



ASX ANNOUNCEMENT

AFFINITY EDUCATION GROUP LIMITED

ASX:AFJ

24 August 2015

Affinity Education and Anchorage Capital Partners enter into Heads of Agreement

Affinity Education and Anchorage Capital Partners enter into Heads of Agreement that, subject to finalisation of due diligence, documentation and receipt of shareholder approvals, will return \$0.90 per share to Affinity shareholders

Affinity Directors recommend that shareholders REJECT the G8 Offers

Affinity Education Group Limited (**Affinity**) today announces that it has entered into a Heads of Agreement with Anchorage Capital Partners Pty Limited (**Anchorage**) following completion of material commercial diligence by Anchorage.

Under the terms of the Heads of Agreement, Anchorage Childcare Pty Ltd (a newly incorporated company to be established by funds managed by Anchorage) will acquire all of the assets and business of Affinity for \$208.3 million and Affinity will return \$0.90 cash per share to Affinity Shareholders (**Proposed Transaction**).

In relation to the G8 Offers, your Directors unanimously recommend that Affinity shareholders **REJECT** both the Share Offer and the Cash Offer. To reject the G8 Offers, **DO NOT RESPOND** and **DO NOTHING** in relation to any documents sent to you by G8.

The entry into the Proposed Transaction is subject to completion by Anchorage of outstanding due diligence, and the finalisation and execution of binding transaction documents. The Proposed Transaction will not be subject to any conditions, other than approvals by Affinity shareholders of the Proposed Transaction under the ASX Listing Rules and the Corporations Act. These approvals will require the passing of ordinary (i.e. 50%) resolutions by Affinity shareholders.

Under the Heads of Agreement, Affinity and Anchorage will seek to negotiate and enter into binding transaction documents by 21 September 2015. The Affinity Directors will advise shareholders, by no later than 21 September 2015, when Anchorage confirms it has completed its outstanding due diligence and on the entry into binding transaction documents.

As part of the Agreement with Anchorage, Affinity has entered into a period of exclusivity with Anchorage up to 21 September 2015 and has ceased discussions with other interested parties. Affinity may respond to a proposal if the board determines in good faith, that failing to respond would be likely to constitute a breach of fiduciary or statutory duties.

Subject to the execution of binding transaction documents in relation to the Proposed Transaction and no superior proposal emerging, your Directors¹ intend to unanimously recommend that shareholders approve the Proposed Transaction in the absence of a superior proposal.

The Target's Statement in response to both G8 Offers will be sent to shareholders on 25 August 2015, containing an Independent Expert's Report by Lonergan Edwards opining that the G8 Offers are neither fair nor reasonable.

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

For further information please contact:

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

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

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

About Affinity Education Group Limited

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

¹ The Affinity Board has established an independent board subcommittee to consider the G8 Offers and the proposal from Anchorage. The husband of one of the Affinity Directors, Ms Gabriel Giufre, is working with Anchorage in relation to the Proposed Transaction. Accordingly, Affinity has adopted protocols (in accordance with the Takeovers Panel's Guidance Note 19: Insider Participation in Control Transactions) to ensure that Affinity's consideration of the Anchorage proposal is free from any influence from Ms Giufre and that any disclosure of sensitive information is subject to appropriate oversight and control.

