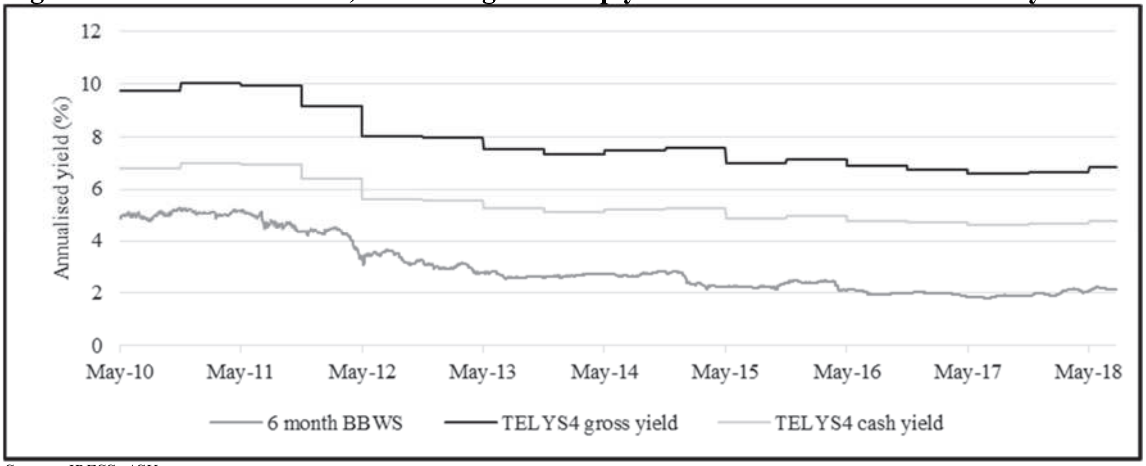
A review of market trading indicates that 2.7 million TELYS4 were bought or sold over the last two years at an average price of $71.55 of which 1 million TELYS4 were sold more than once, resulting in approximately 17% of the register being turned annually. The register has traded over 1.2 times at a weighted average price of $81.69 since SGH inception.

Management's review of the register also revealed that 90% of the register has an acquisition cost of their shares less than the proposed effective conversion price which SGH is offering.

7.4 Yields

In accordance with the TELYS4 Terms, TELYS4 Holders are entitled to receive a franked, semi-annual, non-cumulative, floating rate of interest that is based on the six-month BBSW plus a fixed interest margin of 4.75%. Since listing, all distributions have been fully franked. The historical yield on six-month BBSW, grossed up interest yield and cash interest yield of the TELYS4s since listing on 30 April 2010 are shown in the following chart.

Figure 5: Six-month BBSW, TELYS4 grossed up yield and TELYS4 cash interest yield

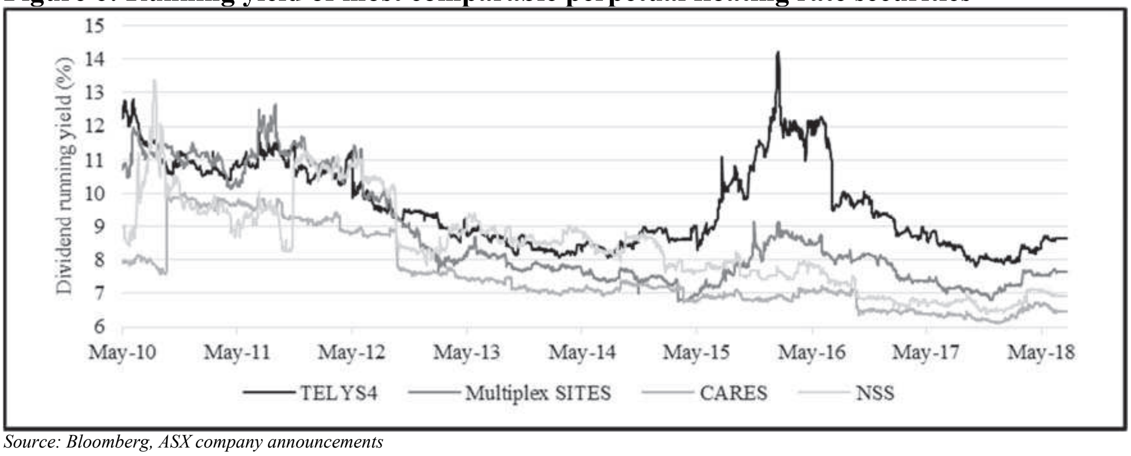


Source: IRESS, ASX company announcements

Under the current franking credit legislation, all TELYS4 Holders effectively receive the grossed up yield i.e. they are able to utilise all franking credits. To the extent that their marginal tax rate is less than their franking credits, they can claim a cash refund. The cash yield excludes all franking credits. The Opposition has proposed changes to franking credit legislation which would prevent TELYS4 Holders from claiming a cash refund from excess franking credits such that they cannot be offset against income tax. Under the proposal, imputation credits would only be a non-refundable tax offset and cash refunds would not arise if imputation credits exceed tax liabilities. It is anticipated that if the proposed changes take effect, a number of TELYS4 Holders would be adversely impacted. For TELYS4 Holders whose marginal tax rate is less than 30%, their yield will be reduced. TELYS4 Holders whose marginal tax rate is nil will receive the cash yield only.

There are relatively few listed floating rate perpetual securities issued by the non-bank sector. The following chart compares the running yield of the most comparable preference shares, Step-up Income-distributing Trust-issued Exchangeable Securities (Multiplex SITES) (issued by Multiplex Sites Trust), Convertible Adjustable Rate Equity Securities (CARES) (issued by Ramsay Health Care Limited) and Nufarm Step-Up Securities (NSS) (issued by Nufarm Finance (NZ) Limited) since the first announced dividend rate for TELYS4 on 31 May 2010.

Figure 6: Running yield of most comparable perpetual floating rate securities



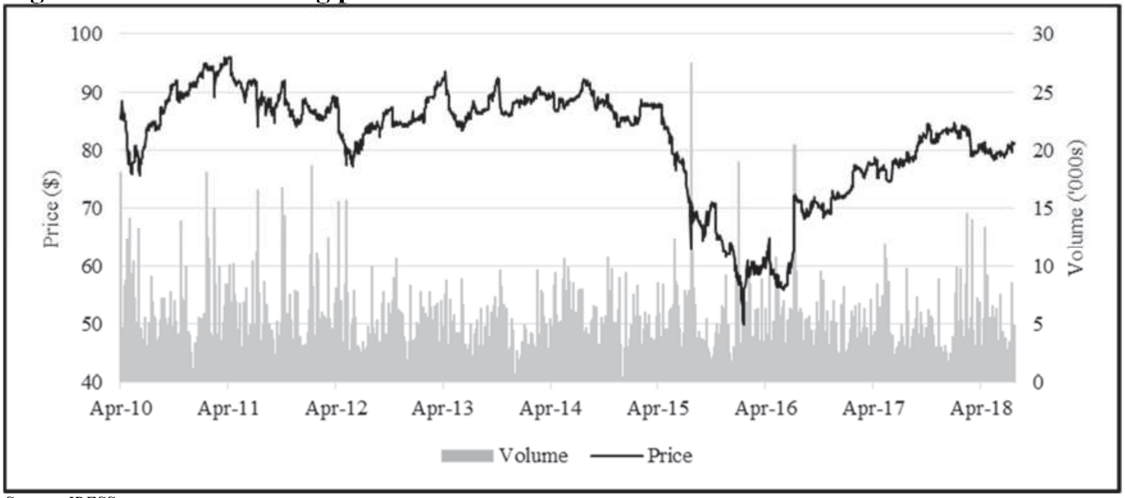
Source: Bloomberg, ASX company announcements

The chart shows that TELYS4 have delivered investors the highest yield since mid-2012. The average yield on TELYS4s since listing is 9.6%.

7.5 *Trading performance*

The figure below details the trading performance of TELYS4s since listing on 30 April 2010:

Figure 7: TELYS4 closing price and volume



Source: IRESS

The above figure illustrates that since listing on the ASX, TELYS4s have consistently traded at a discount to face value ($100). From listing until 21 August 2018, TELYS4s have traded in the range of $48.08 to $96.25, at a VWAP of $81.69 (an 18.3% discount to face value).

A key driver for the TELYS4s performance is the earnings profile and capital structure of the underlying SGH business. The payment of TELYS4 dividends is at the Directors' discretion and is subject to there being sufficient funds available. As such, when SGH presents periods of healthy underlying profit in combination with sufficiently capitalised operations and moderate gearing, TELYS4 Holders benefit as the perceived risk of non-payment is relatively low. This can explain the moderate 12.8% increase in the TELYS4 price in the months following April 2012 as the group announced a strong 1H FY12 result, with underlying profit up 46.6% to $234 million compared to the prior period.

Whilst consistent and strong earnings for SGH reflects positively for TELYS4, a decrease in earnings has a disproportionately large impact on pricing. This was best demonstrated when the TELYS4 price declined by 43% from $88 on 17 April 2015 to $50 on 15 February 2016 as a result of concerns for SGH earnings and capital position including:

- announcement on 26 August 2015 of SGH's FY15 results which indicated a $359 million net loss after tax
- announcement on 23 February 2016 of a substantial decline in 1H FY16 net profit after tax to $7 million.

Contributing to the decline in January and February 2016 (with heavy trading on 28 January 2016) was the buy-back of SCH Ordinary Shares which fuelled speculation that Ordinary Shares would be privatised, leaving TELYS4s listed.

The resurgence of TELYS4 in late 2016 (from $62 on 2 August 2016 to a 52 week high of $72 on 5 August 2016 on heavy trading) followed SGH's announcement on 3 August 2016 of its intention to buy back up to 10% of TELYS4s over a 12 month period (noting that no TELYS4s were bought back pursuant to this statement). The TELYS4 price continued to climb throughout

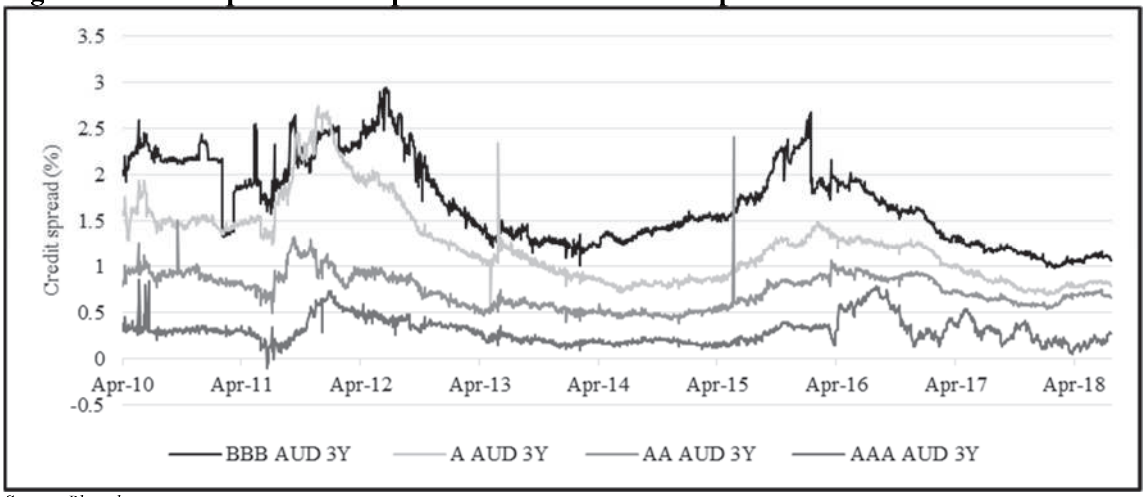
2017 as SGH's earnings outlook and strategic positioning improved. A key catalyst was the announcement in the FY17 of SGH's sale of WesTrac China, which at $540 million provided funding capacity for SGH to undertaken further acquisitions or reduce its $1.3 billion net debt position.

Since 1 March 2018, the TELYS4 price has declined by 3.5%, coinciding with:

- the Opposition's announcement of potential changes to franking credit legislation[14] that would prevent individuals and superannuation funds from claiming a cash refund from excess franking credits that they cannot offset against income tax, and
- the issue of a $350 million convertible bond, settled in March 2018.

Another contributing factor to the trading performance of TELYS4 is the narrowing of credit spreads on comparably rated financial instruments since the issue of TELYS4s. The TELYS4s were issued at a time when credit spreads were substantial as a result of uncertainty in debt and equity markets. The following figure illustrates the trend in credit spreads of corporate bonds over the swap rate since 2010 when the TELYS4s were issued.

Figure 8: Credit spreads of corporate bonds over the swap rate



Source: Bloomberg
Note: Credit spreads represent trading in 3 year corporate bonds with a credit rating between AAA and BBB over the swap rate with a similar term

The above figure shows that credit spreads in general increased significantly in July 2012 and January 2016 both periods of which represented significant lows for TELYS4. This general widening of credit spreads was not reflected in the interest margin applicable to the TELYS4 as the interest margin is fixed at 4.25% according to the terms of the TELYS4. As a result, TELYS4 is likely to trade at a discount to face value as long as comparably rated financial instruments trade at significant credit spreads. Accordingly, the recent recovery in the TELYS4 trading price is to some extent explainable by the recent general decline in credit spreads.

7.5.1 Discounts to face value of comparable securities

As stated previously, there are relatively few listed floating rate perpetual securities issued by the non-bank sector. The most comparable securities are:

- ***Multiplex SITES,*** which are issued by Multiplex SITES Trust, pay quarterly, unfranked, discretionary, non-cumulative dividends at a lower (3.90%) margin above the three month BBSW (relative to TELYS4s), have limited redemption rights (i.e. only in the event of

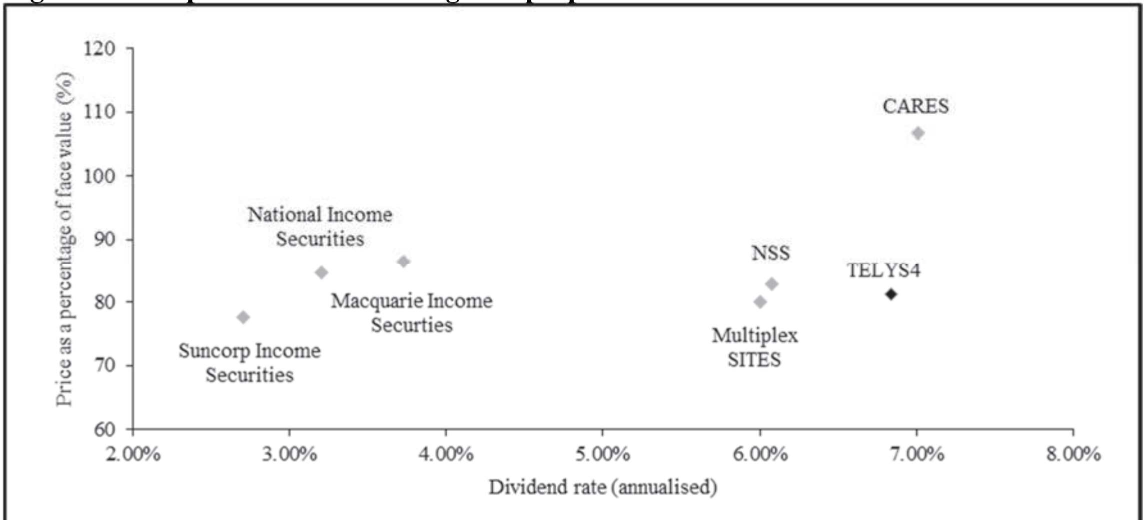
[14] Source: Labor Media Releases, "A Fairer Tax System: Dividend Imputation Reform", 13 March 2018

winding up) or conversion rights for holders and are unrated. Relative to the TELYS4s, Multiplex SITES have traded at a slightly higher discount

- ***CARES,*** which are issued by Ramsay Health Care Limited, pay semi-annual, fully franked, discretionary, non-cumulative dividends at a similar (4.85%) margin above the six month BBSW (relative to TELYS4s), do not entitle holders to request redemption or conversion and are unrated. However, unlike TELYS4, they have traded above face value since 2012, potentially reflecting the underlying business' steady and non-cyclical cash flows in the hospital equipment industry, strong growth in Ramsay Health Care Limited ordinary share prices and greater perceived likelihood of conversion or a change of control, and
- ***NSS,*** which are issued by Nufarm Finance (NZ) Limited pay semi-annual, fully franked, discretionary, non-cumulative dividends at a relatively low (3.9%) margin above the six month BBSW (relative to the TELYS4s), do not entitle holders to request redemption (other than in the event of a change of control) and are rated B+. Relative to TELYS4s, NSS are trading at a slightly lower discount.

The following chart illustrates the market price as a percentage of face value against the annualised dividend rate for the most comparable floating rate perpetual securities as at 21 August 2018. Annualised dividend rates represent those most recently announced for each security. Refer to Appendix 3 for more details on the terms of the securities.

Figure 9: Comparable listed floating rate perpetual securities



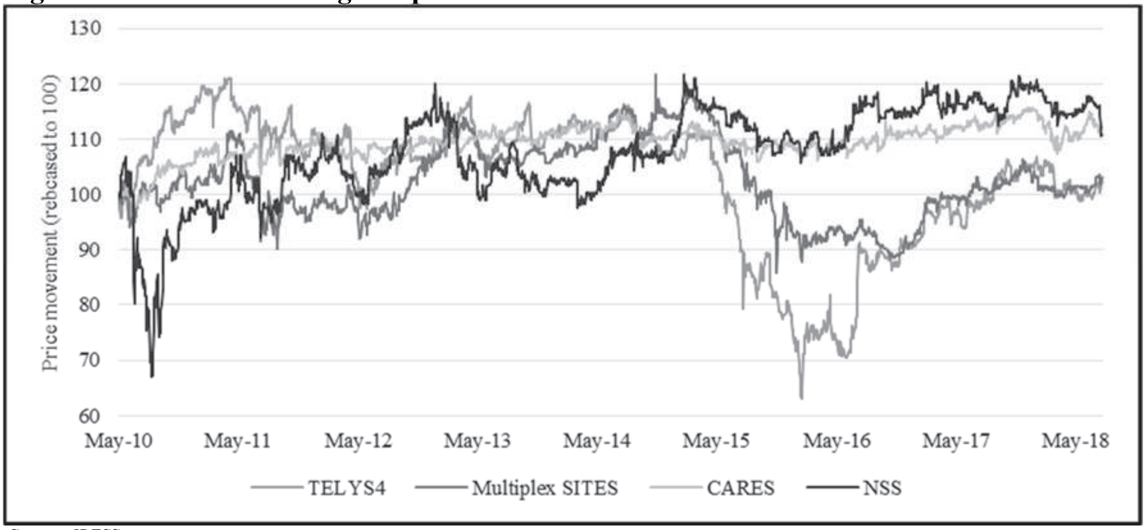
Source: Bloomberg, ASX company announcements

TELYS4s generate the highest implicit dividend rate among comparable floating rate perpetual securities, however, they also attract one of the highest discounts to face value.

National Income Securities (issued by National Australia Bank), Suncorp Income Securities (issued by Suncorp-Metway) and Macquarie Income Securities (issued by Macquarie Bank) are issued by Australian banks that have substantial APRA regulated capital buffers. With higher credit quality than SGH, these securities provide greater assurance of payment and have comparatively low grossed up running yields 3.78% for National Income Securities, 3.48% for Suncorp Income Securities and 4.31% for Macquarie Income Securities.

The price of TELYS4s relative to other securities (rebased to 100) is set out on the following page.

Figure 10: TELYS4 trading compared to similar securities



Source: IRESS

The above chart illustrates that TELYS4s are substantially more volatile than similar securities, likely reflecting the cyclicality of the industries to which it is exposed. Each of these securities has been adversely impacted by the proposed changes to franking credit legislation.

7.5.2 *Liquidity*

An analysis of the volume of trading in the TELYS4s, including the VWAP for the period up to 21 August 2018 (the last practicable trading date prior to the finalisation of this IER) is set out in the following table.

Table 4: TELYS4 VWAP and liquidity analysis

Period	Price (high) ($)	Price (low) ($)	Price VWAP ($)	Cumulative value ($ thousand)	Cumulative volume ($ thousand)	% of issued capital
Period ended 21 August 2018						
1 day	81.2	80.5	80.90	397	5	0.1%
10 trading days	81.5	79.7	80.71	2,899	36	0.7%
20 trading days	81.5	79.5	80.56	4,652	58	1.2%
30 trading days	81.5	78.7	80.25	6,117	76	1.5%
3 months	81.5	78.2	79.67	16,716	210	4.2%
6 months	84.5	78.2	80.62	35,472	440	8.9%
12 months	85.0	77.5	81.09	64,639	797	16.1%

Source: IRESS

During the 12 month period prior to 21 August 2018, only 16.1% of issued TELYS4s were traded which indicates the TELYS4s are relatively illiquid.

8 Profile of Ordinary Shares

8.1 Rights attaching to Ordinary Shares

Ordinary Shareholders are entitled to a semi-annual discretionary dividend as well as any capital gains in the underlying share price (ASX:SVW). As at 21 August 2018, SGH had a market capitalisation of $6.4 billion, with 316.4 million Ordinary Shares issued.

Ordinary Shareholders are entitled to the following:

- dividends which are determined at the discretion of Directors and rank after TELYS4s. SGH does not disclose a formal dividend policy, however, SGH has stated that decisions regarding future dividend payout ratios and franking levels are made with regard to SGH's medium term underlying profitability, Australian tax payable position, total number of Ordinary Shares on issue and alternative investment opportunities available. Within these constraints, SGH aims to maintain dividends per share through the cycle with a view to increase the dividend over the long term
- semi annual dividends may be franked. Historically, all dividends on Ordinary Shares have been 100% franked
- ordinary shares rank behind all other creditors including TELYS4 Holders, and
- one vote per share at general meetings of SGH,

8.2 Risks

Ordinary shares rank behind the TELYS4 in terms of dividends and in the event of a winding up. In addition, the price of Ordinary Shares is substantially more volatile than TELYS4 given that SGH operates in markets which are sensitive to economic cycles. The Ordinary Shares may fall in price, and this potential volatility may offset or outweigh the potential for an increase in total shareholder return.

8.3 Composition of Ordinary Shareholders

As at 21 August 2018, SGH had 316,485,208 Ordinary Shares on issue and approximately 8,075 registered shareholders. SGH has one substantial holder of Ordinary Shares, being interests associated with Kerry Stokes. As at 21 August 2018 Mr Stokes had a relevant interest in 207,304,349 Ordinary Shares representing an interest of 65.5%. Other than Mr. Stokes, registered shareholders are primarily custodians' institutional nominees.

Table 5: Substantial Ordinary Shareholders

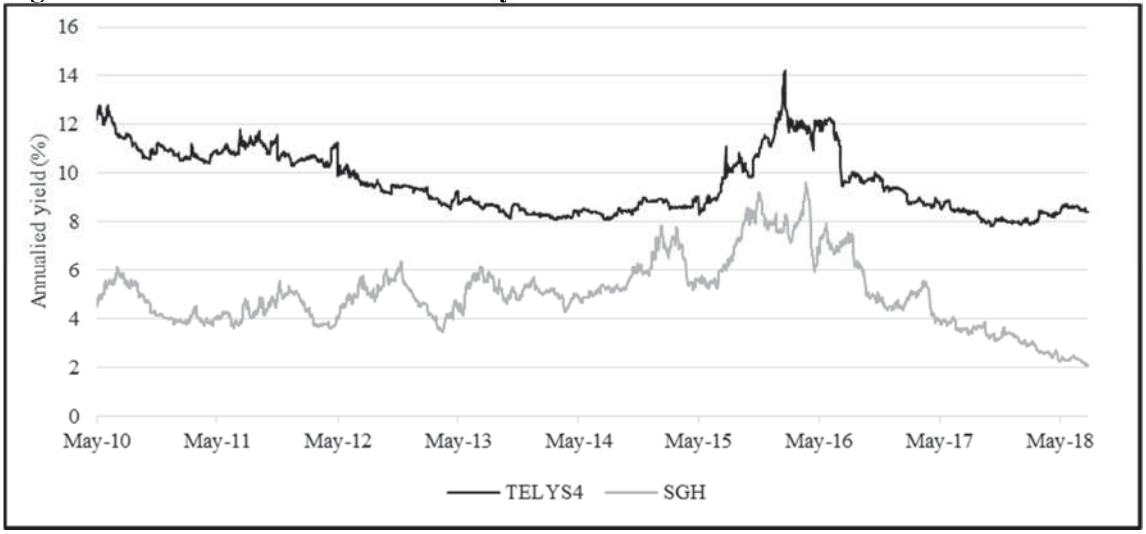
Substantial shareholder	Date of notice	Number of shares	Percentage interest[1]
Interests associated with KM Stokes[2]	27 September 2017	207,304,349	65.50%

Source: ASX website
Notes:
1. *Based on current number of shares outstanding.*
2. *KM Stokes; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments) Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities.*

8.4 Distribution yields

Ordinary Shares have a lower distribution yield than the TELYS4s. The annualised running dividend yield on an Ordinary Share and the grossed up interest yield on a TELYS4 since 2010 are shown in the following chart.

Figure 11: TELYS4 and SGH dividend yield



Source: IRESS, KPMG Corporate Finance Analysis

As demonstrated above, the SGH share has historically offered a significantly lower dividend yield than the TELYS4s, averaging 5.1% over the period versus 9.6% offered by the TELYS4. The yield on the TELYS4s is even higher when based on the current TELYS4 price. The decline in SGH dividend yield from 9.6% on 19 April 2016 to 2.1% at 21 August 2018 reflects the 284%[15] increase in the SGH share price since mid-2016, while dividends remained relatively flat (at between 40 and 42 cents).

8.5 *Relative trading performance*

Movements in share prices of TELYS4s relative to Ordinary Shares over time can be explained by returns available to each type of shareholder. Returns to TELYS4 Holders are based on the six month BBSW plus a fixed margin such that TELYS4 Holders cannot participate in any upside opportunities for SGH. In contrast, returns to Ordinary Shareholders are based on distributions and growth in distributions and Ordinary Shareholders will be exposed to both upside and downside opportunities. For example, the Ordinary Share price peaked in April 2013 and March 2013, and increased by 284%[19] from mid-2016 until 21 August 2018, while the TELYS4 price remained relatively stable.

At the same time, TELYS4 Holders are exposed to downside risk since dividends are subject to there being sufficient funds available and are non-cumulative. This can be seen in the decline in both the Ordinary Share price and TELYS4 price by around 40% between June 2015 and February 2016, which followed the announcement that SGH had fallen short of earnings guidance in FY15 and reported a $360 million loss as well as challenging trading conditions and a weak outlook across the mining, energy and media sectors.

The greater exposure of Ordinary Shareholders to upside and downside opportunities than TELYS4 Holders is reflected in the greater volatility of SGH Ordinary shares since listing on 30 April 2010 relative to TELYS4s.

The TELYS4 price and Ordinary Share price since the TELYS4s were listed on 30 April 2010 is illustrated in the following chart.

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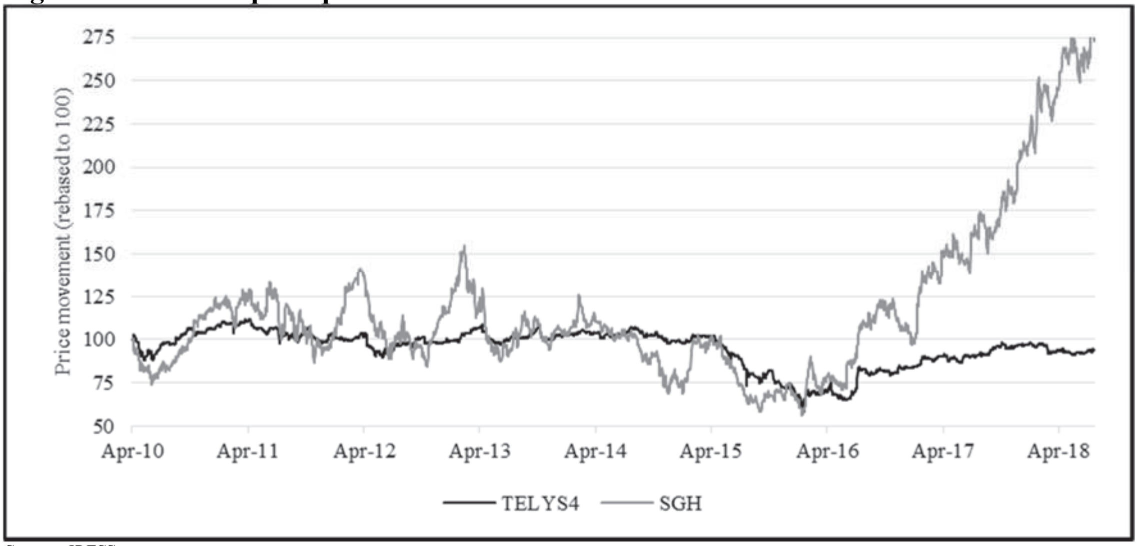
[15] The Ordinary Share price increased from $5.28 on 15 June 2016 to $20.3 on 21 August 2018, which represents an increase of 284%.

Figure 12: Relative price performance of TELYS4 and SGH



Source: IRESS

Strong growth in the Ordinary Share price from mid-2016 reflects:

- a turnaround in earnings in FY17 and FY18 described in Section 6.2 above
- sale of Westrac China (announced on 22 August 2017), which had created concerns as a result of the competitive market with local, low cost options, volatile end market dynamics and cash conversion challenges. The sale at $540 million also represented an attractive multiple (13.8 times EBITDA) and provided validation for the quality of the Westrac franchise
- announcement on 20 September 2017 that SGH would acquire the remaining 53.3% interest in Coates for $517 million, representing an implied historical multiple of 6.5 times EBITDA. The acquisition followed uncertainty as to Carlyle's ownership interest and increased SGH's exposure to the upswing in the infrastructure cycle. This, and other initiatives[16], resulted in the elimination of the holding company discount placed on this and other investments
- a $392 million capital raising in August 2017, which resulted in a reduction in pro forma net debt/EBITDA to approximately 3.0 times, and
- participation in the Beach Energy entitlement offer in October 2017, increasing SGH's interest to 25.6% and strong growth in the Beach Energy share price during 2018 following an increase in its reserve life to approximately 11 years and acquisition of Lattice Energy Limited announced 28 September 2017.

8.5.1 *Liquidity*

An analysis of the volume of trading in the Ordinary Shares, including VWAP for the period up to 21 August 2018 (the last practicable date before the release of this IER) is set out in the following table.

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[16] SGH increased in interests in Estia Health Ltd (5 April 2017), Beach Energy Limited (10 and 24 October 2017) and sell down of interest in Prime Media Group Limited (28 September 2017).

Table 6: Volume of trading in Ordinary Shares

Period	Price (high) ($)	Price (low) ($)	Price VWAP ($)	Cumulative value ($ thousand)	Cumulative volume ($ thousand)	% of issued capital
Period ended 21 August 2018						
1 day	20.8	20.2	20.38	9,330	458	0.1%
10 trading days	21.2	20.5	20.86	149,007	7,143	2.3%
20 trading days	21.2	19.6	20.31	256,060	12,608	4.0%
30 trading days	21.6	19.0	20.08	376,191	18,735	5.9%
3 months	21.6	18.4	19.88	740,364	37,246	11.8%
6 months	21.8	16.7	19.05	1,431,004	75,110	23.7%
12 months	21.8	11.0	16.43	2,437,586	148,401	46.9%

Source: KPMG Corporate Finance analysis

In the 12 months to 21 August 2018, 46.9% of issued Ordinary Shares or 135.9% of free float were traded. This level of trading indicates that there is a liquid market for Ordinary Shares notwithstanding SGH's limited free float of 34.5%.

9 Impact of the Conversion Proposal on SGH

The impact of the Conversion Proposal on SGH will depend on the proportion of TELYS4 Holders who elect the Full Conversion option or the Partial Cash Exit Opportunity. In order to illustrate the impact of the Conversion Proposal on SGH, two extreme scenarios have been considered:

(i) 100% of TELYS4 Holders elect the Full Conversion option, and

(ii) 100% of TELYS4 Holders elect the Partial Cash Conversion Opportunity.

These outcomes are illustrative only. The actual proportion of TELYS4 Holders who elect each of these options is likely to be between these two scenarios.

9.1 Impact on capitalisation, free float and liquidity

If (i) 100% of the TELYS4 Holders elect the Full Conversion option, implementation of the Conversion Proposal will result in the issue of 22,864,741 new Ordinary Shares to TELYS4 Holders and an increase free float from 34.5% to 38.9%. The capitalisation of Ordinary Shares and free float will increase by $459 million.[17]

If (ii) 100% of the TELYS4 Holders elect the Partial Cash Exit Opportunity, implementation of the Conversion Proposal will result in the issue of 11,432,370 new Ordinary Shares to TELYS4 Holders and an increase in free float from 34.5% to 36.8%. The capitalisation of Ordinary Shares and free float will increase by $230 million.[17]

[17] Assumes no change in the Ordinary Share price.

These scenarios are illustrated in the following table.

Table 7: Impact on capitalisation and free float

		Post Conversion Proposal			
	Pre-Conversion Proposal	*Impact*	100% Full Conversion option	*Impact*	100% Partial Cash Exit Opportunity
Number of shares ('000):					
TELYS4s	4,964	*(4,964)*	-	*(4,964)*	-
SGH Ordinary Shares	316,485	*22,865*	339,350	*11,432*	327,918
Comprising:					
KM Stokes interest	207,304	-	207,304	-	207,304
Free float	109,181	*22,865*	132,046	*11,432*	120,613
KM Stokes interest (%)	65.5%	*-4.4%*	61.1%	*-2.3%*	63.2%
Free float (%)	34.5%	*4.4%*	38.9%	*2.3%*	36.8%
30 day VWAP to 21 August 2018:					
TELYS4s	$80.25	*$80.25*	$80.25	*$80.25*	$80.25
SGH Ordinary Shares	$20.08	*$20.08*	$20.08	*$20.08*	$20.08
Capitalisation ($ million):					
TELYS4s	$398,352	-	-	-	-
SGH Ordinary Shares	$6,355,199	*$459,137*	$6,814,336	*$229,568*	$6,584,767
Comprising:					
KM Stokes interest	$4,162,787	-	$4,162,787	-	$4,162,787
Free float	$2,192,412	*$459,137*	$2,651,549	*$229,568*	$2,421,981

Source: KPMG Corporate Finance analysis

An increase in the SGH's free float may result in an increased weighting in or inclusion in various indices (e.g. S&P/ASX or MSCI indices) that only include free float. Inclusion in additional indices may create additional demand from passive index investment mandates seeking to rebalance their portfolio to track the index and may enhance liquidity.

9.2 *Cash savings*

If (i) 100% of TELYS4 Holders elect the Full Conversion Option, implementation of the Conversion Proposal will result in net savings in distributions for SGH of $14.2 million per annum[18] and an increase in EPS of 1.1% ($0.01 per Ordinary Share). There will also be additional franking credits available for holders of Ordinary Shares.

If (ii) 100% of TELYS4 Holders elect the Partial Cash Exit Opportunity, implementation of the Conversion Proposal will result in net savings in distributions for SGH of $19.0 million per annum[18] and an increase in EPS of 1.2% ($0.01 per Ordinary Share).

These scenarios are presented in the following table.

[18] Based on the latest 12 months of distributions.

Table 8: SGH's savings in distributions and impact on EPS

		Post Conversion Proposal			
	Pre-Conversion Proposal	*Impact*	100% Full Conversion option	*Impact*	100% Partial Cash Exit Opportunity
Number of shares:					
TELYS4s	4,964	*(4,964)*	-	*(4,964)*	-
SGH Ordinary Shares	316,485	*22,865*	339,350	*11,432*	327,918
Distributions per share:					
TELYS4s[1]	$4.79	$4.79	$4.79	$4.79	$4.79
Ordinary Shares (to March 2018)	$0.42	$0.42	$0.42	$0.42	$0.42
Total distributions:					
TELYS4s[1]	$23,767	*$(23,767)*	*$-*	*$(23,767)*	*$-*
Ordinary Shares (to March 2018)	$132,924	*$9,603*	*$142,527*	*$4,802*	*$137,725*
Total	**$156,691**	***$(14,164)***	**$142,527**	***$(18,966)***	**$137,725**

Source: KPMG Corporate Finance analysis
Note: Based on latest cash yield of 4.7883%.

The following table sets out the impact on earnings per Ordinary Share.

Table 9: Impact on earnings per Ordinary Share

		Post Conversion Proposal			
	Pre-Conversion Proposal	*Impact*	100% Full Conversion option	*Impact*	100% Partial Cash Exit Opportunity
FY18 NPAT - continuing ($'000)	$321,900	$-	$321,900	$-	$321,900
TELYS4 distribution ($'000)	$(23,767)	$23,767	$-	$23,767	$-
Interest[1]	$-	$1,129	$1,129	(9,245)	(9,245)
EPS for Ordinary Shareholders ($)	$298,133	$24,896	$323,029	$14,522	$312,655
Number of Ordinary Shares ('000)	316,485	22,865	339,350	11,432	327,918
Earnings per Ordinary Share ($)	**$0.94**	**$0.01**	**$0.95**	**$0.00**	**$0.95**
Percentage increase (%)			*1.1%*		*1.2%*

Source: KPMG Corporate Finance analysis
Note: Assumes interest is saved/(paid) at 4.75%. Interest under the 100% Partial Cash Exit Option relates to the cost of purchasing all TELYS4s for $88.00 per TELYS4.

In the unlikely event that SGH is required to buy back 50% of the TELYS4s for $88.00 per TELYS4, the upfront cash outlay will be $218.4 million.[19] As a result, leverage as at 30 June 2018 will decline from 2.4 to 2.3 times. However, an arbitrage opportunity will exist whereby investors can buy the TELYS4s on market on 28 September 2018 for a minimum of $88.00, after which their TELYS4s will be converted into 4.60645 Ordinary Shares at an implied value of $92.50[20] (i.e. a gain of up to 5.1%). Should SGH not be required to buy back TELYS4s, SGH's leverage will not increase as a result of the Conversion Proposal.

9.3 *Simplification of capital structure*

SGH's capital structure will be simplified as it will no longer have TELYS4s on issue. The deep discount of the TELYS4s and complex capital structure may have created concern regarding the credit risk for Ordinary Shareholders. Implementation of the Conversion Proposal will alleviate any such concern noting that this is occurring without a change in the overall equity of SGH.

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[19] Calculated as 50% of 4,964 TELYS4s times $88.00.

[20] Based on the conversion ratio of 4.60645 and the VWAP of Ordinary Shares over the 30 trading days to 21 August 2018 of $20.08

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this IER on behalf of KPMG Corporate Finance are Ian Jedlin, Sean Collins and Celeste Oakley. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Celeste Oakley holds Bachelors degrees in Economics and Law from Macquarie University. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of IERs.

Disclaimers

It is not intended that this IER should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of TELYS4 Holders. KPMG Corporate Finance expressly disclaims any liability to any TELYS4 Holders who relies or purports to rely on the IER for any other purpose and to any other party who relies or purports to rely on the IER for any purpose whatsoever. Other than this IER, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Conversion Proposal. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Scheme. We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia, the United States, the United Kingdom or Greece. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this IER to management of TELYS4 for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this IER as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this IER.

Consent

KPMG Corporate Finance consents to the inclusion of this IER in the form and context in which it is included with the Explanatory Memorandum to be issued to the TELYS4 Holders. Neither the whole nor the any part of this IER nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

APES 225

Our IER has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this IER have acted independently.

Appendix 2 – Sources of Information

In preparing this IER we have been provided with and considered the following sources of information:

Publicly available information:

- Explanatory Memorandum (including earlier drafts)
- TELYS4 Prospectus for initial public offering, released 16 March 2010
- various ASX company announcements
- various broker reports
- various press and media articles
- financial information from IRESS, Bloomberg and Capital IQ

Non-public information

- SGH Board papers, and
- TELYS4 and Ordinary Share registry analysis.

Appendix 3 – Comparable listed securities

Issuer (Group)	SGH	Multiplex	NAB	Nufarm Finance	Ramsay Healthcare	Suncorp-Metway	Macquarie Bank
Security type	Perp/Call	Perp/Call	Perp/Call	Hybrid	Perp/Call	Hybrid	Perp/Call
Ticker	SVWPA	MXUPA	NABHA	NFNG	RHCPA	SBKHB	MBLHB
Moody's credit rating	n/a	n/a	Baa2	n/a	n/a	Baa1	Ba1
S&P rating	n/a	n/a	BBB-	B+	n/a	n/a	n/a
Amount issued (mm)	4.960	4.500	2,000,000	251,000	3	271,538	400,000
Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Cumulative	Non-cumulative
Issue date	1-Jun-05	19-Jan-05	12-May-99	24-Nov-06	24-May-05	26-Nov-98	24-Oct-99
Price ($) / security	81.14	79.99	84.75	82.8	106.6	77.5	86.5
Face value ($) / security	$100	$100	$100	$100	$100	$100	$100
Margin	4.75%	3.90%	1.25%	3.90%	4.85%	0.75%	1.70%
Floating rate benchmark	180 BBSW	90 BBSW	90 BBSW	180 BBSW	180 BBSW	90 BBSW	90 BBSW
Benchmark rate	2.09%	2.10%	1.95%	2.18%	2.16%	1.95%	2.03%
Dividend rate	6.84%	6.00%	3.20%	6.08%	7.01%	2.70%	3.73%
Franking	100%	n/a	n/a	n/a	100%	n/a	n/a
Distributions	Half-yearly	Quarterly	Quarterly	Half-yearly	Half-yearly	Quarterly	Quarterly
Last coupon date	31-May-18	1-Jul-18	15-Aug-18	15-Apr-18	20-Apr-18	15-Aug-18	15-Jul-18
Next coupon date	30-Nov-18	30-Sep-18	15-May-19	15-Oct-18	22-Oct-18	15-May-19	15-Oct-18
Grossed-up running yield	8.43%	7.50%	3.78%	7.34%	6.58%	3.48%	4.31%

Source: Bloomberg, KPMG Corporate Finance analysis

PART TWO – FINANCIAL SERVICES GUIDE

Dated 22 August 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Mr. Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 **(Authorised Representative)**.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (IER) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by TELYS4 Group (Client) to provide general financial product advice in the form of an IER to be included in Explanatory Memorandum (Document) prepared by Seven Group Holdings Limited in relation to the conversion of the TELYS4s to Seven Group Holdings Limited Ordinary Shares (Conversion Proposal).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the IER because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the IER.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the IER only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the IER having regard to your circumstances before you act on the general advice contained in the IER.

You should also consider the other parts of the Document before making any decision in relation to the Conversion Proposal.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $80,000 for preparing the IER. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the IER.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the IER.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with an IER.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the IER is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG Partnership has provided no other services in relation to the Conversion Proposal or alternatives to the Conversion Proposal.

No individual involved in the preparation of this IER holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Conversion Proposal.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 367 287
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
ITS 3, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Ian Jedlin and Sean Collins
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7001

Industrial Services, Media, Energy and Investments

ASX: SVWPA

All Correspondence to:

By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 4:00pm (Sydney time) on Saturday 22 September 2018**

TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/svwpaegm2018

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

BY SMARTPHONE

Scan QR Code using smartphone QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting or does not vote in accordance with your instructions, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the Company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

If you are entitled to cast two or more votes, you are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Company's securities registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses, to the extent permitted by law. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Company's securities registry.

STEP 3 – VOLUNTARY CONVERSION ELECTION

If you would like to participate in the Voluntary Conversion opportunity described in section 1.8 of the Explanatory Memorandum, you must mark the box in step 3. If you make this election, your TELYS4 will be converted into Ordinary Shares even if the resolution does not pass.

STEP 4 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 5 LODGEMENT

Proxy Forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **4:00pm (Sydney time) on Saturday 22 September 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online	https://www.votingonline.com.au/svwpaegm2018
By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Seven Group Holdings Limited
ABN 46 142 003 469

☐ **Your Address**
This is your address as it appears on the Company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a TELYS4 shareholder of **Seven Group Holdings Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the meeting of TELYS4 Holders of the Company to be held at the **Company's head office at 38-42 Pirrama Road, Pyrmont, NSW 2009 on Monday 24 September 2018 at 4pm (Sydney time)** and at any adjournment or postponement of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, and to the extent permitted by law, as the proxy sees fit.

The Chair of the Meeting intends to vote all available undirected proxies in favour of all Items of business. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that item.

You are able to indicate a portion of your voting rights directly, or instruct your proxy how to vote, by inserting a percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast by you on each resolution must not exceed your voting entitlement or 100%

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		Board Recommendation	For	Against	Abstain*
Item 1	Amend the conversion terms of the TELYS4	**For**	☐	☐	☐

STEP 3 VOLUNTARY CONVERSION ELECTION

As set out in section 1.8 of the Explanatory Memorandum, you may elect to have your TELYS4 converted in accordance with the amended conversion terms, even if the TELYS4 shareholder vote resolution does not pass. You must mark the box below if you would like participate in this opportunity.

Item 2 Even if the vote fails, convert my TELYS4 in accordance with the amended conversion terms ☐

STEP 4 SIGNATURE OF SECURITYHOLDER

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name……………………………………………..... Contact Daytime Telephone……………………................................ Date / / 2018

Annexure E

SGH | Industrial Services, Media, Energy and Investments

ASX: SVWPA

All Correspondence to:

By Mail	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia
By Fax:	+61 2 9290 9655
Online:	www.boardroomlimited.com.au
By Phone:	(within Australia) 1300 737 760 (outside Australia) +61 2 9290 9600

YOUR PARTIAL CASH EXIT ELECTION IS IMPORTANT

For your Partial Cash Exit Election to be effective this duly completed and signed form must be received at one of the addresses or the facsimile number below not later than before 4:00pm (Sydney time) on Saturday 22 September 2018.

TO ELECT FOR PARTIAL CASH EXIT COMPLETE AND RETURN THIS ELECTION FORM

IMPORTANT NOTE: If you would like to participate in Full Conversion, you should not complete this form. This document is only for use by those TELYS4 Holders who wish to participate in the Partial Cash Exit Opportunity. If you do not complete this form, you will be taken to elect for Full Conversion.

This Partial Cash Exit Opportunity Election Form is for use by those TELYS4 Holders who wish to participate in the Partial Cash Exit Opportunity in respect of the proposal to convert TELYS4 in SGH to Ordinary Shares. Details of the Partial Cash Exit Opportunity and the options open to TELYS4 Holders are set out in sections 1.3, 1.6 and 1.7 of the Explanatory Memorandum. Terms defined in the Explanatory Memorandum have the same meaning when used in this Partial Cash Exit Opportunity Election Form.

Instructions for completing Partial Cash Exit Opportunity Election Form

1. (General) This form should be read in conjunction with the Explanatory Memorandum. In particular you should refer to sections 1.4, 1.5,1.6 and 1.7 for information about Full Conversion and the Partial Cash Exit Opportunity.

2. (Trustees and nominees) If you hold one or more parcels of TELYS4 as trustee or nominee for, or otherwise on account of, another person, you may, subject to providing to SGH any substantiating information they reasonably require, make a separate Partial Cash Exit Opportunity Election in respect of each of those parcels. For each Partial Cash Exit Opportunity Election you make in respect of only some of your TELYS4, you should

(a) Complete Part A under Step 1 of the Partial Cash Exit Opportunity Election Form;

(b) Also complete Part B under Step 1 of the Partial Cash Exit Opportunity Election Form by specifying the number of TELYS4 that are the subject of the Partial Cash Exit Opportunity and indicating your acceptance of the certification set out there; and

(c) Complete Step 2 of the Partial Cash Exit Opportunity Election Form.

3. SGH reserves the right to request any additional substantiating information that it may reasonably require.

4. (Variation or withdrawal) A Partial Cash Exit Opportunity Election Form, whether valid or not, is irrevocable once it is made unless SGH agrees, in its absolute discretion, to its revocation.

5. (Lodgement) This form (and any power of attorney under which it is signed) must be received at one of the addresses or the facsimile number below not later than 4:00pm (Sydney time) on Saturday 22 September 2018. A Partial Cash Exit Opportunity Election Form received after that time will not represent a valid Partial Cash Exit Opportunity election.

STEP 1 MAKE YOUR ELECTION

If you wish to participate in the Partial Cash Exit Opportunity, you must tick the box in Part A or Part B below.

STEP 2 SALE FACILITY BROKER ELECTION

You can nominate the SGH appointed Sale Facility Broker to sell your TELYS4 or you can appoint your own Broker by completing this section of the form. If you do not make a selection, you must sell your TELYS4 through your own broker.

STEP 3 SIGN THIS ELECTION FORM

The form **must** be signed as follows:
Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all securityholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Election Forms (and any Power of Attorney under which it is signed) must be received no later than 4.00pm (**Sydney time) on Saturday 22 September 2018.** Any Election Form received after that time will not be valid to elect to participate in the partial cash exit.

Election forms may be lodged using the enclosed Reply Paid Envelope or:

By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Seven Group Holdings Limited
ABN 46 142 003 469

PARTIAL CASH EXIT ELECTION FORM

STEP 1 MAKE YOUR ELECTION

Partial Cash Exit Opportunity Election: If you wish to participate in the Partial Cash Exit Opportunity, you must tick the box in **Part A** or **Part B** below.

I/We being a TELYS4 shareholder of **Seven Group Holdings Limited** (Company) and entitled hereby elect

Part A – for <u>all</u> TELYS4 Holders who wish to participate in the Partial Cash Exit Opportunity	**Part B – <u>only</u> for TELYS4 Holders who hold TELYS4 as trustee or nominee for, or on account of, another person**
(Please mark ☒ to indicate your election.) ☐ I/We elect to participate in the Partial Cash Exit Opportunity NB: If you make an election in part A or part B to participate in the Partial Cash Exit Opportunity you MUST also complete section 2 below. If you do not complete step 2 you must sell your TELYS4 through your own broker	(Please specify the number of TELYS4 the subject to the Partial Cash Exit Opportunity and mark ☒ to indicate your certification below.) ____________________Insert number of TELYS4 here ☐ I/We certify that the TELYS4 subject to this Partial Cash Exit Opportunity Election represent a separate and distinct parcel of TELYS4 that I/we hold as trustee or nominee for, or otherwise on account of, another person.

STEP 2 SALE FACILITY BROKER ELECTION

You have the option of selling your TELYS4 in the Partial Cash Exit Opportunity either through the SGH appointed Sale Facility Broker or through your own broker. If you do not make a selection below, you will need to sell your TELYS4 through your Broker. If you elect to use the SGH appointed Sale Facility Broker, you authorise and provide consent for 50% of the TELYS4 you hold to be transferred to a custodian of SGH's choosing once the resolution to approve the Conversion Proposal is passed to facilitate the sale of 50% of your TELYS4 through the Sale Facility. Further details about this option are in sections 1.7 and 5.7 of the Explanatory Memorandum.

(Please mark ☒to indicate your election.)

☐ I/We elect to use the SGH appointed Sale Facility Broker to participate in the Partial Cash Exit Opportunity

OR

☐ I/We elect to use my/our own broker to participate in the Partial Cash Exit Opportunity

STEP 3 SIGNATURE OF SECURITYHOLDER

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…………………………………………….... Contact Daytime Telephone……………………….......................... Date / / 2018

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