



## ASX statement

### ASIC Registration of Scheme Booklet

15 November 2019: Prime Media Group Limited (ASX: PRT) (**Prime**) is pleased to announce that the Australian Securities and Investments Commission (**ASIC**) has registered the Scheme Booklet in relation to the scheme of arrangement (**Scheme**) pursuant to which all of the issued capital in Prime is proposed to be acquired by Seven West Media Limited (ASX: SWM) (**Seven**).

Registration of the Scheme Booklet follows the Supreme Court of New South ordering the convening of a meeting of Prime shareholders to consider and vote on the Scheme (**Scheme Meeting**) and approving the distribution of the Scheme Booklet to Prime shareholders.

The Scheme Booklet contains an explanatory statement providing information about the Scheme, the Independent Expert's Report and notice of the Scheme Meeting.

A copy of the Scheme Booklet is attached to this announcement.

A copy of the Scheme Booklet will be sent to Prime shareholders on 19 November 2019.

### Scheme Meeting

The Scheme Meeting is scheduled to be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.

All Prime shareholders are encouraged to vote either by attending the Scheme Meeting in person or by appointing a proxy, attorney or corporate representative to attend the Scheme Meeting and vote on their behalf.

### Independent Expert's conclusion

The Independent Expert, Lonergan Edwards & Associates, has concluded that the Scheme is in the best interests of Prime shareholders, in the absence of a superior proposal.

The Independent Expert has reached this conclusion on the basis that the Scheme is not fair but that it is reasonable. The Independent Expert's conclusions should be read in context with the Independent Expert's Report that is part of the Scheme Booklet attached to this announcement.



### **Directors' recommendation**

The Prime Board of Directors unanimously recommends that Prime shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime shareholders.

Subject to those same qualifications, each Prime director has indicated that he or she intends to vote all Prime shares held or controlled by them in favour of the Scheme.

### **Media inquiries**

Miche Paterson, Newgate Communications 0400 353 762

### **Investor Inquiries**

John Palisi, Chief Financial Officer (02) 6242 3810

# SCHEME BOOKLET

**For a recommended scheme of arrangement in relation to the proposed acquisition of Prime Media Group Limited by Seven West Media Limited**

## VOTE IN FAVOUR

The Prime Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.

The Independent Expert has concluded that the Scheme is not fair but reasonable and, on that basis, in the best interests of Prime Shareholders, in the absence of a Superior Proposal.

The Scheme Meeting is scheduled to be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.

**This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme Resolution to approve the Scheme. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.**

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact the Prime Shareholder Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia), Monday to Friday (excluding national public holidays in Australia) between 9.00am and 5.00pm (Sydney time).

**This Scheme Booklet has been sent to you because you are shown in the Prime Share Register as holding Prime Shares. If you have recently sold all of your Prime Shares, please disregard this Scheme Booklet.**

Legal Adviser

**Allens > < Linklaters**

## Important Notices and Disclaimers

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### General

This Scheme Booklet (the **Booklet**) is an important document for all Prime Shareholders and requires your immediate attention. If you have sold all of your Prime Shares as at the date of this Booklet, please ignore this Booklet and kindly recycle. If you are a Prime Shareholder, you should carefully read this Booklet in its entirety before deciding how to vote on the Scheme.

If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers.

### Purposes of this Booklet

The purposes of this Booklet are to:

- provide you with information about the proposed acquisition of Prime by Seven;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and implemented (if approved);
- provide you with such information as is required by law or otherwise material to your decision to vote in favour of, or against, the Scheme; and
- include the explanatory statement and other information required to be sent to Prime Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

This Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act in respect of New Seven Shares. Section 708(17) of the Corporations Act provides that an offer of shares does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a scheme meeting held as a result of an order made by a court under section 411(1) or (1A) of the Corporations Act.

### Responsibility for information

Prime is solely responsible for the Prime Information. Prime Group and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any information contained in this Booklet other than the Prime Information.

Seven is solely responsible for the Seven Information. Seven Group and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any information contained in this Booklet other than the Seven Information.

Lonergan Edwards has prepared the Independent Expert's Report in relation to the Scheme and is solely responsible for that report. The Independent Expert's Report is set out in Appendix 1.

Allens has provided and is solely responsible for the information contained in section 13. Neither the Seven Group nor the Prime Group, nor any of their respective directors and officers, assumes any responsibility for the accuracy of the information contained in section 13. Allens does not assume any responsibility for the accuracy or completeness of the information contained in this Booklet other than that contained in section 13.

Link has had no involvement in the preparation of any part of this Booklet other than being named as the Prime Share Registry. Link has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Booklet.

The Investigating Accountant's Independent Limited Assurance Report contained in Appendix 2 has been prepared by, and is the responsibility of, the Investigating Accountant. None of Prime,

Seven or their respective directors, officers and advisers assumes any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

### Role of ASIC and ASX

A copy of this Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Booklet has also been lodged with ASX.

None of ASIC, ASX or any of their officers takes any responsibility for the content of this Booklet.

### Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has approved the Booklet required to accompany the Notice of the Scheme Meeting, does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how you should vote on the Scheme (on this matter, you must reach your own decision);
- has prepared, or is responsible for, the content of this Booklet; or
- has approved or will approve the terms of the Scheme.

### Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Appendix 5.

### Notice of the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Prime Shareholder may appear at the Second Court Hearing, expected to be held at 12.00pm (Sydney time) on 20 December 2019 at the Supreme Court of New South Wales - 184 Phillip St, Sydney NSW 2000.

Any Prime Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Prime a notice of appearance in the prescribed form together with any affidavit that the Prime Shareholder proposes to rely on.

### No investment advice

This Booklet has been prepared without reference to your individual investment objectives, financial and tax situation or needs. The information and recommendations contained in this Booklet do not constitute, and should not be taken as, financial product advice.

It is important that you read this Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers.

### Forward-looking statements

This Booklet contains certain forward-looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could

cause the actual conduct, market conditions, results, performance or achievements of Prime, Seven or the Combined Group to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected. Further detail on the risks associated with the Scheme are set out in section 12.

Forward-looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Other than as required by law, none of Prime, Seven, their respective directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. You are cautioned against relying on any such forward-looking statements.

The historical financial performance of Prime or Seven is no assurance or indicator of future financial performance of the Combined Group (or Prime or Seven in the scenario where the Scheme does not proceed). Neither Prime nor Seven guarantees any particular rate of return or the performance of the Combined Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Combined Group.

The forward-looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of Seven reflect present intentions as at the date of this Booklet and may be subject to change.

Subject to the Corporations Act and any other applicable laws or regulations, Prime and Seven disclaim any duty to update any forward-looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to making a decision whether or not to vote in favour of the Scheme.

#### **Notice to Prime Shareholders in jurisdictions outside Australia**

The release, publication or distribution of this Booklet (electronically or otherwise) may be restricted by law or regulation in jurisdictions other than Australia and if you are outside Australia and come into possession of this Booklet, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Booklet has been prepared in accordance with the laws and regulations of Australia and the information contained in this Booklet may not be the same as that which would have been disclosed if this Booklet had been prepared in accordance with the laws and regulations outside Australia.

This Booklet and the Scheme do not in any way constitute an offer of shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

If you are an Ineligible Foreign Shareholder, you will not be able to receive New Seven Shares. New Seven Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on ASX, with the Sale Proceeds to be paid to Ineligible Foreign Shareholders, after deducting applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges. See section 8.10.7 for further information.

Prime residents outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme.

For details regarding Ineligible Foreign Shareholders and foreign selling restrictions that apply in connection with the Scheme, you should refer to sections 8.2 and 8.10.7.

#### **Notice to Prime Shareholders in New Zealand**

The New Seven Shares being issued under the Scheme are being issued to shareholders with registered addresses in New Zealand in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*. This Booklet is not a product disclosure statement under the *Financial Markets Conduct Act 2013 (FMCA)* or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMCA or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

#### **Implied value**

You will receive your Scheme Consideration as New Seven Shares. Any reference to the implied value of the Scheme Consideration should not be taken as an indication that the implied value is fixed. The implied value of the Scheme Consideration will vary with the market price of New Seven Shares.

If you are an Ineligible Foreign Shareholder, this also applies to the New Seven Shares which will be issued to the Sale Agent and sold on ASX by the Sale Agent. Any cash remitted to you from the net proceeds of such sales will depend on the market price of Seven Shares at the time of sale by the Sale Agent.

#### **Privacy and personal information**

Prime, Seven and their respective share registries may need to collect personal information to implement the Scheme. The personal information collected may include your name, contact details and details of holdings, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Prime to conduct the Scheme Meeting and to assist Prime and Seven to implement the Scheme.

If you are an individual, you, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected. If you wish to exercise these rights, you may contact the Prime Shareholder Information Line on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding national public holidays in Australia).

The personal information collected may be disclosed to Prime, Seven and their respective related bodies corporate and advisers, print and mail service providers, share registries, share brokers and any other service provider to the extent necessary to implement the Scheme.

If the personal information outlined above is not collected, Prime may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme.

If you appoint an individual as your proxy, attorney or corporate representative to vote at the Scheme Meeting, you should inform that individual of the matters outlined above.

#### **Defined terms**

Capitalised terms used in this Booklet are defined in section 16.1, or defined within the section that they appear. Section 16.2 of this Booklet also sets out some rules of interpretation which apply to this Booklet. Some of the documents reproduced in the appendices to this Booklet have their own defined terms, which are sometimes different to those set out in section 16.1.

**Charts and diagrams**

Any diagrams, charts, maps, graphs and tables appearing in this Booklet are illustrative only and may not be drawn to scale.

**Effect of rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

**Timetable and dates**

All references to times in this Booklet are references to the time in Sydney, Australia, unless otherwise stated.

The dates and times set out in the timetable in section 1 are indicative only and are subject to change. Any changes to the timetable will be announced to ASX and published on Prime's website at [www.primemedia.com.au](http://www.primemedia.com.au).

**No internet site is part of this Booklet**

Prime and Seven maintain websites. Any references in this Booklet to any website are for informational purposes only and no information contained on any website forms part of this Booklet.

**Supplementary information**

Please refer to section 15.13 for information about the steps that Prime will take if information about the Scheme needs to be updated.

If you have any questions or require further information in relation to the Scheme or this Booklet, you should contact the Prime Shareholder Information Line on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding national public holidays in Australia).

**Date of this Booklet**

This Booklet is dated 15 November 2019.

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## 1. Key Dates

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<b>Event</b>	<b>Time and date</b>
Date of this Booklet	Friday, 15 November 2019
Latest time and date for receipt of proxy forms (including proxies lodged online) by the Prime Share Registry for the Scheme Meeting	10.00am (Sydney time) on Tuesday, 17 December 2019
<b>Scheme Meeting Record Date</b> Time and date for determining eligibility to vote at the Scheme Meeting	10.00am (Sydney time) on Tuesday, 17 December 2019
<b>Scheme Meeting</b>	10.00am (Sydney time) on Thursday, 19 December 2019
<b><i>If the Scheme is approved by the Requisite Majority of Prime Shareholders at the Scheme Meeting:</i></b>	
<b>Second Court Date</b> Court hearing for approval of the Scheme	12.00pm on Friday, 20 December 2019
<b>Effective Date</b> The date on which the Scheme becomes Effective and is binding on Prime Shareholders  The date on which Court orders will be lodged with ASIC (at which point the Scheme becomes Effective) and announced on ASX  Last day of trading in Prime Shares on ASX (Prime Shares will be suspended from trading on ASX from close of trading)	Friday, 20 December 2019
Commencement of trading of New Seven Shares on ASX on a deferred settlement basis	Monday, 23 December 2019
<b>Scheme Record Date</b> Time and date for determining entitlement to the Scheme Consideration	7.00pm (Sydney time) on Friday, 27 December 2019
<b>Implementation Date</b> Transfer of all Scheme Shares to Seven and issue of Scheme Consideration to Scheme Shareholders	Monday, 6 January 2020
Commencement of trading of New Seven Shares on ASX on a normal settlement basis	Tuesday, 7 January 2020

All references to time in this Booklet are references to the time in Sydney, New South Wales, Australia.

All dates following the date of the Scheme Meeting are indicative only and, amongst other things, are subject to all necessary approvals from the Court and any other Regulatory Authorities. Any changes to the above timetable will be announced to ASX and published on Prime's website.



## 2. Letter from the Chairman of Prime

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15 November 2019

Dear Prime Shareholders,

On behalf of your Prime Directors, I am pleased to provide you with this Scheme Booklet in relation to the proposed acquisition of Prime by Seven West Media (**Seven**).

This Scheme Booklet contains important information to help you make an informed decision about how to vote at the Scheme Meeting. Your Prime Directors urge you to read this Scheme Booklet, including the Independent Expert's Report in its entirety.

On 18 October 2019, Prime and Seven announced that the companies had entered into a Scheme Implementation Deed under which it is proposed that Seven will acquire all of Prime's issued shares by way of a Scheme of Arrangement (**Scheme**). If the Scheme is implemented, Prime shareholders will receive 0.4582 New Seven Shares for each Prime Share they hold. Following implementation of the Scheme, existing Seven Shareholders will own 90% of the Combined Group, with Prime Shareholders owning the remaining 10%.

The Scheme:

- brings together Australia's number one rating metropolitan and regional commercial television networks, creating a unique platform of diversified electronic media assets; and
- provides Prime Shareholders with the opportunity to participate in the expected benefits of combining Prime and Seven and retain exposure to the media industry through an investment in a diversified media company of scale.

In addition, Seven has indicated that it expects the Scheme to be earnings per share accretive for both Prime Shareholders and Seven Shareholders on a pro forma basis excluding impairment and following realisation of the expected cost synergies described in section 11.2 below.

### **Directors' Recommendation**

Your Prime Directors unanimously recommend Prime Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Prime Shareholders.

In assessing the Scheme, the Prime Board has considered the advantages and disadvantages of the Scheme and undertaken a thorough review of alternatives, including the company's ability as a small, independent media business to withstand the declines in audience and advertising revenue that are rapidly occurring in the regional media sector. An overview of certain advantages and disadvantages of the Scheme can be found in section 4.8 of this Booklet.

In reaching their recommendation, your Prime Directors had regard to a range of factors including the following:

- It is expected the Scheme could realise cost synergies of at least \$11,000,000 on an annualised basis (excluding one-off transaction and integration costs).
- Prime's content is almost exclusively sourced from Seven. The Prime Board considers that it would be extremely challenging for Prime to step away from its existing content model and seek to participate in the open market for content, given its financial capacity.

- The Prime Board considers that Prime is unlikely to be able to achieve scale independently and that there are few, if any, acquisitions that would improve Prime's financial outlook or returns to Prime Shareholders.
- As a regional affiliate, Prime renegotiates its program supply agreement from time to time. In the event that the Scheme does not proceed, and Prime remains a stand-alone entity, the Prime Board expects that, in extending the current agreement, or reaching agreement with another broadcaster, affiliation fees are likely to continue to increase, reducing Prime's profitability.
- Prime continues to be challenged by the rapidly changing technology environment in which it now competes, including the streaming and catch-up services offered by Seven, Nine, Ten, the ABC and SBS, Stan and Foxtel, as well as international content giants, such as Netflix, Amazon Prime, Google Play and the soon to be launched Disney streaming service.

The Prime Board has not identified strategies, within its control, that would reverse the pressure on viewership with the result that advertising revenues may continue to decline.

The Prime Board also notes the following analysis in relation to the Scheme Consideration. Based on the closing price of Seven Shares on 14 November 2019 (being the last trading date prior to the date of this Booklet), the Scheme Consideration represents value of approximately \$0.192 per Prime Share. This represents a:

- 6.91% premium to the 'undisturbed' closing price of Prime Shares on 17 October 2019 (being the last trading date prior to the announcement of the Scheme);
- 1.31% discount to the closing price of Prime Shares on 14 November 2019 (being the last trading date prior to the date of this Booklet); and
- 1.40% discount to the one month volume weighted average price of Prime Shares up to and including 14 November 2019 (being the last practicable date to determine that prior to the date of this Booklet).

The Independent Expert's Report contains more detailed analysis in respect of the value of the Scheme Consideration relative to Prime Shares.

Your Prime Directors intend to vote in favour of the Scheme, in relation to the Prime Shares they control, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.

### **Independent Expert**

In order to evaluate the Scheme, your Prime Directors commissioned independent expert Lonergan Edwards to prepare an Independent Expert's Report. The Independent Expert has concluded the Scheme is not fair but that it is reasonable and, on that basis, in the best interests of Prime Shareholders, in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is included in Appendix 1. You should carefully read the Independent Expert's Report in its entirety before making a decision on how to vote on the Scheme.

### **Further Information and How to Vote**

Your vote is important in determining whether or not the Scheme proceeds. Your Prime Directors strongly encourage you to participate in this important decision either by attending the Scheme Meeting to vote or by completing the enclosed proxy form. Information on how to vote is contained in section 5.

If the Scheme is Implemented, Mr Ian Audsley (Prime's Chief Executive Officer and Managing Director) will become entitled to a cash payment of up to \$1,237,000 (in aggregate) in connection with his retirement from office, as described in section 14.6. Mr Audsley also holds or controls 973,940 Prime Shares (see section 14.1 for further details). If the Scheme becomes Effective, Mr Audsley will receive the Scheme Consideration for each Prime Share he holds at the Scheme Record Date. Prime Shareholders should have regard to these arrangements when considering Mr Audsley's recommendation on the Scheme, which appears throughout this Booklet. Mr Audsley's recommendation is consistent with the recommendation of the Prime Directors set out above and throughout this Booklet. Given the importance of the Scheme and Mr Audsley's role in the management of Prime, Mr Audsley considers that it is appropriate for him to make a recommendation on the Scheme. The Prime Board (absent Mr Audsley) and, separately, Mr Audsley, have determined that Mr Audsley can, and should if he wishes to do so, make a recommendation on the Scheme notwithstanding the benefits Mr Audsley will receive if the Scheme becomes Effective.

If you have further questions, you can call the Prime Shareholder Information Line on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding national public holidays in Australia).

If you are in any doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser. On behalf of your Prime Directors, I would like to take this opportunity to thank you again for your ongoing support of Prime.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Hartigan', with a stylized flourish at the end.

**John Hartigan**  
Chairman  
Prime Media Group Limited

### 3. Letter from the Chairman of Seven

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15 November 2019

Dear Prime Shareholder,

On behalf of Seven West Media Limited, it is my pleasure to provide you the opportunity to become a shareholder in the Combined Group through the Scheme.

Seven and Prime have been key partners in the industry dating back over 30 years. We share an enduring commitment to inspire, inform and entertain millions of Australians each day through our quality content, and believe the future is brighter together.

The strategic rationale for the merger is compelling for Prime Shareholders. The Combined Group will cement our position as the leading, wholly-owned commercial premium broadcast, video and news network across Australia with the potential to reach over 90% of Australia's population each month. The combined scale will be a superior and unmistakable offer for our advertising partners with unprecedented access to metropolitan and regional audiences all in one place.

As a Prime Shareholder, you have the opportunity to vote on the Scheme. A vote in favour of the Scheme from the requisite majority of Prime Shareholders will result in the merger of the two companies. The merger is expected to be earnings per share accretive for both Prime Shareholders and Seven Shareholders on a pro forma basis excluding impairment and following realisation of expected cost synergies of \$11,000,000 on an annualised basis (excluding any one-off transaction and integration costs), and provides Prime Shareholders the opportunity to maintain industry exposure while benefitting from a larger, more relevant national platform.

This Booklet provides important information in relation to the Scheme, which I recommend you read in its entirety before you vote on the Scheme Resolution.

On behalf of Seven I encourage you to vote in favour of the Scheme at the Scheme Meeting currently expected to be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.

We look forward to welcoming you as a Seven Shareholder post the implementation of the Scheme.

Yours sincerely,



Kerry Matthew Stokes  
**Chairman**  
**Seven West Media Limited**

## **4. Overview of the Scheme**

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### **4.1 Introduction**

On 18 October 2019, Prime announced that it had entered into the Scheme Implementation Deed with Seven, under which it is proposed that Seven will acquire all Prime Shares pursuant to a scheme of arrangement.

If the Scheme is approved by Prime Shareholders and by the Court, and all other conditions precedent are satisfied or waived (if applicable), Prime will become a wholly owned Subsidiary of Seven and it is expected that Seven will apply for Prime to be delisted from ASX.

If the Scheme is not approved, then the Scheme will not proceed and Prime will continue as a stand-alone entity listed on ASX.

This Booklet contains information that the Prime Board considers is material to Prime Shareholders in making a decision on whether or not to vote in favour of the Scheme. You should carefully read this Booklet in full before making any decision on how to vote on the Scheme Resolution.

### **4.2 What is the Scheme?**

The Scheme is a proposed transaction under which Seven would acquire all of the issued share capital of Prime. If the Scheme becomes Effective, all Scheme Shareholders (excluding Ineligible Foreign Shareholders – see section 8.2.2 below) will receive the Scheme Consideration (as summarised below and in more detail in section 8.3) and Prime will be delisted from ASX and will become a wholly owned Subsidiary of Seven.

The Scheme requires approval by the Requisite Majority of Prime Shareholders at the Scheme Meeting and approval by the Court at the Second Court Hearing in order to become Effective.

A copy of the Scheme is contained in Appendix 4.

### **4.3 Who is Seven?**

Seven is listed on ASX, trading under the ticker 'SWM', and is one of Australia's leading integrated media companies, with a market-leading presence in broadcast television, magazine and newspaper publishing and online.

Seven is the home to many of Australia's leading media businesses – Seven, 7TWO and 7mate, 7flix, 7food network, The West Australian and The Sunday Times, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, the Australian Football League, Cricket Australia, the Olympic Games, Better Homes and Gardens, Marie Claire, Who, PerthNow, racing.com and 7plus.

Further details on Seven are set out in section 10.

### **4.4 What will you receive?**

If the Scheme is approved and implemented, each Eligible Prime Shareholder will receive 0.4582 New Seven Shares for each Prime Share that they hold on the Scheme Record Date.

Refer to section 8.2.1 to determine whether you are an Eligible Prime Shareholder.

Ineligible Foreign Shareholders will participate in the Scheme on the same basis as all Eligible Prime Shareholders. However, New Seven Shares will not be issued to Ineligible Foreign Shareholders.

Instead, the New Seven Shares to which the Ineligible Foreign Shareholder would otherwise have been entitled will be issued to a Sale Agent and sold on ASX.

The Sale Agent will sell those New Seven Shares as soon as practicable after the Implementation Date and the Sale Agent will remit the Sale Proceeds to Prime and Prime will then remit the Sale Proceeds to each Ineligible Foreign Shareholder (after deducting applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges).

The above is a summary only. For further information on the Scheme Consideration, see section 8.3.

#### **4.5 What is the recommendation of Prime Directors?**

The Prime Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders. In reaching their recommendation, the Prime Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Booklet.

As noted in the Prime Chairman's Letter, Mr Ian Audsley (Prime's Chief Executive Officer and Managing Director) will, if the Scheme is implemented, become entitled to a cash payment of up to \$1,237,000 (in aggregate) in connection with his retirement from office, as described in section 14.6. Mr Audsley also holds or controls 973,940 Prime Shares (see section 14.1 for further details). If the Scheme becomes Effective, Mr Audsley will receive the Scheme Consideration for each Prime Share he holds at the Scheme Record Date. Prime Shareholders should have regard to these arrangements when considering Mr Audsley's recommendation on the Scheme, which appears throughout this Booklet. Mr Audsley's recommendation is consistent with the recommendation of the Prime Directors set out above and throughout this Booklet. Given the importance of the Scheme and Mr Audsley's role in the management of Prime, Mr Audsley considers that it is appropriate for him to make a recommendation on the Scheme. The Prime Board (absent Mr Audsley) and, separately, Mr Audsley, have determined that Mr Audsley can, and should if he wishes to do so, make a recommendation on the Scheme notwithstanding the benefits (being the benefits described in section 14.6 and the Scheme Consideration) Mr Audsley will receive if the Scheme becomes Effective.

#### **4.6 What is the conclusion of the Independent Expert?**

The Independent Expert has determined the Scheme to be not fair but reasonable and, therefore, in the best interests of Prime Shareholders, in the absence of a Superior Proposal.

#### **4.7 ATO Class Ruling**

Prime has requested the Australian Taxation Office (**ATO**) to issue a Class Ruling which seeks to confirm a range of matters relating to the tax treatment of the Scheme Consideration.

The ATO has not issued the Class Ruling requested as at the date of the Booklet. If and when issued (which could occur after the Scheme is implemented), the Class Ruling will be available on the ATO website at [www.ato.gov.au](http://www.ato.gov.au).

## 4.8 Summary of reasons why you may want to vote in favour of or against the Scheme

### Reasons to vote in favour of the Scheme

- ✓ The Prime Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of Prime Shareholders, in the absence of a Superior Proposal.
- ✓ No Superior Proposal has emerged as at the date of this Booklet. The Prime Directors are not aware of, and have not received, any Superior Proposal or any approach from any person which they expect is likely to lead to a Superior Proposal.
- ✓ If implemented, the Scheme will combine two complementary businesses and establish the leading wholly-owned commercial premium broadcast, video and news network in Australia. The business of the Combined Group is expected to be more attractive to advertisers.
- ✓ The Scheme is expected to generate significant synergies for the Combined Group.
- ✓ The Combined Group is expected to have improved balance sheet capacity and cash flow.
- ✓ Eligible Prime Shareholders are being offered New Seven Shares under the Scheme. This allows Eligible Prime Shareholders to participate in the expected benefits of combining Seven and Prime and provides Eligible Prime Shareholders with the opportunity to retain exposure to the media industry through an investment in a diversified media company of scale.
- ✓ The regional television advertising market continues to decline as a result of television audience and advertiser disruption. If the Scheme does not proceed, Prime's outlook as a stand-alone entity remains uncertain and the Prime Share Price may fall. The Prime Board considers that Prime is unlikely to be able to achieve scale independently and that there are few, if any, acquisitions that would improve Prime's financial outlook or returns to Prime Shareholders. The Prime Board has not identified strategies, within its control, that would reverse the pressure on viewership with the result that advertising revenues may continue to decline.
- ✓ The implied value of the Scheme Consideration represents a premium to the 'undisturbed' closing price of Prime Shares on 17 October 2019 (being the last trading date prior to the announcement of the Scheme).
- ✓ Prime Shareholders resident in Australia for tax purposes may be eligible for CGT roll-over relief in respect of New Seven Shares received.

Further details on the reasons to vote in favour of the Scheme are set out in section 6.1.

## Reasons why you may not want to vote in favour of the Scheme

- ✘ You may disagree with the Prime Directors' recommendation and the Independent Expert's conclusion and prefer Prime to continue to operate as a standalone entity.
- ✘ The Independent Expert has determined that, whilst the Scheme is reasonable and therefore in the best interests of Prime Shareholders, it is not fair.
- ✘ The value of the New Seven Shares offered as Scheme Consideration is not certain.
- ✘ You may consider that the implied value of the Scheme Consideration does not represent a sufficient premium to the value of Prime Shares.
- ✘ You may wish to confine your investment and exposure to a business with Prime's specific characteristics.
- ✘ You may be concerned about specific risks associated with Seven's business or an investment in the New Seven Shares.
- ✘ You may consider that there is a possibility that a Superior Proposal could emerge in relation to Prime in the foreseeable future.
- ✘ There are risks associated with implementing the Scheme which you may consider exceed the benefits of the Scheme.
- ✘ The tax consequences of the Scheme may not be suitable to your financial position.

Further details on the reasons why you may not want to vote in favour of the Scheme are set out in section 6.2.



## 5. What should you do in relation to the Scheme?

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There are two steps that you should take in relation to the Scheme:

**Step 1:** carefully read this Booklet in its entirety and seek advice if you have any questions; and

**Step 2:** vote on the Scheme.

### Step 1: Carefully read this Booklet in its entirety and seek advice if you have any questions

- You should carefully read this Booklet in its entirety to assist you in making an informed decision on how to vote on the Scheme.
- This Booklet contains important information, including:
  - the reasons for the Prime Directors' recommendation;
  - the reasons why you may choose to vote for or against the Scheme;
  - information about the Scheme Consideration;
  - information about Prime, Seven and the Combined Group;
  - key risks associated with the Scheme and investing in the Combined Group; and
  - the Independent Expert's Report.
- If you have further questions, you can call the Prime Shareholder Information Line on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding national public holidays in Australia).
- If you are in any doubt as to what you should do, you should seek advice from independent and appropriately licensed financial, legal and taxation advisers before making any decision regarding the Scheme.

### Step 2: Vote on the Scheme

- If you are a Prime Shareholder on the Scheme Meeting Record Date, which is scheduled to be 10.00am on Tuesday, 17 December 2019, you are entitled to vote on the Scheme.
- Prime Shareholders can vote in person, or by appointing a proxy, attorney or, if applicable, corporate representative to vote on your behalf.
- The Scheme Meeting will be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.

#### How to vote

Prime Shareholders can vote:

- **in person**, by attending the Scheme Meeting;
- **by proxy**, by completing, signing and lodging the original Scheme Meeting Proxy Form in accordance with the instructions set out on the form. You should arrange to have your proxy or proxies attend if you are appointing a person other than the Chairman of the Scheme Meeting as your proxy;

- **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf, and providing a duly executed power of attorney to Prime Media Group Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 (using the reply paid envelope provided) or the registered office of Prime by 10.00am (Sydney time) on Tuesday, 17 December 2019; or
- **by corporate representative** (if you are a body corporate), by appointing a corporate representative to attend and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to admission to the Scheme Meeting.

Further details on how to vote on the Scheme, including how to appoint a proxy, attorney, or, if applicable, corporate representative to vote on your behalf are set out in the Notice of Scheme Meeting at Appendix 5.

If you wish to lodge your Scheme Meeting Proxy Form, to be valid it must be received by 10.00am (Sydney time) on Tuesday, 17 December 2019. You can lodge a Scheme Meeting Proxy Form:

- online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au);
- by mail to Prime Media Group Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 (using the reply-paid envelope provided) or the registered office of Prime;
- by fax to Prime Media Group Limited, C/- Link Market Services Limited, +61 2 9287 0309 (within or outside Australia); or
- in person during business hours to the Prime Share Registry at Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

## **6. Key considerations relevant to your vote**

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### **6.1 Reasons why you may want to vote in favour of the Scheme**

#### **6.1.1 The Prime Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders**

The Prime Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders. In reaching their recommendation, the Prime Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Booklet and in light of Prime's outlook.

The Prime Directors have concluded that a combination of Prime and Seven makes strong commercial sense. The Prime Directors believe the Scheme will enable Prime Shareholders to realise benefits expected to result from combining Prime and Seven and provide Eligible Prime Shareholders with the opportunity to retain exposure to the media industry through an investment in a diversified media company of scale.

The Prime Directors intend to vote any Prime Securities held by them at the time of the Scheme Meeting in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.

If the Scheme is Implemented, Mr Ian Audsley (Prime's Chief Executive Officer and Managing Director) will receive a payment in connection with his retirement from office, as described in section 14.6. Mr Audsley also holds or controls 973,940 Prime Shares (see sections 14.1 for further details) and, if the Scheme is Implemented, will receive the Scheme Consideration for each Prime Share he holds at the Scheme Record Date. Prime Shareholders should have regard to these arrangements when considering Mr Audsley's recommendation on the Scheme, which appears throughout this Booklet. Mr Audsley's recommendation is consistent with the recommendation of the Prime Directors set out above and throughout this Booklet. More information on Mr Audsley's recommendation and his interest in the Scheme is set out in sections 4.5, 14.1, 14.6 and 14.7.

#### **6.1.2 The Independent Expert has concluded that the Scheme is in the best interests of Prime Shareholders, in the absence of a Superior Proposal**

The Prime Board appointed Lonergan Edwards as Independent Expert to undertake an independent assessment of the Scheme, prepare an Independent Expert's Report and provide an opinion as to whether the Scheme is in the best interests of Prime Shareholders.

The Independent Expert has concluded that the Proposed Transaction is reasonable and is therefore in the best interests of Prime Shareholders in the absence of a Superior Proposal, but that it is not fair. According to the Independent Expert the Proposed Transaction is not fair as the value of the New Seven Shares, which the Independent Expert has assessed to be in the range of \$0.183 to \$0.206 per New

Seven Share, is below the Independent Expert's assessment of the standalone value of Prime on a control basis, which the Independent Expert has assessed to be in the range of \$0.210 to \$0.240 per Prime Share.

The Independent Expert noted that its analysis "indicates that the exchange ratio (i.e. 0.4582 [New Seven Shares] for every Prime [S]hare) is reasonable and appropriate if considered as a merger/combination of the two businesses rather than a change in control transaction".

The Independent Expert considered a range of factors in determining that the Proposed Transaction is reasonable and in the best interests of Prime Shareholders. The Independent Expert has summarised the advantages of the Scheme in paragraph 288 of the Independent Expert's Report. These advantages include the following:

- Prime Shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The merged entity will also have enhanced financial scale (relative to Prime on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities.
- As Prime Shareholders will collectively hold approximately 10% of the shares in the Combined Group if the Scheme is implemented, Prime Shareholders who retain the New Seven Shares as consideration should benefit from the realisation of expected synergies from a combination of the businesses over time.
- Prime Shares have historically traded on significantly lower EBITDA multiples than Seven, which the Independent Expert believes reflects (inter-alia) Prime's lack of scale and diversification, reliance on Seven for programming, lower opportunity for earnings growth and Seven's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. However, as a result of the Scheme, Prime will be acquired by Seven and prima facie this discount should no longer apply. Consequently, the Independent Expert believes the value of Prime will be greater under Seven ownership and accordingly Prime Shareholders should benefit from this value uplift over the medium term by virtue of their 10% collective ownership interest in Seven post implementation of the Scheme.

A full copy of the Independent Expert's Report is included in Appendix 1. You should carefully read the Independent Expert's Report in its entirety before making a decision on how to vote on the Scheme.

### **6.1.3 No Superior Proposal has emerged as at the date of this Booklet**

Since Prime announced entry into the Scheme Implementation Deed on 18 October 2019 and up to the date of this Booklet, no Superior Proposal has emerged. The Prime Directors are not aware of, and have not received, any Superior Proposal or any approach from any person which they expect is likely to lead to a Superior Proposal.

The Prime Directors believe that it is unlikely that a Superior Proposal will emerge for the following reasons:

- (i) substantial time has elapsed since the emergence of public market speculation about a potential transaction on or around 4 October 2019. Since that time, and up to the date of this Booklet, no Superior Proposal has been received; and
- (ii) Prime Group's television programming is almost exclusively supplied by Seven through the Program Supply Agreement. The Program Supply Agreement contains a change of control restriction pursuant to which Seven may terminate the agreement in circumstances where a change of control occurs in respect of certain Prime Group members without Seven's prior consent (which, in certain circumstances, is not to be unreasonably withheld). The existence of this restriction in the Program Supply Agreement has the potential to deter third parties that may otherwise consider making a Superior Proposal.

However, the Prime Directors note that:

- (i) on 30 October 2019 WA Chess Investments disclosed to ASX that it had become a substantial holder of Prime Shares. As at 14 November 2019, WA Chess Investments has disclosed that it holds a relevant interest in 47,203,855 Prime Shares (representing approximately 12.89% of all Prime Shares); and
- (ii) the Independent Expert has expressed the view that it considers there is some possibility that WA Chess Investments will put forward an alternative proposal for or in connection with Prime prior to the Scheme Meeting.

If a Competing Proposal is received prior to the Scheme Meeting, this will be considered by the Prime Directors in accordance with their fiduciary duties, and the provisions in the Scheme Implementation Deed. The Scheme Implementation Deed prohibits Prime from soliciting and responding to Competing Proposals, other than in certain circumstances. Refer to section 15.2.2 for a summary of these restrictions.

The Prime Directors will keep you informed if a Superior Proposal emerges before the Scheme Meeting and will make an announcement on ASX in accordance with its continuous disclosure obligations.

#### **6.1.4 If implemented, the Scheme will combine two complementary businesses and establish the leading wholly-owned commercial premium broadcast, video and news network in Australia. The business of the Combined Group is expected to be more attractive to advertisers**

The Scheme combines two complementary businesses in Prime and Seven to create a scaled multi-platform media company with reach across television, digital, print and radio in metropolitan and regional areas of Australia. The diversified portfolio of assets and cross-platform capabilities may allow the Combined Group to take advantage of improved audience reach, with the potential to reach over 90% of Australia's population each month.

The Combined Group will offer an improved advertising proposition for advertisers as a consequence of this improved audience reach across metropolitan and regional markets. Additionally, the Combined Group may be better positioned to utilise data for the benefit of advertisers.

#### **6.1.5 The Scheme is expected to generate significant synergies for the Combined Group**

Implementation of the Scheme is expected to deliver at least \$11,000,000 of annualised cost synergies within two years of implementation (excluding any integration costs incurred to realise those synergies and in implementing the Scheme). Seven has indicated that it expects the Scheme to be earnings per share accretive for both Prime Shareholders and Seven Shareholders on a pro forma basis excluding impairment and following realisation of the expected cost synergies described in section 11.2 below.

#### **6.1.6 The Combined Group is expected to have balance sheet capacity and cash flow**

If the Scheme is implemented, the Combined Group would have on a pro-forma historical basis:

- combined FY19 total annual revenue and Underlying EBITDA of approximately \$1,661,819,000 and \$277,399,000 (before significant items and synergies);
- Net Debt as at 30 June 2019 of approximately \$573,986,000, representing a net debt to Underlying EBITDA ratio of 2.07 times; and
- combined FY19 operating cash flows of \$117,572,000.

#### **6.1.7 Eligible Prime Shareholders are being offered New Seven Shares under the Scheme. This allows Eligible Prime Shareholders to participate in the expected benefits of combining Seven and Prime and provides Eligible Prime Shareholders with the opportunity to retain exposure to the media industry through an investment in a diversified media company of scale**

If the Scheme is implemented, Eligible Prime Shareholders will receive 0.4582 New Seven Shares for each Prime Share held on the Scheme Record Date. Upon implementation of the Scheme, Scheme Shareholders (other than Ineligible Foreign Shareholders – see section 8.2.2 below for further details) will own approximately 10% of the Combined Group.

New Seven Shares allow Prime Shareholders the opportunity to participate as shareholders in the Combined Group and to share in the expected benefits of combining Prime with Seven, while retaining exposure to the media industry through an investment in a diversified media company of scale. The benefits of combining Prime and Seven are set out in sections 6.1.4 to 6.1.6 above.

#### **6.1.8 The regional television advertising market continues to decline as a result of television audience and advertiser disruption. If the Scheme does not proceed, Prime's outlook as a stand-alone entity remains uncertain and the Prime Share Price may fall**

The regional television advertising market continues to decline as a result of television audience and advertiser disruption. International and national media and entertainment companies are increasingly able to effectively reach regional Australians through the internet and compete with Prime for audience and advertising revenue.

If the Scheme does not proceed, Prime's outlook as a stand-alone entity remains uncertain and the Prime Share Price may fall given the continued regional television advertising market decline. The Prime Board considers that Prime is unlikely to be able to achieve scale independently and that there are few, if any, acquisitions that would improve Prime's financial outlook or returns to Prime Shareholders.

Prime continues to be challenged by the rapidly changing technology environment in which it now competes, including the streaming and catch-up services offered by Seven, Nine, Ten, the ABC and SBS, Stan and Foxtel, as well as international content giants, such as Netflix, Amazon Prime, Google Play and the soon to be launched Disney streaming service.

Prime's content is almost exclusively sourced from Seven. The Prime Board considers that it would be extremely challenging for Prime to step away from its existing content model and seek to participate in the open market for content, given its financial capacity.

The Prime Board has not identified strategies, within its control, that would reverse the pressure on viewership with the result that advertising revenues may continue to decline.

**6.1.9 The implied value of the Scheme Consideration represents a premium to the 'undisturbed' closing price of Prime Shares on 17 October 2019 (being the last trading date prior to the announcement of the Scheme)**

Based on the closing price of Seven Shares on 14 November 2019 (being the last trading date prior to the date of this Booklet), the Scheme Consideration represents value of approximately \$0.192 per Prime Share. This represents a:

- 6.91% premium to the 'undisturbed' closing price of Prime Shares on 17 October 2019 (being the last trading date prior to the announcement of the Scheme);
- 1.31% discount to the closing price of Prime Shares on 14 November 2019 (being the last trading date prior to the date of this Booklet); and
- 1.40% discount to the one month volume weighted average price of Prime Shares up to and including 14 November 2019 (being the last practicable date to determine that prior to the date of this Booklet).

The Independent Expert's Report contains more detailed analysis in respect of the value of the Scheme Consideration relative to Prime Shares.

Prime Shareholders resident in Australia for tax purposes may be eligible for CGT roll-over relief in respect of New Seven Shares received

A general guide to the Australian tax implications of the Scheme for Scheme Shareholders is set out in section 13. This guide is expressed in general terms and you should seek your own independent professional advice regarding tax consequences applicable to your own circumstances.

## **6.2 Reasons you may want to vote against the Scheme**

### **6.2.1 You may disagree with the Prime Directors' unanimous recommendation or the Independent Expert's conclusion**

Notwithstanding the unanimous recommendation of the Prime Directors and the favourable conclusion of the Independent Expert (as referred to in section 6.1), you may believe that the Scheme is not in your best interests.

### **6.2.2 The Independent Expert has determined that, whilst the Scheme is reasonable and therefore in the best interests of Prime Shareholders, it is not fair**

Notwithstanding the unanimous recommendation of the Prime Directors and the conclusion of the Independent Expert that the Scheme is in the best interests of Prime Shareholders (as referred to in section 6.1), the Independent Expert has concluded that the Scheme is not fair. According to the Independent Expert the Proposed Transaction is not fair as the value of the New Seven Shares, which the Independent Expert has assessed to be in the range of \$0.183 to \$0.206 per New Seven Share, is below the Independent Expert's assessment of the standalone value of Prime on a control basis, which the Independent Expert has assessed to be in the range of \$0.210 to \$0.240 per Prime Share.

A full copy of the Independent Expert's Report is included in Appendix 1. You should carefully read the Independent Expert's Report in its entirety before making a decision on how to vote on the Scheme.

### **6.2.3 The value of the New Seven Shares which form the Scheme Consideration is not certain and the implied value of the Scheme Consideration will not be known until the Implementation Date**

As at 14 November 2019, being the last practicable date prior to the date of this Booklet, the implied value of the Scheme Consideration was \$0.192 per Prime Share.<sup>1</sup> However, the implied value of the Scheme Consideration will vary over time depending on the prevailing Seven Share Price. As a result of changes in these factors, the implied value of the Scheme Consideration is likely to change, including between the date of this Booklet, the date of the Scheme Meeting and the Implementation Date (being the date on which the Scheme Consideration is received). In deciding whether to vote in favour of the Scheme, Prime Shareholders should carefully consider the current market price of Seven Shares and the potential for that price to fall or rise before the New Seven Shares are issued under the Scheme on the Implementation Date.

Following implementation of the Scheme, the price of Seven Shares may fall or rise based on market conditions and the Combined Group's financial and operational performance. If the price of Seven Shares falls, the value of the New Seven Shares received as Scheme Consideration will decline. If the price of Seven Shares increases, the value of the New Seven Shares received as Scheme Consideration will increase. Accordingly, there is no guarantee as to the future value of the Scheme Consideration to be received by Prime Shareholders if the Scheme is Implemented.

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<sup>1</sup> Based on the Seven Share Price of \$0.42 (as at the close of trade on 14 November 2019).



**6.2.4 You may consider that the implied value of the Scheme Consideration does not represent a sufficient premium to the value of Prime Shares**

Certain information in relation to an assessment of the value of the Scheme Consideration in comparison to recent trading prices of Prime Shares is set out in section 6.1.9.

**6.2.5 You may wish to confine your investment and exposure to a business with Prime's specific characteristics**

Prime Shareholders may wish to maintain their Prime Shares and their investment in a company with the specific characteristics of Prime, including its current exposure to regional television broadcasting and the associated risk profile.

The asset composition and earnings profile of Seven and Prime are different. Implementation of the Scheme may represent a disadvantage if you do not wish to change your existing investment profile. Prime Shareholders should read this Booklet carefully to understand the implications of the Scheme and the risks associated with New Seven Shares and an investment in the Combined Group.

Sections 9 and 10 set out further detail on the businesses of Prime and Seven respectively. Section 11 sets out further detail on the business of the Combined Group. Further details on the risks associated with a shareholding in the Combined Group are set out in section 12.

**6.2.6 You may be concerned about specific risks associated with Seven's business or an investment in the New Seven Shares**

In holding New Seven Shares, you will be exposed to risk factors relating to Seven and the Combined Group. While the operations of Seven and Prime are similar in a number of ways, the operational profile, capital structure and size of the Combined Group will be different from that of Prime on a standalone basis. In some cases, risks associated with an investment in Seven are different from those associated with an investment in Prime. You may be concerned about particular risks associated with an investment in Seven or the Combined Group.

Further details on the risks associated with a shareholding in the Combined Group are set out in section 12.

**6.2.7 You may consider that there is a possibility that a Superior Proposal could emerge in relation to Prime in the foreseeable future**

You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable period. The Prime Directors are not aware of, and have not received, any Superior Proposal or any approach from any person which they expect is likely to lead to a Superior Proposal. However, it remains possible that such a Superior Proposal may emerge, and the Prime Directors will keep you informed if a Superior Proposal emerges before the Scheme Meeting, by making an announcement on ASX in accordance with continuous disclosure obligations.

The Prime Directors believe that it is not likely that a Superior Proposal will emerge for the reasons set out in section 6.1.3. However, the Prime Directors note that:

- (i) on 30 October 2019 WA Chess Investments disclosed to ASX that it had become a substantial holder of Prime Shares. As at 14 November 2019, WA

Chess Investments has disclosed that it holds a relevant interest in 47,203,855 Prime Shares (representing approximately 12.89% of all Prime Shares); and

- (ii) the Independent Expert has expressed the view that it considers there is some possibility that WA Chess Investments will put forward an alternative proposal for or in connection with Prime prior to the Scheme Meeting.

The Prime Directors will keep you informed if a Superior Proposal emerges before the Scheme Meeting and will make an announcement on ASX consistent with continuous disclosure obligations.

#### **6.2.8 There are a number of risks associated with implementing the Scheme and integrating Seven and Prime. You may consider that these risks exceed the benefits of the Scheme**

As described in section 6.1.5, implementation of the Scheme is expected to deliver at least \$11,000,000 of annualised cost synergies within two years of implementation (excluding any integration costs incurred to realise those synergies and in implementing the Scheme). However, you may believe that the integration of Prime and Seven and the realisation of associated synergies is more complex than anticipated or may take more time to achieve.

In addition, there are a number of other material risks associated with implementation of the Scheme. These are set out in section 12, which you should consider in detail.

#### **6.2.9 The tax consequences of the Scheme may not be suitable to your financial position.**

Implementation of the Scheme may result in taxation consequences for Prime Shareholders.

A general guide to the Australian tax implications of the Scheme for Scheme Shareholders is set out in section 13. This guide is expressed in general terms and you should seek your own independent professional advice regarding tax consequences applicable to your own circumstances.

### **6.3 Other considerations**

#### **6.3.1 The Scheme may be implemented even if you vote against the Scheme or you do not vote at all**

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may still be implemented if it is approved by the Requisite Majority of Prime Shareholders and the Court and the other Conditions Precedent are satisfied or waived (if applicable). If this occurs, your Scheme Shares will be transferred to Seven and you will receive the Scheme Consideration.

#### **6.3.2 You may sell your Prime Shares on ASX at any time prior to suspension of Prime Shares from trading**

You should take into account that you may offer to sell your Prime Shares on ASX at any time prior to the Effective Date if you do not wish to hold them and participate in the Scheme. However, you should note that you may not receive consideration equivalent to the implied value of the Scheme Consideration, and brokerage expenses

on sale may be incurred. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

### **6.3.3 Implications for Prime if the Scheme is not implemented**

If the Scheme is not approved by the Requisite Majority of Prime Shareholders at the Scheme Meeting, or by the Court at the Second Court Hearing, or the other Conditions Precedent are not satisfied or waived (if applicable):

- you will not receive the Scheme Consideration;
- your Prime Shares will not be transferred to Seven (they will be retained by you);
- Prime will continue to operate as a standalone entity listed on ASX;
- you will continue to be exposed to the benefits and risks associated with an investment in Prime;
- the advantages of the Scheme described in section 6.1 will not be realised and the potential disadvantages of the Scheme described in section 6.2 will not arise;
- Prime will continue to implement its business plan; and
- in the absence of a Superior Proposal or speculation regarding a Competing Proposal, the Prime Share Price may fall.

Prime has incurred costs in respect of the Scheme prior to the date of this Booklet, including in relation to the conduct of negotiations with Seven, retention of advisers, provision of information to Seven, obtaining regulatory approval, engagement of the Independent Expert, and preparation of this Booklet. If the Scheme is not implemented, Prime expects such transaction costs to be approximately \$1,700,000 (excluding GST) regardless of whether the Scheme is implemented or not.

### **6.3.4 Exclusivity obligations**

The Scheme Implementation Deed includes certain exclusivity arrangements that Prime has made in favour of Seven. These include customary no-shop and no-talk obligations, as well as obligations of notification of any unsolicited approaches and providing a matching right to Seven in certain circumstances where a Competing Proposal is received by Prime. Refer to section 15.2.2 for further details.

### **6.3.5 Reimbursement fees**

If the Scheme is not implemented, the parties will incur significant costs, including significant opportunity costs. To reflect this, a Break Fee may be payable by Prime to Seven or by Seven to Prime in certain circumstances. Under the Scheme Implementation Deed:

- Prime must pay Seven a Break Fee of \$600,000 (excluding any applicable GST) if certain specified events occur, including if a Competing Proposal is announced before or during the Exclusivity Period and completed within 9 months of the date of such announcement; and

- Seven must pay Prime a Break Fee of \$600,000 (excluding any applicable GST) if certain specified events occur, including if Seven materially breaches the Scheme Implementation Deed and fails to remedy that breach within 5 Business Days of receiving notice of Prime's intention to terminate as a result of a material breach of the Scheme Implementation Deed by Seven.

No Break Fee is payable if the Scheme does not proceed solely as a result of the Requisite Majority of Prime Shareholders failing to approve the Scheme at the Scheme Meeting.

### **6.3.6 Australian Competition and Consumer Commission review**

Implementation of the Scheme is subject to the receipt of ACCC approval. The ACCC is conducting a public informal review of the Scheme. The ACCC review commenced on 29 October 2019 and the provisional date for the announcement of the ACCC's decision is 18 December 2019 (this may be a final decision or release of a statement of issues). The ACCC review is focused on the impact (if any) of the Scheme on competition.

If the ACCC publishes a statement of issues, it will undertake further consultation with Prime, Seven and other relevant stakeholders prior to the ACCC making a final decision, which may be to not oppose the Scheme, to not oppose the Scheme subject to the acceptance of undertakings, or to oppose the Scheme.

If the ACCC publishes a statement of issues or otherwise does not announce a final decision on or before 18 December 2019, it is intended that the Scheme Meeting would be adjourned until such time as the outcome of the ACCC review has been announced. The Scheme Meeting is currently scheduled to occur on 19 December 2019. Similarly, the Second Court Date to approve the Scheme will not occur until as soon as practicable after the outcome of the ACCC review has been announced and the Scheme Meeting has occurred. The Second Court Date is currently expected to occur on 20 December 2019.

### **6.3.7 Australian Communications and Media Authority consideration**

Prime and Seven consider that as a consequence of the implementation of the Scheme, an unacceptable media diversity situation will exist in relation to a number of licence areas in Western Australia. This situation will occur as a consequence of Prime's control of a commercial television broadcasting licence in those licence areas which overlap with Seven's control of commercial radio broadcasting licences and an associated newspaper.

Prime and Seven made an application on 17 October 2019 for the ACMA's prior approval of the Scheme under section 61AJ of the BSA. The application was accompanied by a proposed form of undertaking, to be provided by Prime and Seven, in order to address the unacceptable media diversity situation described above.

The ACMA is obliged to use its best endeavours to make a decision on the application within 45 days after receipt of the application. If the ACMA considers that additional information is required before the ACMA can make a decision on the application, the ACMA may, by written notice to Prime and Seven within 30 days after receiving the application, request the applicant to provide that information.

### **6.3.8 Conditionality of the Scheme**

Implementation of the Scheme is subject to the satisfaction or waiver (as applicable) of a number of other Conditions Precedent, which are summarised at 15.2.1.

If the Conditions Precedent are not satisfied or waived (as applicable) by the End Date, the Scheme will not proceed and Prime Shareholders will not receive the Scheme Consideration.

See section 8.7 for a summary of the status of each of the Conditions Precedent as at the date of this Booklet.

## 7. Frequently Asked Questions

Topic	Questions
Background and overview of the Scheme and the Scheme Consideration	1 – 5
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Conditions to the Scheme and approval of the Scheme	15 – 28
Tax implications of the Scheme	29
Combined Group	30 – 32
Other questions	33 – 38

No.	Question	Answer	More Information
<b>Background and overview of the Scheme and the Scheme Consideration</b>			
1.	<b>Why have I received this Booklet?</b>	<p>You have received this Booklet because you are a Prime Shareholder and you are being asked to vote on the Scheme, in respect of the proposed acquisition of Prime by Seven.</p> <p>This Booklet contains important information, including:</p> <ul style="list-style-type: none"> <li>the reasons for the Prime Directors' recommendation;</li> <li>the reasons why you may choose to vote for or against the Scheme;</li> <li>information about the Scheme Consideration;</li> <li>information about Prime, Seven and the Combined Group;</li> <li>key risks associated with the Scheme; and</li> <li>the Independent Expert's Report.</li> </ul>	Section 4.
2.	<b>What is a scheme of arrangement?</b>	<p>A scheme of arrangement is a statutory arrangement facilitated by Part 5.1 of the Corporations Act between a company and its shareholders. Schemes are commonly used to effect the acquisition of shares in a target company.</p> <p>Schemes must be approved by a requisite majority of shareholders and the Court in order to become binding on the target company's shareholders.</p>	Section 4.
3.	<b>What is the Scheme that I am being asked to consider?</b>	<p>Prime Shareholders are being asked to consider the proposed scheme of arrangement between Prime and Scheme Shareholders (being those shareholders of Prime that hold Prime Shares as at the Scheme Record</p>	Section 4.

No.	Question	Answer	More Information
		<p>Date), under which it is proposed that Seven will acquire 100% of the outstanding Prime Shares, in return for which Prime Shareholders (excluding Ineligible Foreign Shareholders - see below) will receive the Scheme Consideration of 0.4582 New Seven Shares for each Prime Share they hold on the Scheme Record Date.</p> <p>The Scheme requires approval by the Requisite Majority of Prime Shareholders at the Scheme Meeting and approval by the Court at the Second Court Hearing in order to become Effective.</p> <p>A copy of the Scheme is contained in Appendix 4.</p>	
4.	<b>What should I do?</b>	<p>Prime Shareholders should read this Booklet carefully and in its entirety. Prime Shareholders may also choose to consult their financial, legal, taxation or other professional advisers in relation to any of the information contained in this Booklet.</p> <p>Based on this Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of corporate Prime Shareholders, a corporate representative, to vote on your behalf.</p>	Section 5 and Appendix 5.
5.	<b>Who is Seven?</b>	<p>Seven West Media Limited (<b>Seven</b>) is the company that is offering the Scheme Consideration for your Prime Shares. Seven is listed on ASX (ASX: SWM).</p> <p>Seven is one of Australia's leading integrated media companies. It has a market-leading presence in broadcast television, magazine and newspaper publishing and online.</p> <p>Seven is the home to many of Australia's leading media businesses – Seven, 7TWO and 7mate, 7flix, 7food network, The West Australian and The Sunday Times, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, the Australian Football League, Cricket Australia, the Olympic Games, Better Homes and Gardens, Marie Claire, Who, PerthNow, racing.com and 7plus.</p> <p>Further details on Seven are set out in section 10. Seven is funding the Scheme Consideration through issuance of New Seven Shares.</p>	Section 10.
<b>The Scheme Consideration</b>			
6.	<b>What is the Scheme Consideration?</b>	If you are an Eligible Shareholder and the Scheme is implemented, you will receive 0.4582 New Seven Shares for each Prime Share you hold at the Scheme Record Date.	Section 4.4 and 8.3 for further details on the

No.	Question	Answer	More Information
		<p>New Seven Shares will not be issued to Ineligible Foreign Shareholders. Instead, the New Seven Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled will be issued to a Sale Agent and sold on ASX.</p> <p>The Sale Agent will sell those New Seven Shares as soon as practicable after the Implementation Date and the Sale Agent will remit the Sale Proceeds to Prime and Prime will then remit the Sale Proceeds to each Ineligible Foreign Shareholder (after deducting applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges).</p>	<p>Scheme Consideration.</p> <p>Section 8.8.2 for further details on whether you are an Ineligible Foreign Shareholder, and section 8.10.7 for further details on the Sale Facility and how the net proceeds will be distributed to Ineligible Foreign Shareholders.</p>
7.	<b>How will fractional entitlements be treated?</b>	<p>Where the calculation of the number of New Seven Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New Seven Shares, then the fractional entitlement will be rounded down to the nearest whole number of New Seven Shares.</p>	<p>The details regarding fractional entitlements are set out in full in clause 5.4 of the Scheme attached as Appendix 4 of this Booklet.</p>
8.	<b>Who is an Ineligible Foreign Shareholder?</b>	<p>A Scheme Shareholder will be an Ineligible Foreign Shareholder for the purposes of the Scheme if their address as shown in the Prime Share Register at 7.00pm on the Scheme Record Date is a place outside Australia and its external territories or outside New Zealand, unless Seven and Prime agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Seven Shares when the Scheme becomes Effective.</p>	<p>See section 8.2.2 for further details on Ineligible Foreign Shareholders.</p> <p>See section 15.12 if your registered address (as shown in the Prime Share Register) is in New Zealand.</p>
9.	<b>How will an Ineligible Foreign Shareholder be treated under the Scheme?</b>	<p>New Seven Shares will not be issued to Ineligible Foreign Shareholders. Instead, the New Seven Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled will be issued to a Sale Agent and sold on ASX.</p> <p>The Sale Agent will sell those New Seven Shares as soon as practicable after the Implementation Date and the Sale Agent will remit the Sale Proceeds to Prime and Prime will then remit the Sale Proceeds to each</p>	<p>Section 8.8.2 for further details on whether you are an Ineligible Foreign Shareholder, and section 8.10.7 for further details on the Sale Facility and how the net</p>



No.	Question	Answer	More Information
		Ineligible Foreign Shareholder (after deducting applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges).	proceeds will be distributed to Ineligible Foreign Shareholders.
10.	<b>Will I have to pay brokerage fees on a transfer of Prime Shares to Seven?</b>	No brokerage fees will be payable on the transfer of Prime Shares to Seven under the Scheme (unless you are an Ineligible Foreign Shareholder, in which case fees may apply).	Section 8.10.7 for further details on the Sale Facility and how the net proceeds will be distributed to Ineligible Foreign Shareholders.
<b>Voting recommendations and considerations</b>			
11.	<b>What do the Prime Directors recommend?</b>	<p>The Prime Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders. In reaching their recommendation, the Prime Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Booklet.</p> <p>If the Scheme is Implemented, Mr Ian Audsley (Prime's Chief Executive Officer and Managing Director) will receive a payment in connection with his retirement from office, as described in section 14.6. Mr Audsley also holds or controls 973,940 Prime Shares (see section 14.1 for further details) and, if the Scheme is Implemented, will receive the Scheme Consideration for each Prime Share he holds at the Scheme Record Date. Prime Shareholders should have regard to these arrangements when considering Mr Audsley's recommendation on the Scheme, which appears throughout this Booklet. Mr Audsley's recommendation is consistent with the recommendation of the Prime Directors set out above and throughout this Booklet.</p>	<p>Section 4.5 for further details on the recommendation of the Prime Directors.</p> <p>More information on Mr Audsley's recommendation and his interest in the Scheme is set out in sections 4.5, 14.1, 14.6 and 14.7.</p>
12.	<b>What is the Independent Expert's opinion?</b>	<p>Lonergan Edwards, the Independent Expert, has concluded that the Scheme is in the best interests of Prime Shareholders, in the absence of a Superior Proposal.</p> <p>A complete copy of the Independent Expert's Report is contained in Appendix 1.</p>	Appendix 1.
13.	<b>What are the reasons you may want to vote in favour of the Scheme?</b>	<p>Some of the reasons why you may want to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> <li>The Prime Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to</li> </ul>	See section 6.1 for further details on the reasons to vote in favour of the Scheme.

No.	Question	Answer	More Information
		<p>the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.</p> <ul style="list-style-type: none"> <li>• The Independent Expert has concluded that the Scheme is in the best interests of Prime Shareholders, in the absence of a Superior Proposal.</li> <li>• No Superior Proposal has emerged as at the date of this Booklet. The Prime Directors are not aware of, and have not received, any Superior Proposal or any approach from any person which they expect is likely to lead to a Superior Proposal.</li> <li>• If implemented, the Scheme will combine two complementary businesses and establish the leading wholly-owned commercial premium broadcast, video and news network in Australia.</li> <li>• The Scheme is expected to generate significant synergies for the Combined Group.</li> <li>• Eligible Prime Shareholders are being offered New Seven Shares under the Scheme. This allows Eligible Prime Shareholders to participate in the expected benefits of combining Seven and Prime and provides Eligible Prime Shareholders with the opportunity to retain exposure to the media industry through an investment in a diversified media company of scale.</li> <li>• The regional television advertising market continues to decline as a result of television audience and advertiser disruption. If the Scheme does not proceed, Prime's outlook as a stand-alone entity remains uncertain and the Prime Share Price may fall. The Prime Board considers that Prime is unlikely to be able to achieve scale independently and that there are few, if any, acquisitions that would improve Prime's financial outlook or returns to Prime Shareholders. The Prime Board has not identified strategies, within its control, that would reverse the pressure on viewership with the result that advertising revenues may continue to decline.</li> <li>• Prime's content is almost exclusively sourced from Seven. Prime does not have the financial capacity to step away from its existing content</li> </ul>	

No.	Question	Answer	More Information
		<p>model - it does not have balance sheet capacity to participate in the open market for content.</p> <ul style="list-style-type: none"> <li>• Prime continues to be challenged by the rapidly changing technology environment in which it now competes, including the streaming and catch-up services offered by Seven, Nine, Ten, the ABC and SBS, Stan and Foxtel, as well as international content giants, such as Netflix, Amazon Prime, Google Play and the soon to be launched Disney streaming service.</li> <li>• The Prime Board has not identified strategies, within its control, that would reverse the pressure on viewership with the result that advertising revenues may continue to decline.</li> <li>• The implied value of the Scheme Consideration represents a premium to the 'undisturbed' closing price of Prime Shares on 17 October 2019 (being the last trading date prior to the announcement of the Scheme).</li> <li>• Prime Shareholders resident in Australia for tax purposes may be eligible for CGT roll-over relief in respect of New Seven Shares received.</li> </ul>	
14.	<p><b>What are the reasons you may not want to vote in favour of the Scheme?</b></p>	<p>Some of the reasons why you may not want to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> <li>• You may disagree with the Prime Directors' recommendation and the Independent Expert's conclusion and prefer Prime to continue to operate as a standalone entity.</li> <li>• The Independent Expert has determined that, whilst the Scheme is reasonable and therefore in the best interests of Prime Shareholders, it is not fair.</li> <li>• The value of the New Seven Shares offered as Scheme Consideration is not certain.</li> <li>• You may consider that the implied value of the Scheme Consideration does not represent a sufficient premium to the value of Prime Shares.</li> <li>• You may wish to confine your investment and exposure to a business with Prime's specific characteristics.</li> </ul>	<p>See section 6.2 for further details on the reasons why you may not want to vote in favour of the Scheme.</p>

No.	Question	Answer	More Information
		<ul style="list-style-type: none"> <li>• You may be concerned about specific risks associated with Seven's business or an investment in the New Seven Shares.</li> <li>• You may consider that there is a possibility that a Superior Proposal could emerge in relation to Prime in the foreseeable future.</li> <li>• There are risks associated with implementing the Scheme which you may consider exceed the benefits of the Scheme.</li> <li>• The tax consequences of the Scheme may not be suitable to your financial position.</li> </ul>	
<b>Conditions to the Scheme and approval of the Scheme</b>			
15.	<b>Are there any conditions to the Scheme?</b>	In order for the Scheme to become Effective and then be implemented, each of the Conditions Precedent must be satisfied or waived (if applicable). The Conditions Precedent include Prime Shareholder approval, Court approval, Competition Approval, ACMA Approval and other regulatory approvals. If the Conditions Precedent are not satisfied or waived (if applicable), the Scheme will not proceed.	Sections 8.7 and 15.2.1.
16.	<b>What is required for the Scheme to become Effective?</b>	The Conditions Precedent must be satisfied or waived (if applicable).	Sections 8.7 and 15.2.1.
17.	<b>Is the ACCC conducting a review of the Scheme?</b>	Yes. Implementation of the Scheme is subject to the receipt of ACCC approval. The ACCC is conducting a public informal review of the Scheme. The ACCC Review commenced on 29 October 2019 and the provisional date for the announcement of the ACCC's decision is 18 December 2019 (this may be a final decision or release of a statement of issues). The ACCC review is focused on the impact (if any) of the Scheme on competition.	Section 6.3.6.
18.	<b>Is ACMA approval required?</b>	<p>Yes. Prime and Seven consider that as a consequence of the implementation of the Scheme, an unacceptable media diversity situation will exist in relation to 6 licence areas in Western Australia.</p> <p>Prime and Seven made an application on 17 October 2019 for ACMA's prior approval of the Scheme under section 61AJ of the BSA.</p>	Section 6.3.7.
19.	<b>When and where will the Scheme Meeting be held?</b>	<p>The Scheme Meeting will be held on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 &amp; 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.</p> <p>The Scheme Meeting will commence at 10.00am (Sydney time).</p>	Appendix 5.

No.	Question	Answer	More Information
20.	<b>What will Prime Shareholders be asked to vote on at the Scheme Meeting?</b>	<p>Prime Shareholders will be asked to vote on the Scheme Resolution, which is as follows:</p> <p><i>That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Prime Media Group Limited and the holders of ordinary shares of Prime Media Group Limited (the terms of which are contained in and more particularly described in the Scheme Booklet of which the Notice of Scheme Meeting forms part) is agreed to (with or without alterations or conditions as approved by the Court) and, subject to approval of the Scheme by the Court, the Prime Board is authorised to implement the Scheme with any such alterations or conditions.</i></p>	Section 8.8 and Appendix 5.
21.	<b>What is the Prime Shareholder approval threshold for the Scheme?</b>	<p>For the Scheme to proceed, the Scheme Resolution must be passed at the Scheme Meeting by:</p> <ul style="list-style-type: none"> <li>• a majority in number (more than 50%) of Prime Shareholders who vote on the Scheme Resolution in person or by proxy or representative; and</li> <li>• at least 75% of the votes cast by Prime Shareholders on the Scheme Resolution.</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 8.8 and the Notice of Scheme Meeting contained in Appendix 5 set out further details on the Scheme approval requirements.
22.	<b>Am I entitled to vote at the Scheme Meeting?</b>	Each Prime Shareholder who is registered on the Prime Share Register at 10.00am (Sydney time) on Tuesday, 17 December 2019 is entitled to vote at the Scheme Meeting.	Appendix 5.
23.	<b>How do I vote?</b>	If you are eligible to vote, you can vote by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend the Scheme Meeting and vote on your behalf, or by attending the Scheme Meeting in person.	Appendix 5.
24.	<b>When will the results of the Scheme Meeting be known?</b>	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the meetings and will be announced to ASX once available.</p> <p>Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court.</p>	NA
25.	<b>What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed?</b>	<p>If the Scheme is not approved at the Scheme Meeting or by the Court, or another condition to the Scheme is not satisfied or waived (if applicable), the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme</p>	Section 6.3.3. Section 12.2 sets out further details on the risks relating to

No.	Question	Answer	More Information
		Consideration but will retain their Prime Shares. In these circumstances, Prime will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX and you will continue to hold your Prime Shares and continue to be exposed to risks and opportunities associated with your investment in Prime.	remaining a Prime Shareholder.
26.	<b>What happens to my Prime Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?</b>	If you do not vote, or you vote against the Scheme, and the Scheme becomes Effective, any Prime Shares held by you on the Scheme Record Date (which is expected to be 7.00pm on Friday, 27 December 2019) will be transferred to Seven and you will receive the Scheme Consideration for each Prime Share you hold on the Scheme Record Date, notwithstanding that you did not vote or voted against the Scheme.	Section 6.3.1.
27.	<b>Can I oppose the Scheme at the Second Court Hearing?</b>	You have the right as a Prime Shareholder to appear and make submissions at the Second Court Hearing which is scheduled to be held at 12.00pm on Friday, 20 December at the Supreme Court of New South Wales - 184 Phillip St, Sydney NSW 2000.	Important notices on page 2
28.	<b>When will the Scheme become Effective and when will it be implemented?</b>	<p>If the Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Requisite Majority of Prime Shareholders at the Scheme Meeting, Prime will apply to the Court to approve the Scheme at the Second Court Hearing.</p> <p>The Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC. The Scheme is expected to become Effective on the Second Court Date or the Business Day following the Second Court Date.</p> <p>The Scheme will be implemented on the Implementation Date, being the date that is the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing. The Implementation Date is currently expected to be Monday, 6 January 2020.</p>	Section 8.10
<b>Tax Implications of the Scheme</b>			
29.	<b>What are the taxation implications of the Scheme?</b>	<p>A summary of the general Australian income tax, stamp duty and GST consequences for Prime Shareholders who participate in the Scheme is set out in section 13.</p> <p>Each individual's tax position is different. Prime Shareholders are urged to consult their own professional tax advisers as to the specific tax consequences to them of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.</p>	Section 13.

No.	Question	Answer	More Information
<b>Combined Group</b>			
30.	<b>What will the Combined Group be called?</b>	The Combined Group will be called Seven West Media Limited.	Section 11.3.
31.	<b>What are Seven's intentions for Prime and the Combined Group if the Scheme is Implemented?</b>	Following implementation, Seven will review the operations and structure of the Combined Group to create an integrated organisation that aligns with its strategic objectives including its transformation drive and content-led strategy. Subject to that review, it is intended that the Combined Group will continue to operate Prime's businesses, including the broadcast of local news in accordance with television licence requirements.	Section 11.3.
32.	<b>Who will be the directors and the senior management of the Combined Group?</b>	<p>It is intended that the current Board of Seven will be the Board of the Combined Group.</p> <p>Seven's Chairman, Kerry Stokes, AC, will chair the Combined Group. The current Chief Executive Officer and Managing Director of Seven, James Warburton, will be the Chief Executive Officer and Managing Director of the Combined Group.</p> <p>The other members of the senior management of the Combined Group will be determined by the Seven Board as part of planning for implementation of the Scheme.</p>	Section 11.3.2(b).
<b>Other questions</b>			
33.	<b>What happens if a Competing Proposal is received?</b>	<p>If a Competing Transaction is proposed to the Prime Board prior to the Second Court Date, the Prime Board will carefully consider the proposal and determine whether it is a Superior Proposal.</p> <p>Under the Scheme Implementation Deed, Prime must notify Seven of any Competing Transaction and its terms. Seven has a matching right in relation to any Competing Transaction.</p>	Section 15.2.2(iii) and 15.2.2(iv).
34.	<b>Can I sell my Prime Shares now?</b>	<p>Yes. You can sell your Prime Shares on ASX at any time before the close of trading on the Effective Date.</p> <p>Trading in Prime Shares will be suspended from official quotation on ASX from the close of trading on the Effective Date. You will not be able to sell your Prime Shares on ASX after this time.</p> <p>If you sell your Prime Shares on ASX prior to the Effective Date:</p> <ul style="list-style-type: none"> <li>• you will not receive the Scheme Consideration;</li> <li>• you may be required to pay brokerage on the sale of your Prime Shares; and</li> </ul>	Section 8.5 and 8.6.

No.	Question	Answer	More Information
		<ul style="list-style-type: none"> <li>there may be different tax consequences for you compared with those consequences that would apply if you disposed of your Prime Shares under the Scheme.</li> </ul>	
35.	<p><b>Can I choose to receive cash instead of New Seven Shares?</b></p>	<p>No. There is no option for Prime Shareholders to elect to receive cash in place of the Scheme Consideration.</p> <p>On the Implementation Date, all Scheme Shareholders will receive the Scheme Consideration for each Prime Share held on the Scheme Record Date.</p> <p>Following implementation, Eligible Prime Shareholders who receive New Seven Shares may elect to sell those New Seven Shares on ASX.</p> <p>Alternatively, you may elect to sell your Prime Shares on ASX at any time before the close of trading on the Effective Date.</p>	Section 8.3.1.
36.	<p><b>Where can I get further information?</b></p>	<p>If you have any further questions about this Booklet or the Scheme, you should:</p> <ul style="list-style-type: none"> <li>seek independent legal, financial, taxation or other professional advice; and</li> <li>contact the Prime Shareholder Information Line on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding national public holidays in Australia).</li> </ul> <p>Prime is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to ASX by Prime is available on ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> or on Prime's website <a href="http://www.primemedia.com.au">www.primemedia.com.au</a>.</p>	NA
37.	<p><b>What is the Programme Supply Agreement?</b></p>	<p>Seven supplies Prime content for broadcasting on its network. This content supply includes, 7, 7TWO, 7Mate and 7Flix programming feeds. Prime has the right to broadcast this content in the license areas that it operates. In exchange Prime provides Seven a share of any advertising revenue received in these license areas.</p>	Sections 9.1.1 and 9.1.3.
38.	<p><b>Is there a break fee?</b></p>	<p>Yes. A \$600,000 break fee is payable by Seven and Prime in certain circumstances, including where the Scheme Implementation Deed is terminated for material breach.</p>	See section 15.2.3 for a summary of the circumstances in which Prime must pay the break fee to Seven, and section 15.2.4 for a summary of the



No.	Question	Answer	More Information
			circumstances in which Seven must pay the break fee to Prime.

## **8. Details of the Scheme**

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### **8.1 Background to the Scheme**

As noted above at section 4.1, on 18 October 2019, Prime announced that it had entered into the Scheme Implementation Deed with Seven, under which it is proposed that Seven will acquire all Prime Shares pursuant to a scheme of arrangement.

### **8.2 Entitlement to participate in the Scheme**

Scheme Shareholders will be entitled to participate in the Scheme. A 'Scheme Shareholder' is a Prime Shareholder as at the Scheme Record Date. The way in which an individual Scheme Shareholder will participate in the Scheme will depend on whether that Scheme Shareholders is an:

- Eligible Prime Shareholder; or
- Ineligible Foreign Shareholder.

#### **8.2.1 Eligible Prime Shareholders**

Eligible Prime Shareholders are Prime Shareholders who are not Ineligible Foreign Shareholders. If the Scheme becomes Effective and is Implemented, each Eligible Prime Shareholder will receive 0.4582 New Seven Shares for each Prime Share they hold as at the Scheme Record Date. See section 8.3 for further details on the Scheme Consideration.

#### **8.2.2 Ineligible Foreign Shareholders**

A Scheme Shareholder will be an Ineligible Foreign Shareholder for the purposes of the Scheme if their address as shown in the Prime Share Register at 7.00pm on the Scheme Record Date is a place outside Australia and its external territories or outside New Zealand, unless Seven and Prime agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Seven Shares when the Scheme becomes Effective.

If you are an Ineligible Foreign Shareholder and the Scheme is implemented, you will not be issued New Seven Shares under the Scheme. Instead, New Seven Shares that would otherwise be issued to you in respect of each Scheme Share will be issued to the Sale Agent on the Implementation Date. The Sale Agent will then sell all New Seven Shares issued to the Sale Agent (i.e. those New Seven Shares that would otherwise be issued to all Ineligible Foreign Shareholders) on ASX. The Sale Agent will then remit the net sale proceeds to Prime. Prime will then pay you your pro rata proportion of the net proceeds (in cash) as soon as practicable after the Implementation Date.

See section 8.10.7 for further details on the Sale Facility and how the net proceeds will be distributed to Ineligible Foreign Shareholders. The details regarding Ineligible Foreign Shareholders and the Sale Facility are set out in full in clause 5.3 of the Scheme attached as Appendix 4 of this Booklet.

## **8.3 What you will receive – an overview of the Scheme Consideration**

### **8.3.1 Scheme Consideration**

If the Scheme is implemented, Prime Shareholders (other than Ineligible Foreign Shareholders) will receive 0.4582 New Seven Shares for each Prime Share they hold on the Scheme Record Date.

Ineligible Foreign Shareholders will not be entitled to receive any New Seven Shares and will instead receive cash under the Sale Facility for any New Seven Shares that they would otherwise have been entitled to receive. See section 8.2.2 for further details on whether you are an Ineligible Foreign Shareholder, and section 8.10.7 for further details on the Sale Facility and how the net proceeds will be distributed to Ineligible Foreign Shareholders.

### **8.3.2 Fractional entitlements**

Where the calculation of the number of New Seven Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New Seven Shares, then the fractional entitlement will be rounded down to the nearest whole number of New Seven Shares.

The details regarding fractional entitlements are set out in full in clause 5.4 of the Scheme attached as Appendix 4 of this Booklet.

### **8.3.3 Implied value of the Scheme Consideration**

As at 14 November 2019, being the last practicable date prior to the date of this Booklet, the implied value of the Scheme Consideration was \$0.192 per Scheme Share, being the price of 0.4582 Seven Shares.

It is important to understand that the implied value of the New Seven Shares will vary over time (due to changes in the prevailing Seven Share Price).

Variations in the implied value of the Scheme Consideration due to fluctuations in the price of Seven Shares will continue until the Scheme Consideration is provided on the Implementation Date. This may result in the implied value of the Scheme Consideration received on the Implementation Date being different to the implied value of the Scheme Consideration as at the date of this Booklet and the date of the Scheme Meeting.

## **8.4 Key Scheme Steps**

If the Scheme is approved by Prime Shareholders and the Scheme is approved by the Court, and if all other conditions precedent to the Scheme are satisfied or waived (if applicable), then:

- the Scheme will become Effective;
- at the close of trading on the Effective Date, Prime Shares will cease trading on ASX; and
- on the Implementation Date, all the Prime Shares held by Scheme Shareholders as at the Scheme Record Date will be transferred to Seven (without any need for action by Scheme Shareholders) and the Scheme Shareholders will receive the Scheme Consideration (other than Ineligible Foreign Shareholders – see section 8.2.2 for further details on the treatment of Ineligible Foreign Shareholders).

As a result of the implementation of the Scheme, Scheme Shareholders will cease to hold Prime Shares, Prime will become a wholly owned Subsidiary of Seven and it is expected that Seven will apply for Prime to be delisted from ASX.

### 8.5 Dealings on or before the Scheme Record Date

For the purpose of determining which Prime Shareholders are eligible to participate in the Scheme, dealings in Prime Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is on the Prime Share Register as the holder of the relevant Prime Shares as at the Scheme Record Date; or
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Prime Registry on or before the Scheme Record Date,

and Prime must not accept for registration, nor recognise for any purpose (except a transfer to Seven pursuant to the Scheme and any subsequent transfer by Seven or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

### 8.6 Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Prime must maintain the Prime Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been received by the Scheme Shareholders. The Prime Share Register in this form will solely determine entitlements to the Scheme Consideration.

All holding statements for Prime Shares (other than statements of holding in favour of Seven or any member of the Seven Group) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Prime Share Register (other than entries on the Prime Share Register in respect of Seven or any member of the Seven Group) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Prime Shares relating to that entry.

### 8.7 Conditions to the Scheme

The Scheme will not proceed unless all of the Conditions Precedent are satisfied or waived (if applicable) in accordance with the Scheme Implementation Deed. It is important to note that some of these conditions may not be satisfied even if the Scheme is approved at the Scheme Meeting (for example, the Court may refuse to grant the Second Court Order referred to in condition 7 below). As at the date of this Booklet, Prime and Seven are not aware of any circumstances which would cause these conditions to not be satisfied.

A summary of the status of each of the Conditions Precedent is set out in the table below. Further details of the Conditions Precedent are included in section 15.2.1 and the Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed.

No.	Condition Precedent	Status
1.	<b>Competition Approval:</b> approvals from the ACCC required for the Scheme.	As at the date of this Booklet, the necessary Competition Approval from the ACCC is yet to be obtained. See section

No.	Condition Precedent	Status
		6.3.6 for further details on the status of obtaining ACCC approval.
2.	<b>ACMA Approval:</b> approval from ACMA required for the Scheme.	As at the date of this Booklet, the necessary ACMA Approval is yet to be obtained.
3.	<b>ASIC and ASX:</b> ASIC and ASX issue or provide all other relief, waivers, confirmations, exemptions, consents or approvals, and do all other acts, necessary, or which Prime and Seven agree are desirable, to implement the Scheme and each remains in place before 8.00am on the Second Court Date.	<p>As at the date of this Booklet, this Condition Precedent has not been satisfied. This Condition Precedent will not be satisfied until 8.00am on the Second Court Date.</p> <p>As at the date of this Booklet, neither Seven nor Prime is aware of anything that will cause this Condition Precedent not to be satisfied.</p>
4.	<b>Other Approvals:</b> any other approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency, to implement the Scheme are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects, and each remains in place before 8.00am on the Second Court Date.	Prime is not aware of any other approvals, consents, or waivers required from a Government Agency in relation to the implementation of the Scheme.
5.	<b>Prime Shareholder Approval:</b> Prime Shareholders agree to the Scheme at the Scheme Meeting.	The Scheme Meeting to consider the Scheme Resolution will be held at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000 commencing at 10.00am on Thursday, 19 December 2019.
6.	<b>Independent Expert:</b> the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interest of Prime Shareholders before the time when the Booklet is registered by ASIC.	This Condition Precedent has been satisfied and the Independent Expert's Report is set out in Appendix 1.
7.	<b>Court approval:</b> Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act.	As at the date of this Booklet, the Second Court Hearing is scheduled for Friday, 20 December 2019.

No.	Condition Precedent	Status
8.	<b>Restraints:</b> between 17 October 2019 and 8.00am on the Second Court Date no Restraint Event has occurred.	This Condition Precedent will not be satisfied until 8.00am on the Second Court Date. As at the date of this Booklet, neither Seven nor Prime is aware of anything that will cause these Conditions Precedent not to be satisfied.
9.	<b>Other prescribed events:</b> the following do not occur between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date: <ul style="list-style-type: none"> <li>• Prime Prescribed Occurrence;</li> <li>• Seven Prescribed Occurrence;</li> <li>• Prime Regulated Event; and</li> <li>• Seven Regulated Event.</li> </ul>	This Condition Precedent will not be satisfied until 8.00am on the Second Court Date. As at the date of this Booklet, neither Seven nor Prime is aware of anything that will cause this Condition Precedent not to be satisfied.
10.	<b>New Seven Shares:</b> New Seven Shares to be issued pursuant to the Scheme are approved for official quotation by ASX by 8.00am on the Second Court Date.	This Condition Precedent will not be satisfied until 8.00am on the Second Court Date. As at the date of this Booklet, neither Seven nor Prime is aware of anything that will cause this Condition Precedent not to be satisfied.

## 8.8 Scheme procedure

### 8.8.1 Date and time of Scheme Meeting

In accordance with an order of the Court dated Friday, 15 November 2019, Prime has convened the Scheme Meeting to be held on Thursday, 19 December 2019 at 10.00am. The notice convening the Scheme Meeting is set out in Appendix 5 and the terms of the Scheme are set out in Appendix 4. The purpose of the Scheme Meeting is for Prime Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Prime Shareholders should vote on the Scheme. On these matters, Prime Shareholders must reach their own decision.

### 8.8.2 Entitlement to vote

Each Prime Shareholder (other than an entity within the Seven Group) who is registered on the Prime Share Register at 10.00am on Tuesday, 17 December 2019 (the **Scheme Meeting Record Date**), is entitled to attend and vote at the Scheme Meeting.

### 8.8.3 Scheme Resolution

At the Scheme Meeting, Prime Shareholders will be asked to consider and, if thought fit, to pass the Scheme Resolution to approve the Scheme.

#### **8.8.4 Majorities required to pass resolution**

For the Scheme to proceed, the Scheme Resolution must be passed by:

- more than 50% in number of Prime Shareholders who are present and voting, either in person or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative, at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Scheme Resolution.

#### **8.9 Timetable**

An indicative timetable for the Scheme appears on page 5. All dates and times following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court. Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced on ASX at [www.asx.com.au](http://www.asx.com.au).

#### **8.10 Implementation**

##### **8.10.1 Court approval of the Scheme**

If the Scheme is approved by the Requisite Majority of Prime Shareholders, and all other Conditions Precedent (other than approval by the Court) have been satisfied or waived (if applicable), Prime will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is currently expected to be held at 12.00pm on 20 December 2019. Any change to this date will be announced through ASX. Further details regarding the Second Court Hearing will be advertised in a prominently published newspaper that is circulated generally throughout Australia (e.g. The Australian).

Any Prime Shareholder or, with the Court's permission, any other interested person may appear at the Second Court Hearing in person or through counsel to support or oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme.

##### **8.10.2 Court orders and Effective Date**

If the Court makes orders approving the Scheme, Prime will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as the copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the Second Court Date.

If the Scheme becomes Effective, Prime and Seven will become bound to implement the Scheme in accordance with the terms of the Scheme and the Seven Deed Poll.

Only Prime Shareholders who qualify as Scheme Shareholders will be bound by and have the benefit of the Scheme. Section 8.2 describes the principles for determining the identity of Scheme Shareholders.

### **8.10.3 Suspension of trading of Prime Shares**

If the Court approves the Scheme, Prime will notify ASX of that approval on the day it is received (expected to be Friday, 20 December 2019).

It is expected that suspension of trading in Prime Shares on ASX will occur from the close of trading on the Effective Date.

Prime Shareholders are able to sell Prime Shares on market in the usual manner on or before the Effective Date. For the purpose of determining entitlements under the Scheme, Prime will not accept for registration or recognise any transfer or transmission application in respect of Prime Shares received after the Scheme Record Date.

### **8.10.4 Scheme Record Date**

Prime Shareholders (other than Ineligible Foreign Shareholders) will be entitled to receive the Scheme Consideration under the Scheme if they are registered in the Prime Share Register as the holders of Prime Shares on the Scheme Record Date. The Scheme Record date is currently expected to be 7.00pm (Sydney time) on Friday, 27 December 2019.

### **8.10.5 Transfer of Prime Shares**

On the Implementation Date, subject to the issuance of New Seven Shares to Eligible Prime Shareholders, the Prime Shares held by Scheme Shareholders as at the Scheme Record Date will be transferred to Seven (without the need for any further act by any Scheme Shareholder).

### **8.10.6 Provision of Scheme Consideration and registration of New Seven Shares**

The Implementation Date is expected to be Monday, 6 January 2020.

On the Implementation Date, Seven must issue New Seven Shares to each Eligible Scheme Shareholder (or the Sale Agent on behalf of Ineligible Foreign Shareholders) entitled to them and cause their names and addresses (as shown in the Prime Share Register) to be entered in the Seven Share Register.

Within 10 Business Days after the Implementation Date, Seven must send a share certificate or holding statement (or equivalent document) to the registered address of each Scheme Shareholder (as shown in the Prime Share Register and, following implementation of the Scheme, the Seven Share Register) representing the number of New Seven Shares issued to the Scheme Shareholder pursuant to the Scheme.

### **8.10.7 Sale Facility in respect of Ineligible Foreign Shareholders**

Ineligible Foreign Shareholders will not be issued New Seven Shares under the Scheme. Any New Seven Shares that would otherwise be issued to Ineligible Foreign Shareholders will be dealt with under the Sale Facility.



**(a) Sale Facility mechanics**

Seven will establish the Sale Facility and, jointly with Prime, will appoint the Sale Agent to sell any New Seven Shares that would otherwise be issued to Ineligible Foreign Shareholders.

If the Scheme becomes Effective, the New Seven Shares referred to above will be issued by Seven to the Sale Agent on the Implementation Date.

As soon as reasonably practicable after the Implementation Date, the Sale Agent, in consultation with Seven, must sell or procure the sale of New Seven Shares issued to the Sale Agent on behalf of the Ineligible Foreign Shareholders. The Sale Agent must remit to Prime the proceeds of those sales (after deduction of any applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges) (the **Sale Facility Proceeds**).

Prime must, promptly after receiving the Sale Facility Proceeds in respect of the sale of all of the New Seven Shares issued to the Sale Agent, pay, or procure payment, to each Ineligible Foreign Shareholder of their pro rata proportion of the Sale Facility Proceeds, calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where:

- A is the amount to be paid to the Ineligible Foreign Shareholder;
- B is the number of New Seven Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder, and which are instead issued to the Sale Agent;
- C is the total number of New Seven Shares which would otherwise have been issued to all Ineligible Foreign Shareholders collectively and which are instead issued to the Sale Agent; and
- D is the Sale Facility Proceeds.

**(b) Value of the Sale Facility Proceeds**

The cash amount received by Ineligible Foreign Shareholders will depend on the price at which the New Seven Shares can be sold under the Sale Facility by the Sale Agent at the relevant time and the amount of brokerage and any taxes and charges incurred by the Sale Agent in connection with sales under the Sale Facility.

The cash amount received by an Ineligible Foreign Shareholder under the Sale Facility may be more or less than the value of the New Seven Shares that the shareholder would have received had they not been an Ineligible Foreign Shareholder.

None of Prime, Seven or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Seven Shares by the Sale Agent under the Sale Facility.

The Sale Facility Proceeds will be paid to Ineligible Foreign Shareholders who have:

- currently elected to receive dividends paid by Prime by electronic funds transfer, by electronic funds transfer paid to the bank account they have nominated to the Prime Registry for the payment of dividends; or
- not elected to receive dividends paid by Prime by electronic funds transfer, by cheque despatched by registered post to the address of the Ineligible Foreign Shareholder as it appears on the Prime Share Register as at the Scheme Record Date. In the case of Scheme Shares held in joint names, any cheque required to be paid will be payable to the joint holders and sent to the holder whose name appears first in the Prime Share Register.

Ineligible Foreign Shareholders who have not elected to receive dividends paid by Prime by electronic funds transfer, but who want to receive their proportion of the Sale Facility Proceeds by that method, should contact the Prime Registry on 1800 500 095 (within Australia), or +61 1800 500 095 (outside Australia). In order for changes to apply to the payment of their proportion of the Sale Facility Proceeds, they must be notified to the Prime Registry prior to the Scheme Record Date.

#### **8.10.8 Commencement of trading of New Seven Shares**

Seven will seek confirmation from ASX that, from the Business Day after the Effective Date (or any later date as ASX requires), the New Seven Shares will be listed for quotation on the official list of ASX.

The New Seven Shares are expected to commence trading on ASX, initially on a deferred settlement basis from the Business Day after the Effective Date, and on a normal settlement basis from Tuesday, 7 January 2020.

The exact number of New Seven Shares to be issued to each Scheme Participant will not be known until after the Scheme Record Date and will not be confirmed to each Scheme Participant until they receive their holding statements following implementation of the Scheme.

It is the responsibility of each Scheme Shareholder to confirm their holdings of New Seven Shares before they trade them, to avoid the risk of committing to sell more than will be issued to them.

Prime Shareholders who sell New Seven Shares before they receive their holding statements or confirm their holdings of New Seven Shares do so at their own risk. Neither Prime nor Seven takes any responsibility for such trading.

#### **8.10.9 Delisting of Prime**

Following the implementation of the Scheme, it is expected that Seven will apply for the termination of the official quotation of Prime Shares on ASX and for Prime to be removed from the official list of ASX.

#### **8.10.10 Effect of the Scheme**

If the Scheme is implemented, then Scheme Shareholders will no longer hold Prime Shares and the Prime Shares held by Scheme Shareholders as at the Scheme Record Date will be transferred to Seven and Scheme Shareholders will receive the Scheme Consideration.

### **8.11 The Prime Directors' unanimous recommendation**

The Prime Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.

Each Prime Director intends to vote all of the Prime Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal. The Prime Directors further believe that the reasons for Prime Shareholders to vote in favour of the Scheme outweigh the reasons to vote against them, in the absence of a Superior Proposal. These reasons and other relevant considerations are set out in section 6 above.

### **8.12 Voting intentions of the Prime Directors**

Each Prime Director intends to vote, or procure the voting of, any Prime Shares held or controlled by them, in favour of the Scheme at the Scheme Meeting to be held on Thursday, 19 December 2019, in the absence of a Superior Proposal.

Details of the Relevant Interests of each Prime Director in Prime Shares are set out in section 14.1 of this Booklet.

### **8.13 Independent Expert's conclusion**

The Prime Board appointed Lonergan Edwards as Independent Expert to undertake an independent assessment of the Scheme, prepare an Independent Expert's Report and provide an opinion as to whether the Scheme is in the best interests of Prime Shareholders.

The Independent Expert has concluded that the Proposed Transaction is reasonable and is therefore in the best interests of Prime Shareholders in the absence of a Superior Proposal, but that it is not fair. According to the Independent Expert the Proposed Transaction is not fair as the value of the New Seven Shares, which the Independent Expert has assessed to be in the range of \$0.183 to \$0.206 per New Seven Share, is below the Independent Expert's assessment of the standalone value of Prime on a control basis, which the Independent Expert has assessed to be in the range of \$0.210 to \$0.240 per Prime Share.

The Independent Expert noted that its analysis "indicates that the exchange ratio (i.e. 0.4582 [New Seven Shares] for every Prime [S]hare) is reasonable and appropriate if considered as a merger/combination of the two businesses rather than a change in control transaction".

The Independent Expert considered a range of factors in determining that the Proposed Transaction is reasonable and in the best interests of Prime Shareholders. The Independent Expert has summarised the advantages of the Scheme in paragraph 288 of the Independent Expert's Report. These advantages include the following:

- Prime Shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The merged entity will also have enhanced financial scale (relative to Prime on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities.
- As Prime Shareholders will collectively hold approximately 10% of the shares in the Combined Group if the Scheme is implemented, Prime Shareholders who retain the New Seven Shares as consideration should benefit from the realisation of expected synergies from a combination of the businesses over time.

- Prime Shares have historically traded on significantly lower EBITDA multiples than Seven, which the Independent Expert believes reflects (inter-alia) Prime's lack of scale and diversification, reliance on Seven for programming, lower opportunity for earnings growth and Seven's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. However, as a result of the Scheme, Prime will be acquired by Seven and prima facie this discount should no longer apply. Consequently, the Independent Expert believes the value of Prime will be greater under Seven ownership and accordingly Prime Shareholders should benefit from this value uplift over the medium term by virtue of their 10% collective ownership interest in Seven post implementation of the Scheme.

A full copy of the Independent Expert's Report is included in Appendix 1. You should carefully read the Independent Expert's Report in its entirety before making a decision on how to vote on the Scheme.

#### **8.14 Implications if the Scheme does not proceed**

If any Conditions Precedent, including Prime Shareholder approval and Court approval, are not satisfied or waived (as applicable) prior to the End Date, the Scheme will not proceed. If the Scheme does not proceed, Prime Shareholders will not receive the Scheme Consideration and will retain their Prime Shares. Additionally, the advantages of the Scheme described in section 6.1 will not be realised and the potential disadvantages of the Scheme described in section 6.2 will not arise. See section 6.3.2 for further details on the implications if the Scheme does not proceed.

#### **8.15 Seven Deed Poll**

Seven has executed a deed poll in favour of the Scheme Shareholders, under which Seven agrees to perform all of its obligations under the Scheme if the Scheme becomes Effective.

#### **8.16 Warranty by Scheme Shareholders**

Under the Scheme, each Scheme Shareholder is deemed to have warranted to Prime and Seven, and appointed and authorised Prime as their attorney and agent to warrant to Seven:

- that all of their Prime Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- that they have full power and capacity to transfer their Prime Shares to Seven together with any rights and entitlements attaching to those shares.

## **9. Information on Prime**

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### **9.1 Overview**

#### **9.1.1 Introduction**

Prime is an Australian free-to-air television broadcaster. Its free-to-air commercial television services broadcast in regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional Western Australia.

Prime's television programming is almost exclusively supplied through the Program Supply Agreement with Seven and is broadcast under the PRIME7 brand in regional areas on the east coast of Australia and the GWN7 brand in regional Western Australia.

Prime, headquartered in Sydney, is a significant employer of regional Australians with offices stretching from the Gold Coast, throughout many major cities and towns in regional New South Wales and Victoria, and across regional Western Australia to Geraldton.

#### **9.1.2 Prime's business and overview of operations**

Prime generates the majority of its income from free-to-air television broadcasting in Australia.

In addition, Prime operates websites 'prime7.com.au' and 'gwn7.com.au'. Prime posts its own produced content on these websites, primarily news and weather video content, viewer competitions, a television guide, billboards and sponsorship advertising.

Prime's primary source of income is derived from the sale of television advertising air time. Sales teams based in the capital cities service major national advertisers. Prime's national sales division, Seven Affiliate Sales, also represents Seven Queensland and TVNZ in Australia.

Prime also has a 50% interest in joint ventures that have acquired free-to-air television licences in regional Western Australia and in Mildura/Sunraysia, which it operates with related entities of WIN Corporation Pty Limited. The joint ventures broadcast Nine Entertainment programming in regional Western Australia and Mildura.

Prime broadcasts the ishop channel in its broadcast licence areas in conjunction with Brand Developers. Prime owns the ishop brand and is responsible for transmission services. Brand Developers is responsible for sourcing, producing and delivering content for the channel.

Prime has established itself as the leading television network in its broadcast markets. It makes a significant investment in local news programming and provides valuable community airtime sponsorships to support and assist community endeavours.

PRIME7 Local News augments Seven's news and current affairs services. PRIME7 produces six separate 30 minute local news bulletins each weekday for the Central West region of New South Wales, New England and the North West region of New South Wales, the North Coast of New South Wales, Wagga Wagga and the Riverina,

and Albury-Wodonga. In addition to producing local news, PRIME7 produces a 6:30pm PRIME7 National News bulletin that, in the eastern states of Australia, follows PRIME7 Local News at 6pm.

GWN7 provides the only local news bulletin on television for viewers in regional Western Australia.

The 30 minute local news bulletins are supplemented with local news and weather updates throughout the day and evening.

### **9.1.3 Overview of assets**

Prime's main asset is its television broadcast licences. The licences are carried at cost less accumulated impairment losses. The broadcast licences book value at 30 June 2019 was nil. The licences are subject to renewal by the Australian Communications and Media Authority at no significant cost to the Company. The Prime Directors have no reason to believe the licences will not be renewed at the end of their current legal terms.

During the 2019 financial year, Prime entered into a new program supply agreement with Seven for a term of 5 years, commencing 1 July 2018 (the **Program Supply Agreement**). Upon entering the agreement, Prime acquired program rights which at 30 June 2019 had a book value of \$12,000,000.

Prime also has a significant amount of plant and equipment, which has a net book value as at 30 June 2019 of \$15,223,000. Plant and equipment is primarily comprised of computer equipment, broadcast equipment and transmission equipment.

Prime owns land and buildings in the Australian Capital Territory, Pymont, New South Wales and various sites and transmission towers around Australia. Prime's land and buildings and leasehold improvements have net book values as at 30 June 2019 of \$6,561,000 and \$574,000 respectively.

Prime also owns land and buildings in Bunbury, Western Australia, which is considered surplus to requirements. The property's book value at 30 June 2019 was \$645,000.

### **9.1.4 Customer overview**

Prime contracts with media buyers and media agencies for the sale of advertising airtime to third party advertisers. For the 2019 financial year, a small number of media buying agencies accounted for approximately 56.1% of Prime's total revenue. Three media buying agencies individually contribute more than 10% of Prime's television advertising revenue and collectively account for \$64,153,000 or 33.4% of Prime's revenue.

### **9.1.5 Prime's strategy**

Prime's strategy is focused on lobbying the federal government for additional reforms to regional television broadcast laws, its Boomtown initiative, which aims to grow the shift of advertising spend to regional media platforms, and its debt reduction program.

During FY19, Prime approached its regional media contemporaries to create a new media-marketing platform called Boomtown. Boomtown aims to educate media buyers and advertisers on the value of regional media advertising and the spending power of

people living outside the capital cities. The advertising market's reaction to Boomtown has been positive. Prime is now seeing a number of dormant advertisers returning to television, along with new advertisers looking to reach the 5.3 million Australians that Prime has the potential to broadcast to and which are not serviced by metropolitan television. Boomtown has been created in response to declining regional media advertising spends. The Boomtown partners stretch across regional television, radio and press.

Prime has also been actively engaged with the Federal Government regarding the increasing power and influence of international and national media and entertainment companies, who use the internet to reach regional Australians but without many of the regulations, restrictions or obligations required of Prime. Prime hopes that this strategy will contribute to the achievement of a level playing field for small regional companies such as Prime who are now directly exposed to competition from some of the largest and most powerful news and entertainment platforms in the world.

## 9.2 Prime Board

As at the date of this Booklet, the Prime Board comprises the following members:

Name	Current position
John Hartigan	Non-Executive Chair
Ian Audsley	CEO and Executive Director
Ian Neal	Non-Executive Director
Peter Macourt	Non-Executive Director
Cass O'Connor	Non-Executive Director
Robbie Sefton	Non-Executive Director

## 9.3 Prime senior management

As at the date of this Booklet, Prime's senior management comprises the following members:

Name	Current position
Ian Audsley	CEO and Executive Director
John Palisi	Chief Financial Officer and Company Secretary
David Walker	Group General Manager, Sales and Marketing

## 9.4 Capital structure

At the date of this Booklet, Prime has the following securities on issue:

Type of Security	Number on issue
Prime Shares	366,330,303

## 9.5 Prime's Substantial Shareholders

As extracted from filings released on ASX, the following persons were substantial holders of Prime Shares as at the date of this Booklet:

Substantial Holder	Number of Prime Shares	Voting power
Deutsche Bank AG and its related bodies Corporate	29,666,370	8.10%
WA Chess Investments Pty Ltd and its related entities	47,203,855	12.89%
Mr Bruce Gordon, Birketu Pty Ltd, WIN Corporation Pty Ltd and their related entities	42,444,289	11.59%
Spheria Asset Management Pty Ltd	52,842,534	14.42%

In addition, the substantial holders identified in the table below have disclosed additional economic interests in Prime Shares, which interests exist pursuant to derivative transactions (including cash or physical swaps) which are not reflected in the voting power percentage identified above.

Substantial Holder	Number of Prime Shares	Voting power
Mr Bruce Gordon, Birketu Pty Ltd, WIN Corporation Pty Ltd and their related entities	29,050,000	Nil

(By virtue of Birketu Pty Ltd having entered into a cash settled swap arrangement with Deutsche Bank AG)

## 9.6 Group structure

The following entities are Subsidiaries of Prime:

Name	Principal place of business	Ownership interest (%)
Prime Television (Holdings) Pty Limited	Watson, ACT, Australia	100
Zamojill Pty Limited	Watson, ACT, Australia	100
Prime Television (Southern) Pty Limited	Watson, ACT, Australia	100
Prime Television (Northern) Pty Limited	Watson, ACT, Australia	100
Prime Television (Victoria) Pty Limited	Watson, ACT, Australia	100
Prime Properties (Albury) Pty Limited	Watson, ACT, Australia	100
Prime Television Investments Pty Limited	Watson, ACT, Australia	100
Golden West Network Pty Limited	Watson, ACT, Australia	100
Mining Television Network Pty Limited	Watson, ACT, Australia	100



<b>Name</b>	<b>Principal place of business</b>	<b>Ownership interest (%)</b>
Telepro Pty Limited	Watson, ACT, Australia	100
Golden West Satellite Communications Pty Limited	Watson, ACT, Australia	100
135 Nominees Pty Limited	Watson, ACT, Australia	100
Mid-Western Television Pty Limited	Watson, ACT, Australia	100
Geraldton Telecasters Pty Limited	Watson, ACT, Australia	100
Prime New Media Investments Pty Limited	Watson, ACT, Australia	100
Seven Affiliate Sales Pty Limited	Watson, ACT, Australia	100
Prime Media Broadcasting Services Pty Limited	Watson, ACT, Australia	100
Prime Media Group Services Pty Limited	Watson, ACT, Australia	100
Prime Digitalworks Pty Limited	Watson, ACT, Australia	100
Screenworld Pty Limited	Watson, ACT, Australia	100
Broadcast Production Services Pty Limited	Watson, ACT, Australia	100

## **9.7 Recent share price performance**

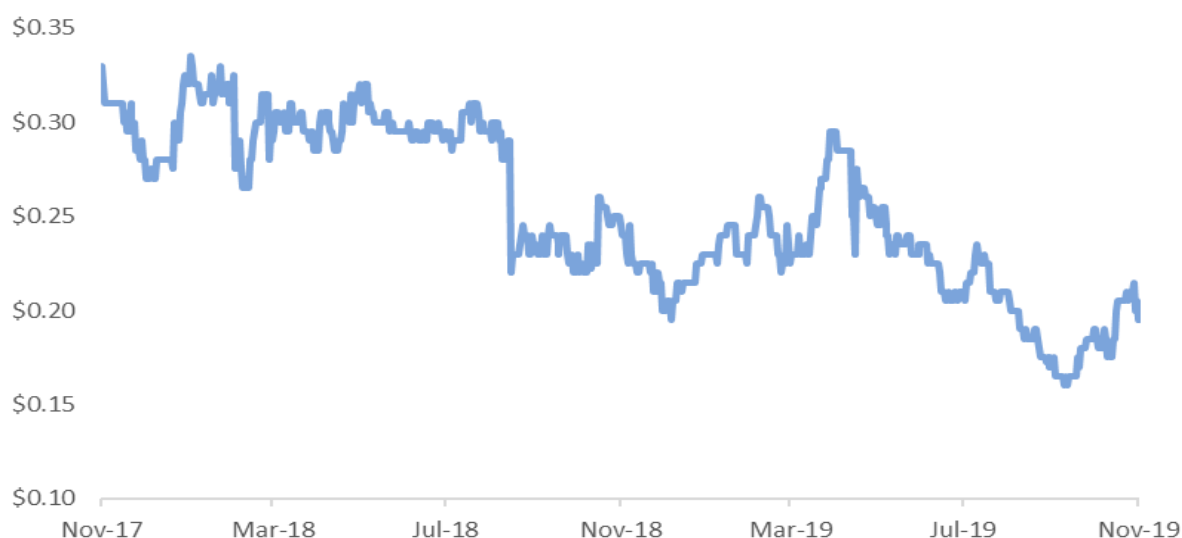
The Prime Shares are listed on ASX under the trading ticker 'PRT'.

The closing price of Prime Shares on 17 October 2019, being the last close price prior to the announcement of entry into the Scheme Implementation Deed by Prime and Seven on 18 October 2019, was \$0.18. The closing price of Prime Shares on the Last Practicable Date, was \$0.192.

During the three months ending on 14 November 2019:

- the highest recorded daily closing price of Prime Shares was \$0.215 on 11 November 2019; and
- the lowest recorded daily closing price of Prime Shares was \$0.160 on 25 September 2019.

The graph below illustrates Prime's share price performance over the last 24 months up to, and including, 14 November 2019 (being the last trading date prior to the date of this Booklet).



## 9.8 Historical financial information

This section 9.8 contains historical financial information relating to Prime:

- historical consolidated statements of profit or loss for the years ended 30 June 2018 (restated) and 30 June 2019;
- historical consolidated statements of financial position as at 30 June 2018 and 30 June 2019; and
- historical consolidated statements of cash flows for the years ended 30 June 2018 and 30 June 2019,

(together, the ***Prime Historical Financial Information***).

The historical financial information contained in this section 9.8 has been presented in abbreviated form and does not contain all of the disclosures, statements or comparative information usually provided in an annual report prepared in accordance with the Corporations Act.

The Prime Historical Financial Information in this section 9.8 is a summary only and has been prepared and extracted for the purposes of this Booklet only.

### 9.8.1 Basis of preparation

Prime's audited financial statements for the year ended 30 June 2019 included restated comparatives for the year ended 30 June 2018 as a result of the retrospective adoption of the new accounting standard AASB 15 *Revenue from Contracts with Customers*. Prime Historical Financial Information has been derived from Prime's audited financial statements for the financial year ended 30 June 2019, which were audited by EY in accordance with Australian Auditing Standards. EY issued unqualified audit opinions on these financial statements.

Prime's full financial accounts, including all notes to those accounts, can be found in the Prime Appendix 4E for the year ended 30 June 2019 (released to ASX on 22

August 2019), which is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and Prime's website at [www.primemedia.com.au](http://www.primemedia.com.au).

The Prime Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. It should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

The Prime Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act. The Prime Historical Financial Information is presented in Australian dollars, which is Prime's functional currency. Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.

Except as set out in section 9.8.7, in the period between the end of the financial year ended 30 June 2019 and the date of this Booklet, no item, transaction or event of a material and unusual nature has arisen which is likely, in the opinion of the Prime Directors, to significantly affect the operations of Prime, the results of those operations, or the state of affairs of Prime, in future financial years other than as disclosed on ASX.

#### **9.8.2 Explanation of certain Non-IFRS Financial Measures**

Prime uses certain measures to report on the financial performance of its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Booklet as **Non-IFRS Financial Measures**.

Management uses these Non-IFRS Financial Measures to evaluate the performance and profitability of Prime's business. The principal Non-IFRS Financial Measures referred to in this Booklet are as follows:

**EBITDA** is reported earnings/(losses) including significant items, before the following:

- finance costs and income;
- depreciation and amortisation;
- impairment of intangible assets; and
- income taxation expense or benefit.

**Underlying EBITDA** represents reported EBITDA excluding Significant Items.

**Significant items** include those items presented as significant within the Prime financial statements. They relate to restructure and redundancy charges, non-recurring legal and consultancy costs.

**Net Debt** is interest bearing borrowings less cash and cash equivalents.

### 9.8.3 Prime historical consolidated statements of profit or loss

Below is a summary of Prime's historical consolidated statements of profit or loss for the years ended 30 June 2018 (Restated) and 30 June 2019.

	2019	2018
		RESTATED
	\$'000	\$'000
Revenue	190,674	200,073
Other income	1,047	1,044
<b>Total revenue and other income<sup>2</sup></b>	<b>191,721</b>	<b>201,117</b>
Share of net profit/(loss) of equity accounted investees	156	(43)
Expenses	(153,409)	(153,987)
Redundancy and restructure costs	-	(1,019)
Non-recurring legal and consultancy costs	-	(911)
<b>EBITDA</b>	<b>38,469</b>	<b>45,157</b>
Depreciation and amortisation	(11,879)	(9,618)
Impairment of intangible assets	(14,018)	(51,690)
<b>Profit/(loss) before net finance costs and tax</b>	<b>12,571</b>	<b>(16,151)</b>
Finance costs	(1,310)	(1,584)
Finance income	141	134
<b>Profit/(loss) before tax</b>	<b>11,402</b>	<b>(17,601)</b>
Tax (expense)/benefit	(4,054)	5,326
<b>Profit/(loss) for the year</b>	<b>7,348</b>	<b>(12,275)</b>

### Reconciliation of EBITDA to Underlying EBITDA

	2019	2018
		RESTATED
	\$'000	\$'000
<b>EBITDA</b>	<b>38,469</b>	<b>45,157</b>
Redundancy and restructure costs	-	1,019
Non-recurring legal and consultancy costs	-	911
<b>Underlying EBITDA</b>	<b>38,469</b>	<b>47,087</b>

<sup>2</sup> Total revenue and other income does not included Interest income. Interest income is presented below 'Profit/(loss) before net finance costs and tax'.

#### 9.8.4 Prime historical consolidated statements of financial position

Below is a summary of Prime's historical consolidated statement of financial position as at 30 June 2018 and 30 June 2019.

	2019	2018
	\$'000	\$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,443	10,903
Trade and other receivables	37,323	38,030
Current tax receivable	1,594	690
Program rights and inventories	3,000	1,667
Asset held for sale	645	645
Other assets	4,711	1,943
<b>Total current assets</b>	<b>53,716</b>	<b>53,878</b>
<b>Non-current assets</b>		
Program rights	9,000	-
Equity accounted investees	377	1,071
Property, plant and equipment	22,358	25,301
Intangible assets	878	16,593
Other assets	501	646
<b>Total non-current assets</b>	<b>33,114</b>	<b>43,611</b>
<b>Total assets</b>	<b>86,830</b>	<b>97,489</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	8,226	15,147
Provisions	7,203	6,193
<b>Total current liabilities</b>	<b>15,429</b>	<b>21,340</b>
<b>Non-current liabilities</b>		
Provisions	600	479
Deferred tax Liabilities	17	1,821
Borrowings	16,000	25,696
<b>Total non-current liabilities</b>	<b>16,617</b>	<b>27,996</b>
<b>Total liabilities</b>	<b>32,046</b>	<b>49,336</b>
<b>Net assets</b>	<b>54,784</b>	<b>48,153</b>
<b>EQUITY</b>		
Share capital	310,262	310,262
Reserves	3,722	4,091
Accumulated deficit	(259,200)	(266,200)
<b>Total Equity</b>	<b>54,784</b>	<b>48,153</b>

### 9.8.5 Prime historical consolidated statements of cash flows

Below is a summary of Prime's historical consolidated statements of cash flow for the financial years ended 30 June 2018 and 30 June 2019.

	2019	2018
	\$'000	\$'000
<b>Cash flows related to operating activities</b>		
Receipts from customers (inclusive of GST)	212,072	223,721
Payments to suppliers and employees (inclusive of GST)	(182,195)	(174,369)
Interest and other items of similar nature received	141	134
Interest and other costs of finance paid	(940)	(1,569)
Income tax paid, net of refunds	(6,612)	(15,804)
<b>Net operating cash flows</b>	<b>22,466</b>	<b>32,113</b>
<b>Cash flows related to investing activities</b>		
Payments for purchase of property, plant and equipment	(2,581)	(3,080)
Payments for intangibles	(15,000)	-
Proceeds from sale of financial assets	-	3
Loan funds received from/(paid to) related entities	850	(43)
<b>Net investing cash flows</b>	<b>(16,731)</b>	<b>(3,120)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from borrowings	95,000	114,000
Repayments of borrowings	(105,000)	(132,000)
Share-based payments – performance rights exercised	(195)	(452)
Dividends paid	-	(6,228)
<b>Net finance cash flows</b>	<b>(10,195)</b>	<b>(24,680)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,460)</b>	<b>4,313</b>
Cash and cash equivalents at beginning of period	10,903	6,590
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,443</b>	<b>10,903</b>

### 9.8.6 Financial results

#### (a) Financial year ended 30 June 2018

Prime publicly released its consolidated financial statements for the financial year ended 30 June 2018 on 28 August 2018. For the financial year ended 30 June 2019 Prime retrospectively adopted new accounting standard AASB 15 *Revenue from Contracts with Customers* resulting in a restatement of financial statements for the financial year ended 30 June 2018. The commentary below has been amended for the restatement.

- Prime's consolidated loss after tax attributable to the members for FY18 was \$12,275,000, which represents a decrease of \$48,519,000 or 133.9% on the previous corresponding period. Included in the consolidated loss is a non-cash impairment of television broadcast licences of \$51,690,000 (2017: Nil), of which \$20,674,000 was recognised in June 2018 and \$31,016,000 was recognised in December 2017. The impairment reflects the ongoing decline of regional free-to-air television advertising markets and increasing programming costs.
- Revenue from contracts with customers restated (net of agency commissions) of \$200,073,000 decreased 8.2% or \$17,770,000 when compared to revenue restated net of agency commissions in the 2017 financial year. Revenue has been restated as a result of the retrospective adoption of the new accounting standard AASB 15 *Revenue from Contracts with Customers*. Prime has historically recognised revenue from advertising inclusive of agency commissions and brought to account the cost of commission as a cost of sale. Under the new standard, Prime is required to recognise revenue net of agency commission.
- During FY18, Prime maintained its lead revenue share of 41.9% in the aggregated regional market of New South Wales and Victoria, which represented a 1.8 share point reduction compared to the prior corresponding period. Prime's television advertising revenue in the aggregated regional market of New South Wales and Victoria decreased by \$15,952,000 or 8.1% on the previous corresponding period (noting the prior year included one-off advertising revenue associated with the 2016 Olympic Games broadcast), compared to the market, which declined 4.1% in the same period.
- Prime's gross profit margin declined from 51.8% to 49.8% as a result of increased content costs.
- Total operating expenses of \$55,021,000 were \$5,075,000 or 10.2% unfavourable to the previous corresponding period, primarily due to the introduction of the spectrum licensing fees in FY18. The Federal Government waived free-to-air television broadcast licence fees in the previous corresponding reporting period.

**(b) Financial year ended 30 June 2019**

Prime publicly released its consolidated financial statements for the financial year ended 30 June 2019 on 22 August 2019. The following should be noted:

- Prime's consolidated profit after tax attributable to the members for FY19 was \$7,348,000, which represents an increase of \$19,623,000 or 159.9% on the previous corresponding period. Included in the consolidated profit is a non-cash impairment of television broadcast licences and software of \$14,018,000 (2018: \$51,690,000). The impairment reflects the ongoing decline of regional free-to-air television advertising and the increasing cost of programming.
- Revenue for the period has been reported in accordance with the new accounting standard AASB 15 *Revenue from Contracts with Customers*. Prime has historically recognised revenue from advertising inclusive of agency

commissions and brought to account the cost of commission as a cost of sale. Under the new standard, Prime is required to recognise revenue net of agency commission. As set out in the financial statements for the financial year ended 30 June 2019, the prior year comparatives have been restated reducing revenue recognised and cost of sales by the amount of agency commissions. Prime's net profit after tax remained unchanged.

- Revenue from contracts with customers of \$190,674,000 decreased \$9,399,000 or 4.7% on the previous corresponding restated period. During FY19, Prime maintained its lead revenue share of 41.5% in the aggregated regional market of New South Wales and Victoria. Prime's television advertising revenue in the aggregated regional market of New South Wales and Victoria decreased by 5.0% on the prior year, compared to the market, which declined 4.1% in the same period.
- During FY19, Prime entered the Program Supply Agreement with Seven for a period of 5 years, commencing from 1 July 2018. Under the Program Supply Agreement, Prime is required to pay Seven an affiliation fee which is based on a percentage of gross television advertising revenues. As previously reported, Prime's program affiliation fees increased under the new agreement and the affiliation fee will significantly increase in FY20 to a percentage that will be maintained until the expiry of the Program Supply Agreement in 2023. Prime also adopted AASB 9 *Financial Instruments* during the financial year, which resulted in an increase in allowance for expected credit losses of \$493,000. As a result of these changes, Prime's gross profit margin declined from 49.8% to 47.1%.
- Total operating expenses of \$51,788,000 decreased by \$3,233,000 or 5.9% on the prior year. Employee benefit expense of \$34,421,000 declined by \$1,369,000 or 3.8% on the prior year. The reduction in employee costs was largely attributable to a reduction in key management personnel costs in FY19. The prior period included non-recurring legal and consultancy expenses of \$911,000.
- Prime's share of associate profits of \$156,000 relates to joint ventures that broadcast Nine Entertainment programming in regional Western Australia and Mildura.
- Net Debt reduced by \$5,237,000 during the period to \$9,556,000 at 30 June 2019. Prime continues to operate within bank covenants. Finance costs of \$1,310,000 were 17.3% favourable to the previous corresponding period due to lower average interest bearing debt levels.

#### **9.8.7 Material changes in financial position since 30 June 2019**

To the knowledge of the directors of Prime, the financial position of Prime has not materially changed since 30 June 2019, as reported in the Prime Appendix 4E and the Financial Report for the year ended 30 June 2019, other than:

- the accumulation of profits in the ordinary course of trading;
- as disclosed to ASX by Prime; or



- as disclosed in this Booklet.

A copy of the Prime Appendix 4E and the Financial Report for the year ended 30 June 2019 (released to ASX on 22 August 2019) is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) or Prime's website at [www.primemedia.com.au](http://www.primemedia.com.au).

Within the knowledge of the Prime Directors and other than as disclosed in this Booklet or announced to ASX, the financial position of Prime has not materially changed since 30 June 2019, being the balance date of Prime's Financial Report for the year ended 30 June 2019.

## **9.9 Prime Directors' intentions for the business**

The Corporations Act requires a statement by the Prime Directors of their intentions regarding the Prime business. If the Scheme is implemented, the existing Prime Directors will resign and the Prime Board will be reconstituted in accordance with the instructions of Seven with effect from the Implementation Date. Accordingly, it is not possible for the Prime Directors to provide a statement of their intentions after the Scheme is implemented regarding:

- the continuation of the business of Prime or how Prime's existing business will be conducted;
- major changes, if any, to be made to the business of Prime; or
- any future employment of the present employees of Prime.

If the Scheme is implemented, Seven will own and control all of Prime's Shares. The Prime Directors have been advised that the intentions of Seven with respect to these matters are as set out in section 11.3.

If the Scheme is not implemented, the Prime Directors intend to continue to operate in the ordinary course of the business of Prime in accordance with its publicly stated strategy, which includes Prime continuing to:

- lobby the Federal Government for additional reforms to regional television broadcast laws;
- develop its Boomtown initiative; and
- in light of continued declines in television advertising revenues and audiences, continue to paydown interest bearing debt.

See section 9.1.5 for further information on Prime's strategy.

## **9.10 Risks relating to Prime's business**

There are existing risks relating to Prime's business and an investment in Prime which will continue to be relevant to Prime Shareholders if the Scheme does not become Effective. A summary of the key risks relating to Prime's business and an investment in Prime is set out in section 12.2.

## **9.11 Publicly available information about Prime**

Prime is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Prime is subject to the ASX Listing Rules, which require (subject to some exceptions)

continuous disclosure of any information Prime has that a reasonable person would expect to have a material effect on the price or value of Prime Shares.

Pursuant to the Corporations Act and the Listing Rules, Prime is also required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Prime Directors and an audit or review report respectively.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Prime is available on ASX's website at <https://www.asx.com.au/>. Copies of the documents lodged with ASIC in relation to Prime may be obtained from, or inspected at, an ASIC office.

Prime Shareholders may obtain a copy of:

- the audited financial statements for the financial year ended 30 June 2019; and
- the 2019 Annual Report,

free of charge, from ASX's website ([www.asx.com.au](http://www.asx.com.au)), Prime's website ([www.primemedia.com.au](http://www.primemedia.com.au)) or by calling the Prime Shareholder Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia), Monday to Friday (excluding national public holidays in Australia) between 9.00am and 5.00pm (Sydney time).

## 10. Information about Seven

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### 10.1 Overview of the Seven Group

#### 10.1.1 Corporate overview, principal activities and operations



Seven (ASX: SWM) is one of Australia's leading integrated media companies, with a market-leading presence in broadcast television, magazine and newspaper publishing and online.

Seven is home to many of Australia's leading media businesses – Seven, 7TWO and 7mate, 7flix, 7food network, Pacific, The West Australian and The Sunday Times, and the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise, the Australian Football League, Cricket Australia, the Olympic Games, Better Homes and Gardens, Marie Claire, Who, PerthNow, racing.com and 7plus.

Seven is expanding its presence in the further delivery of its video and publishing content beyond its digital broadcast channels and across an array of platforms. Seven is now creating more content than at any time in its history and is expanding its presence in international content production with the formation of new international production companies. These new businesses underline a key part of its strategy for today and in the future: the expansion of its leadership in the production of content across all screens.

#### 10.1.2 Seven's Board of Directors

Name and Role	Overview
<b>Kerry Stokes AC</b> Chairman- Non-Executive Director	<p>Mr Stokes is the Executive Chairman of Seven Group Holdings Limited (<b>SGH</b>), a company with a market-leading presence in the resources services sector in Australia and formerly in north east China and a significant investment in energy and also in media in Australia through Seven. Mr Stokes has held this position since April 2010. He is also Chairman of Australian Capital Equity Pty Limited, which has substantial interests in media and entertainment, resources, energy, property, pastoral and industrial activities.</p> <p>Mr Stokes' board memberships include Council Member for the Paley Group (formerly the International Council for Museum and Television); Chairman and Fellow</p>

Name and Role	Overview
	<p>(since November 2015) for the Australian War Memorial (previously a Council Member); and a former Chairman of the National Gallery of Australia. Mr Stokes holds professional recognitions which include an Honorary Doctorate in Commerce at Edith Cowan University and an Honorary Fellow of Murdoch University.</p>
<p><b>James Warburton</b> Managing Director and Chief Executive Officer</p>	<p>Mr Warburton is Managing Director and Chief Executive Officer of Seven.</p> <p>Prior to his appointment as CEO of Seven, Mr Warburton was Managing Director and Chief Executive Officer of APN Outdoor where he led a significant transformation and turnaround at APN before departing in late 2018 when APN Outdoor was acquired by JCDecaux for a record valuation. Before his appointment to APN Outdoor, Mr Warburton was the Chief Executive Officer of Supercars for five years.</p> <p>In this position, Mr Warburton drove significant growth in the sport and delivered unprecedented broadcast, sponsorship and funding deals. Mr Warburton has also held senior leadership roles at media buying company Universal McCann, he was Chief Digital and Sales Officer of the Seven Media Group, and he was the Managing Director and Chief Executive Officer of Network 10.</p> <p>Mr Warburton was appointed to the Board on 16 August 2019.</p>
<p><b>John Alexander</b> Non-Executive Director</p>	<p>Mr Alexander was the Executive Chairman of Consolidated Media Holdings Limited (<b>CMH</b>) from 2007 to November 2012, when CMH was acquired by News Corporation. Prior to 2007, Mr Alexander was the Chief Executive Officer and Managing Director of Publishing and Broadcasting Limited (<b>PBL</b>) from 2004, the Chief Executive of ACP Magazines Limited from 1999 and PBL's group media division comprising ACP Magazines Limited and the Nine Network from 2002. Before joining the PBL Group, Mr Alexander was the Editor-in-Chief, Publisher and Editor of The Sydney Morning Herald and Editor-in-Chief of The Australian Financial Review.</p> <p>Mr Alexander has previously acted as a director of a number of media companies including Foxtel Management Pty Limited, Fox Sports Australia Pty Limited, SEEK Limited, Carsales.com Limited and Ninemsn Pty Limited. Mr Alexander is the Executive</p>

Name and Role	Overview
	<p>Chairman of listed company Crown Resorts Limited. He is also the Chairman of the Crown Melbourne Limited and Burswood Limited Boards.</p> <p>Mr Alexander is Chairman of the Remuneration and Nomination Committee.</p> <p>Mr Alexander was appointed to the Board on 2 May 2013.</p>
<p><b>Teresa Dyson</b> Non-Executive Director</p>	<p>Ms Dyson is an experienced company director, with a broad range of experience across public and private sectors. Ms Dyson has been closely involved in strategic decision making in business and organisational structuring, covering the financial services, transport, energy and resources sectors, as well as infrastructure projects.</p> <p>Ms Dyson is currently a director of Power and Water Corporation (NT), Energy Queensland, Genex Power Limited, Gold Coast Hospital and Health Board, Consolidated Tin Mines Limited, Fare Limited, and is a member of the Foreign Investment Review Board and the Takeovers Panel. She is a former director of UN Women National Committee Australia Ltd and Opera Queensland.</p> <p>Ms Dyson holds a Masters of Applied Finance from Macquarie University. She graduated with a Bachelor of Laws (Honours), a Bachelor of Arts and Masters of Taxation from the University of Queensland and is a graduate of the Australian Institute of Company Directors.</p> <p>Ms Dyson is Chairman of the Audit and Risk Committee.</p> <p>Ms Dyson was appointed to the Board on 2 November 2017.</p>
<p><b>David Evans</b> Non-Executive Director</p>	<p>Mr Evans is the Executive Chairman of Evans Dixon Pty Ltd. Mr Evans established Evans and Partners Pty Ltd, the investment advisory company in June 2007.</p> <p>Since 1990, Mr Evans has worked in a variety of roles within JB Were and Son, and then the merged entity Goldman Sachs JBWere Pty Ltd (<b>GSJBW</b>). Prior to establishing Evans and Partners, Mr Evans ran GSJBW's Private Wealth business and the Institutional Equities business. His most recent role at GSJBW was as Managing Director and Chief of Staff. Mr Evans is a member of the Victorian Police Corporate Advisory</p>

Name and Role	Overview
	<p>Group and Chairman of Cricket Australia's Investment Committee.</p> <p>Mr Evans is a member of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.</p> <p>Mr Evans was appointed to the Board on 21 August 2012.</p>
<p><b>Colette Garnsey</b> <b>OAM</b> Non-Executive Director</p>	<p>Ms Garnsey is currently a non-executive Director of Flight Centre Travel Group, and non-executive Director and Chair of Australian Wool Innovation Limited.</p> <p>Ms Garnsey has over 30 years' executive experience, having held senior management positions at David Jones, Pacific Brands, and Premier Investments, encompassing strategy, operations, marketing, business planning and business transformation. She spent over 20 years with David Jones Limited rising to become Group General Manager.</p> <p>Ms Garnsey has served on the board of the Melbourne Fashion Festival. She has also advised the CSIRO, The Federal Innovation Council, and the business advisory boards of various Federal Trade and Investment Ministers and Australian Fashion Week.</p> <p>Ms Garnsey was appointed to the Board on 12 December 2018.</p>
<p><b>Michael Malone</b> Non-Executive Director</p>	<p>Mr Malone founded iiNet Limited in 1993 and continued as CEO until retiring in 2014. During his tenure, iiNet grew to service one million households and businesses, with revenues of one billion dollars and a market cap of over one billion dollars.</p> <p>Mr Malone has been recognised with a raft of industry accolades, including 2012 Australian Entrepreneur of the Year, CEO of the Year in the Australian Telecom Awards and National Customer Service CEO of the Year in the CSIA's Australian Service Excellence Awards.</p> <p>He presently sits on the board as a non-executive Director of NBN Co and ASX listed SpeedCast Limited and is the Chairman on Superloop Limited. Mr Malone is a founder of Diamond Cyber, an IT security firm in Perth. He is also a Director of Axicom Pty Limited and a member of the Advisory Committee of the Regional and Small Publishers Innovation Fund.</p>

Name and Role	Overview
	<p>Mr Malone is a member of the Audit and Risk Committee.</p> <p>Mr Malone was appointed to the Board on 24 June 2015.</p>
<p><b>Ryan Stokes</b> Non-Executive Director</p>	<p>Mr Stokes is Managing Director and Chief Executive Officer of SGH. SGH owns approximately 41% of Seven.</p> <p>Mr Stokes has been a Director of Seven since 2012 and was an Executive Director and then Chairman of Pacific from 2004 to 2008 and a Director of Yahoo7 from 2005 to 2013. Mr Stokes is a Director of WesTrac, Chairman of Coates Hire, and a Director of Beach Energy.</p> <p>Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE). ACE is a private company with its primary investment being an interest in SGH. Mr Stokes was appointed Chairman of the National Gallery of Australia on 9 July 2018.</p> <p>Mr Stokes is the former Chairman of the National Library of Australia. He is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014.</p> <p>In 2015, he became a Committee member of innovationXchange (within the Department of Foreign Affairs and Trade), which provides strategic guidance on innovation in aid programs. He is also a member of the IOC Olympic Education Commission.</p> <p>Mr Stokes holds a BComm from Curtin University and is a Fellow of the Australian Institute of Management.</p> <p>Mr Stokes is a member of the Remuneration and Nomination Committee.</p> <p>Mr Stokes was appointed to the Board on 21 August 2012.</p>
<p><b>Michael Ziegelaar</b> Non-Executive Director</p>	<p>Mr Ziegelaar is a senior partner of global law firm Herbert Smith Freehills, where he is the Co-Head of Australian Equity Capital Markets. He specialises in corporate, equity capital markets and M&amp;A transactions and has acted for a wide range of clients across various industries.</p> <p>Mr Ziegelaar is also a non-executive director of the Burnet Institute.</p> <p>He holds a Bachelor of Laws (Hons), a Bachelor of Economics (majoring in Accounting and Corporate</p>

Name and Role	Overview
	<p>Finance) and a Master of Laws (majoring in Commercial Law) from Monash University.</p> <p>Mr Ziegelaar is a member of the Audit and Risk Committee</p> <p>Mr Ziegelaar was appointed to the Board on 2 November 2017.</p>

### 10.1.3 Seven's Executive Management

Name and Role	Overview
<p><b>James Warburton</b> Managing Director and Chief Executive Officer</p>	<p>Further information on Mr Warburton is listed above in section 10.1.2.</p>
<p><b>Kurt Burnette</b> Chief Revenue Officer</p>	<p>Mr Burnette is responsible for growing Seven's current revenue streams and establishing new revenue opportunities for Seven. He is also responsible for Seven's business development process including the activation of an incubator for new revenue opportunities as Seven expands its presence beyond broadcast television and publishing.</p> <p>Prior to his appointment as Chief Revenue Officer, Mr Burnette was Chief Sales and Digital Officer for Seven. In a twenty-year career with the Seven Network, Mr Burnette has also been Sports Sales Manager, Sydney Sales Director and Network Director of Sales.</p>
<p><b>Warwick Lynch</b> Chief Financial Officer</p>	<p>Mr Lynch was appointed Chief Financial Officer of Seven in February 2016, following acting in the position since January 2015. His previous roles within Seven include Deputy Chief Financial Officer, Chief Financial Officer of Seven Media Group, and Group Financial Controller of Seven Network.</p> <p>Prior to joining Seven Network, Mr Lynch was with the United Kingdom based media company, Chrysalis, and preceding that with Ernst &amp; Young for four years. He holds a Bachelor of Business degree, majoring in Accounting from Charles Sturt University. He is a</p>



Name and Role	Overview
	<p>member of the Institute of Chartered Accountants in Australia.</p>
<p><b>Katie McGrath</b> Group Executive, Human Resources</p>	<p>Ms McGrath joined Seven as Group Executive, Human Resources in June 2017 from ASX listed Enero Group where she was Global Human Resources Director.</p> <p>Prior to joining Enero Group in 2010, Ms McGrath was National Head of Staffing for Bain and Company and has held senior human resources roles for two decades including roles at Commonwealth Bank, SMS Management and Technology and Singtel Optus.</p> <p>Ms McGrath holds a Bachelor of Commerce from UNSW and a Post Graduate degree in Psychology from the University of Sydney.</p>
<p><b>Bruce McWilliam</b> Commercial Director</p>	<p>Mr McWilliam was appointed Commercial Director of Seven Network Limited in May 2003 and has been a Director of Seven Network since September 2003, and a Director of SMG since December 2006.</p> <p>Mr McWilliam was a former Director of BSkyB, Executive Director News International Television and General Counsel, News International plc. Previously, Mr McWilliam was a partner of law firms Gilbert and Tobin, Turnbull McWilliam and Allen Allen and Hemsley specialising in media and commercial law.</p>
<p><b>Maryna Fewster</b> Chief Executive Officer Seven WA</p>	<p>After emigrating to New Zealand in 1997, Maryna was appointed General Manager of Human Resources at iHug, a New Zealand internet service provider.</p> <p>In 2003, iHug was acquired by iiNet, an Australian based Telco. As part of the iiNet leadership group and as Chief Operating Officer of iiNet, Maryna had an integral role in driving organic growth while ensuring the acquisitions undertaken by iiNet were effectively integrated across people, culture and systems.</p>

Name and Role	Overview
	<p>Following her departure from iiNet in 2015, Maryna took a consulting role reporting to the Seven Board on the operational performance of the WA business. This led to Maryna's appointment firstly as COO of Seven WA and then most recently as CEO of Seven WA.</p> <p>Maryna is a non-executive director of Celebrate WA, Burswood Limited and Edith Cowan College.</p>
<p><b>Charlotte Valente</b> Chief Marketing Officer</p>	<p>Charlotte Valente is Seven West Media's first Chief Marketing Officer, appointed to the role in October 2019. Ms Valente has over two decades of industry experience, both domestically and internationally across senior marketing roles. Prior to joining Seven, Ms Valente was General Manager, B2B at Big Red Group, with other roles held including General Manager Marketing at APN Outdoor. Ms Valente has delivered work for globally-regarded brands including the BBC and Guardian Media Group.</p>

#### 10.1.4 Corporate Governance

##### (a) Seven Board Charter

The Seven Board has adopted a Board Charter which provides a framework for the effective operation of the Seven Board, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter includes:

- an overview of board composition and process;
- the relationship and interaction between the Seven Board and management;
- the roles and responsibilities of the Seven Board; and
- the delegations of authority of the Seven Board to both management and board committees.

The Seven Board collectively, and each Seven Director, may seek independent professional advice, subject to the approval of the Chair.

##### (b) Audit and Risk Committee

The Audit and Risk Committee must have at least three members, a majority of whom must be independent and all of whom must be Non-executive Directors. Currently, Ms Teresa Dyson, Mr David Evans, Mr Michael Malone and Mr Michael Ziegelaar are members of this committee, and Ms Dyson acts as Chair. The Audit and Risk Committee's key responsibilities in respect of its audit function are to assist the Board in fulfilling its responsibilities in relation to:

- the accounting and financial reporting practices of Seven and its subsidiaries;
- the consideration of matters relating to the internal controls and systems of Seven and its subsidiaries;

- reviewing the process to verify the integrity of any periodic corporate report Seven releases to the market that is not audited or reviewed by Seven's external auditor;
- the identification and management of financial and non-financial risk; and
- the examination of any other matters referred to it by the Seven Board.

(c) **Remuneration and Nomination Committee (Remuneration Committee)**

The Remuneration Committee must have a minimum of three members and must have a majority of Non-executive Directors of Seven as members. Currently, Mr John Alexander, Mr David Evans and Mr Ryan Stokes are members of the Remuneration Committee, and Mr Alexander acts as chair. The primary objective of the Remuneration Committee is to assist the Seven Board to fulfil its corporate governance and oversight responsibilities in relation to Seven's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning. The Remuneration Committee's duties and responsibilities include the following:

- periodically review the composition of the Board to ensure that the Board has an appropriate mix of expertise and experience;
- review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the Managing Director and Chief Executive Officer, Chief Executives and senior executives of the Group;
- ensure the company has a rigorous and transparent process for developing its remuneration policy and for fixing the remuneration packages of directors and senior executives, in light of the objective that the company's remuneration framework is aligned with the company's strategic objectives, values, purpose and risk appetite;
- provide advice and support and serve as a sounding-board for the Managing Director and Chief Executive Officer and Board in human resource and remuneration-related matters;
- advise on succession planning and employee development policies; and
- to review and monitor the implementation of, the Company's remuneration framework to confirm it:
  - encourages and sustains a culture aligned with the Company's values;
  - supports the Company's strategic objectives and long-term financial soundness; and
  - is aligned with the Company risk management framework and risk appetite.

(d) **Risk management policy**

The identification and proper management of Seven's risks are an important priority of the Seven Board. The Seven Board has adopted a risk management policy consistent with Australian Standard ISO 31000:2009 and Principle 7 of the 3<sup>rd</sup> edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations. The policy highlights Seven's commitment to maintaining sound risk management systems in order to protect and enhance shareholder value.

Seven's group-wide risk profile covers the key revenue, content, product/technology and people risks of Seven and is prepared by the Head of Risk Assurance and Internal Audit in consultation with key executives across the business. Throughout the year, the Audit and Risk Committee reviews with management the group-wide risk profile and the success of the risk mitigation strategies in order to satisfy itself that management is operating within the risk appetite set by the Seven Board. External advice is obtained as appropriate. The key risks identified by Management and mitigation actions in place are regularly updated and reported to the Audit and Risk Committee and periodically to the Seven Board.

(e) **Diversity and other policies**

Seven recognises the benefits of an inclusive and respectful workplace culture that draws on the experiences, diversity and perspectives of our people to ensure that our business remains innovative and sustainable and continues to meet the needs of our stakeholders and audiences. It has implemented a diversity policy, which is overseen by the Remuneration Committee.

In addition, Seven has a number of other policies and codes, which include:

- continuous disclosure policy;
- shareholder communication policy;
- share trading policy
- whistle-blower policy;
- fraud, anti-bribery and corruption policy;
- code of conduct for directors; and
- code of conduct for employees.

These policies and codes are available on Seven's website [www.sevenwestmedia.com.au](http://www.sevenwestmedia.com.au).

## **10.2 Overview of Seven Operations**

### **10.2.1 Corporate overview**

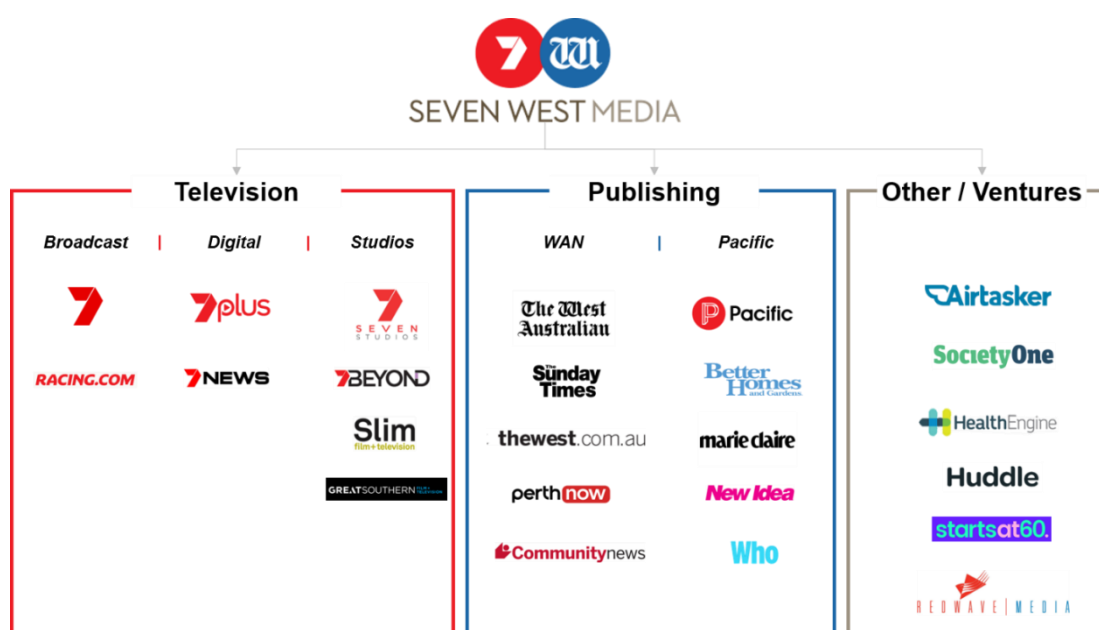
Seven's core businesses are categorised into two key areas:

- Television – comprised of:
  - Broadcast - Seven's leading free-to-air TV business across metropolitan areas;
  - Digital - Seven's BVOD platform 7plus and 7NEWS.com.au; and

- Studios – Seven’s wholly owned and joint venture production companies; and
- Publishing – comprised of:
  - The West - Seven’s metropolitan and regional mastheads in the West Australian market; and
  - Pacific – A portfolio of market leading consumer magazine titles and digital content.<sup>3</sup>

In addition to its core businesses, Seven also operates a network of regional commercial radio stations in West Australia<sup>4</sup> and holds an interest in a portfolio of growth investments, which includes investment in Airtasker, Society One and HealthEngine.

### 10.2.2 Overview of Seven’s businesses and investments



#### (a) Television

Seven is one of Australia’s three metropolitan commercial free-to-air TV networks and operates the linear broadcast channels: 7, 7TWO, 7mate, 7Flix and 7Food.

Seven owns commercial television broadcast licences in Sydney, Melbourne, Brisbane, Perth and Adelaide as well as in regional Queensland. These licences are granted under the BSA and facilitate the broadcast of content via 7, 7TWO, 7mate, 7Flix and 7Food. In addition to commercial television broadcast licences, Seven holds a datacasting licence, which allows transmission of limited content such as home shopping and educational programs.

<sup>3</sup> On 21 October 2019, Seven entered into binding agreement to sell Pacific to Bauer Media. For further details, see section 10.2.2(d).

<sup>4</sup> On 18 October 2019, Seven announced it had agreed to sell its West Australian radio assets to Southern Cross Media for \$28 million.

In conjunction with its licences, Seven has an allocation of broadcast spectrum in each licence area, which it can use for either broadcast channels or datacasting channels.

In areas where Seven does not own a broadcast licence, Seven's content is broadcast via affiliate agreements. Seven's primary affiliate is Prime, which broadcasts Seven's TV content in regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional Western Australia. Seven's other main affiliate is Southern Cross Media Group Limited which broadcasts Seven's TV content in Tasmania and Darwin as well in remote Central and Eastern Australia.

Seven generates revenue from the sale of advertising and, increasingly, from developing other revenue opportunities connected to its content. This may include in-program integrations, sponsorship of Seven's program broadcasts and digital extensions. It also receives fees from regional affiliates for the supply of programming to those affiliates.

Seven focuses on the key advertiser demographics of people aged 25-54, 16-39 and grocery buyers with children, from which most of its revenue is derived. In FY19, Seven was Australia's most-watched television network for the 12th consecutive financial year. Thanks to its 'always on' strategy, and commitment to delivering world-class programming throughout the day, across the network, in every week of the year, Seven grew its share of both audience across the day and revenue over the financial year.

Seven's market leading news and current affairs combined with its marquee sports rights (e.g. AFL and Cricket), which are locked in until 2022-23, provide Seven and its advertising partners certainty on audience delivery for years to come.

**(b) Seven Studios**

A key area of strategic focus for Seven is the Seven Studios content division, creating and distributing content in Australia and around the globe.

Over the 2019 financial year, Seven Studios created over 900 hours of world-class programming, affirming its position as Australia's largest producer of premium content with iconic hits that include Home and Away, My Kitchen Rules, House Rules and Border Security: Australia's Frontline. Our shows are widely distributed in global markets, many of them available in up to 190 territories.

In January 2019, Seven Studios launched a new business, Seven Studios UK, that will develop and create unscripted formats, complementing its London-based scripted venture Slim Film + Television. Great Southern Film and Television in Auckland, 7Beyond in Los Angeles and Seven Studios Australia, which has production hubs in Sydney and Melbourne, are also part of the Seven Studios family.

Seven Studios now has deals with numerous global TV operators including the BBC, ITV, Netflix, Discovery and Fox, and locally with Foxtel. In June 2019, capitalising on the strong global demand for content by streaming services, Seven Studios signed a content deal with Facebook, the first of its kind in Australia. The deal will see the launch of a slate of original digital series across Facebook, extending the reach of key Seven-owned brands.

Seven Studios' catalogue includes over 9000 hours with key titles Home and Away and My Kitchen Rules, as well as Instant Hotel, The Casketeers, Back With The Ex and Yummy Mummies, which have debuted globally to widespread acclaim. Primetime reality franchise House Rules has proven to be a huge hit in the Netherlands, and after four successful local seasons a brand spin-off Hotel Rules has launched.

Seven Studios' international footprint strongly positions it to capitalise on the growing global content market as major over-the-top (**OTT**) providers increase their spend on quality content to meet demand of subscribers. As the large studios reclaim more of their content for their direct to consumer offerings, these OTT players will need to source increased content from other external parties such as Seven Studios.

#### (c) **Digital Platforms**

Seven's owned and operated digital products recorded an all-time high unique audience of over 6.1 million Australians in June 2019 after growing 27% year on year. This was the fifth record audience month in a row, reaffirming the strong momentum that is setting new benchmarks for the group.

At the start of 2018, Seven launched its OTT long-form video platform 7plus, a critical milestone in Seven's strategy to deliver its content to viewers when, where and how they want it. The launch was part of Seven's direct-to-consumer strategy to fully control its digital content which was made possible through the exit of its Yahoo7 joint venture which previously controlled the digital rights to Seven's content.

Since its launch, 7plus audience adoption has scaled rapidly. In FY19 BVOD consumption on 7plus grew by 72%, comfortably outperforming the market.

In June 2019, 7plus' monthly unique audience reached 1.5 million, having grown 31% over the year. In March 2019, Seven launched 7NEWS.com.au. The site debuted in the Nielsen Digital Content Ratings in June 2019, with a monthly unique audience of 5.5 million Australians.

Seven continues to improve its digital audience targeting capabilities, unifying insights and data analytics across the Seven Group, and using third-party partnerships to further accelerate audience insights.

#### (d) **Publishing**

Seven's publishing business is comprised of two main publishing groups:

- Pacific Magazines (**Pacific**)
- The West Australian Newspapers Group (**The West**)

##### *Pacific Magazines*

Pacific remains Australia's best performing magazine publisher, commanding 26% of all readership from just 12 measured titles and leading in the key categories of Women's Fashion, Home and Lifestyle, Men's Lifestyle and Teens in FY19.

Through some of Australia's best-known brands, such as New Idea, Better Homes and Gardens and Marie Claire, Pacific now reaches more than 2.5 million Australians every month, an increase of more than 28% year on year.

Pacific has also outperformed the market in both print circulation and advertising revenue, although the print advertising market continues to face significant headwinds and has experienced year on year declines of 20.5%. Pacific has performed better than market at a decline of 11.9%, and has offset this decline with an extended cost-out program. Pacific remains the country's number one publisher on a revenue-per-title basis.

Pacific's transformation has continued at pace, with double digit audience growth accelerating through the period to create what is now one of Australia's largest women's digital networks. Digital revenue continues to grow with much of the improvement driven through digital video, which was up 106% in the period to become the fastest growing advertiser product.

On 21 October 2019, Seven entered into a binding agreement to sell Pacific to Bauer Media for \$40,000,000. The sale is expected to complete by the end of the 2019 calendar year, subject to certain conditions including ACCC approval.

#### *The West Australian Newspapers Group*

Seven's portfolio of news brands in Western Australia make it the pre-eminent media company in the state. The print and digital publications produced by the division include The West Australian, The Sunday Times, thewest.com.au and PerthNow.com.au and reach a total of 3.1 million people each month, including 81% of the population of Western Australian (1.6 million state readers).

The West is a leading digital publisher in Western Australian with thewest.com.au and PerthNow.com.au. thewest.com.au has a 1.75 million unique audience each month and PerthNow.com.au has a 2.6 million unique audience as of September 2019 (a record month).

The West continues to evolve its business model in the context of challenging economic conditions in Western Australia and structural changes in print media.

The West has several commercial revenue initiatives underway to further utilise existing business assets, including the recent launch of digital subscriptions for thewest.com.au. The business will continue to reduce its cost base in the coming year and implement further efficiencies across its newsroom and print centre through automation, process improvement and asset utilisation.

#### (e) **Other businesses and new ventures**

Seven West Ventures holds a number of growth investments where it considers that it can leverage the power of its assets to drive long-term value creation. The portfolio is focused on disruptive, scalable businesses with a strong consumer or media proposition.

Key portfolio investments have displayed strong revenue during the year and continue to scale well. The Seven Group continues to focus on businesses with alignment to its key verticals: home, health, wealth and lifestyle.

On 18 October 2019 Seven West Media agreed to divest its Western Australian radio assets (**Redwave**) to Southern Cross Media for cash consideration of \$28,000,000, representing an Enterprise Value/EBITDA multiple of 8x, based on the 2019 financial year.



### 10.2.3 Seven's Strategy

Seven's strategy is focused on creating world class content that engages audiences at scale and drives growth for our partners and our own businesses.

As Australia's largest producer of premium television content, Seven creates premium entertainment, news and lifestyle content for local and international audiences. The shows Seven creates are watched in over 190 territories and are proving to be worldwide hits on global streaming platforms.

Seven has three key focus and objective areas across the business to drive its long-term growth strategy which include:

(a) **Content Led Growth:**

- revitalising our entertainment programming, creating momentum to engage heartland Australia;
- being the most relevant and exciting offer to advertisers; and
- exploring a meaningful streaming partnership play.

(b) **Transformation:**

- sharpening our focus on being an audience and sales led organisation;
- redefining our working practices, becoming more efficient and effective;
- exploring traditional adjacencies; and
- exploring non-traditional adjacencies.

(c) **Capital Structure and Balance sheet:**

- maintaining focus to work down debt and improve balance sheet flexibility; and
- exploring M&A opportunities

### 10.3 Seven historical financial information

This section contains the following historical financial information relating to Seven:

- historical consolidated statements of profit or loss for the financial years ended 30 June 2018 (Restated) and 29 June 2019;
- historical consolidated statements of financial position for the financial years ended 30 June 2018 (Restated) and 29 June 2019; and
- historical consolidated statements of cash flows for the financial years ended 30 June 2018 and 29 June 2019.

(together, the ***Seven Historical Financial Information***).

The historical financial information contained in this section 10.3 has been presented in abbreviated form and does not contain all of the disclosures, statements or comparative information usually provided in an annual report prepared in accordance with the Corporations Act.

### 10.3.1 Basis of presentation

Seven's audited financial statements for the year ended 29 June 2019 included restated comparatives for the year ended 30 June 2018 as a result of the retrospective adoption of the new accounting standard AASB 9 *Financial Instruments*. The Seven Historical Financial Information has been derived from Seven's audited financial statements for the year ended 29 June 2019, which was audited by KPMG in accordance with Australian Auditing Standards. KPMG issued unqualified audit opinions on these financial statements.

The Seven Historical Financial Information in this section is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparative information usually provided in an annual report prepared in accordance with the Corporations Act.

As the Seven Historical Financial Information below does not represent the complete financial statements, it should therefore be read in conjunction with the financial statements for the respective periods including the description of the accounting policies contained in those financial statements and the notes to those financial statements. These financial reports, which have been lodged with ASIC, are available from Seven's website ([www.sevenwestmedia.com.au](http://www.sevenwestmedia.com.au)) or ASX's website ([www.asx.com.au](http://www.asx.com.au)).

The Seven Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act. The Seven Historical Financial Information is presented in Australian dollars, which is Seven's functional currency. Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.

Refer to section 11.5.2 for further information on new accounting standards that are issued but not yet effective.

### 10.3.2 Explanation of certain Non-IFRS Financial Measures

Seven uses certain measures to report on the financial performance of its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Booklet as **Non-IFRS Financial Measures**.

Management uses these Non-IFRS Financial Measures to evaluate the performance and profitability of Seven's business. The principal Non-IFRS Financial Measures referred to in this Booklet are as follows:

**EBITDA** is reported earnings/(losses) including significant items, before the following:

- finance costs and income;
- depreciation and amortisation;
- impairment of intangible assets, investments and other assets; and
- income taxation expense.

**Underlying EBITDA** represents reported EBITDA excluding Significant Items.

**Significant items** include those items presented as significant within the Seven financial statements. They relate to restructure and redundancy charges, onerous

contracts, net gain on sales of other assets, net gain on disposal of investments and controlled entities, and the write down of assets held for sale.

**Net Debt** is interest bearing borrowings less cash and cash equivalents.

### 10.3.3 Seven historical consolidated statements of profit or loss

Set out below is the Seven historical consolidated statements of profit or loss for the financial years ended 30 June 2018 (Restated) and 29 June 2019.

	29 June 2019	30 June 2018
	\$'000	RESTATED \$'000
Revenue	1,552,810	1,620,618
Other income	3,624	474
Net gain on sale of other assets	-	8,224
Net gain on disposal of investments and controlled entities	-	7,713
<b>Total revenue and other income</b>	<b>1,556,434</b>	<b>1,637,029</b>
Share of net profit of equity accounted investees	1,141	1,704
Expenses	(1,313,978)	(1,351,910)
Write down of asset held for sale	-	(11,868)
Net loss on sale of asset held for sale	(16,750)	-
Redundancy and restructure costs	(22,237)	(11,311)
Onerous contracts	(20,963)	-
<b>EBITDA</b>	<b>183,647</b>	<b>263,644</b>
Depreciation and amortisation	(31,518)	(35,250)
Impairment of intangible assets	(477,972)	-
Impairment of investments and other assets	(64,507)	(1,253)
<b>Profit/(loss) before net finance costs and tax</b>	<b>(390,350)</b>	<b>227,141</b>
Finance costs	(36,111)	(39,813)
Write off of unamortised refinancing cost	(8,587)	-
Finance income	1,419	1,449
<b>Profit/(loss) before tax</b>	<b>(433,629)</b>	<b>188,777</b>
Tax (expense)/benefit	(10,819)	(55,989)
<b>Profit/(loss) for the year</b>	<b>(444,448)</b>	<b>132,788</b>

## Reconciliation of EBITDA to Underlying EBITDA

	2019	2018
		<b>RESTATED</b>
	\$'000	\$'000
<b>EBITDA</b>	<b>183,647</b>	263,644
Write down of asset held for sale	-	11,868
Net loss on sale of asset held for sale	16,750	-
Redundancy and restructure costs	22,237	11,311
Onerous contracts	20,963	-
Net gain on sale of other assets	-	(8,224)
Net gain on disposal of investments and controlled entities	-	(7,713)
<b>Underlying EBITDA</b>	<b>243,597</b>	270,886

### 10.3.4 Seven historical consolidated statements of financial position

Set out below is the Seven historical consolidated statements of financial position for the financial years ended 30 June 2018 (Restated) and 29 June 2019.

	29 June 2019	30 June 2018
		<b>RESTATED</b>
	\$'000	\$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	90,455	142,163
Trade and other receivables	262,798	276,986
Current tax receivable	-	9,119
Program rights and inventories	193,269	205,068
Contract assets	3,566	-
Asset held for sale	-	35,500
Other assets	12,454	7,070
<b>Total current assets</b>	<b>562,542</b>	<b>675,906</b>
<b>Non-current assets</b>		
Program rights	15,857	2,169
Equity accounted investees	12,850	3,445
Other financial assets	60,552	28,384
Property, plant and equipment	126,554	141,572
Intangible assets	565,478	1,033,962
Deferred tax assets	1,759	-
Other assets	7,178	6,968
<b>Total non-current assets</b>	<b>790,228</b>	<b>1,216,500</b>
<b>Total assets</b>	<b>1,352,770</b>	<b>1,892,406</b>

LIABILITIES		
Current liabilities		
Trade and other payables	288,704	280,247
Provisions	105,425	104,477
Deferred income	7,192	5,395
Contract liabilities	21,368	21,463
Borrowings	1,045	-
Current tax liabilities	1,575	-
<b>Total current liabilities</b>	<b>425,309</b>	<b>411,582</b>
Non-current liabilities		
Trade and other payables	10,011	29,785
Provisions	147,681	137,186
Contract liabilities	12,792	-
Deferred tax Liabilities	-	10,959
Borrowings	653,839	769,851
Total non-current liabilities	824,323	947,781
<b>Total liabilities</b>	<b>1,249,632</b>	<b>1,359,363</b>
<b>Net assets</b>	<b>103,138</b>	<b>533,043</b>
EQUITY		
Share capital	3,393,546	3,393,546
Reserves	14,640	545
Non-controlling interests	398	(1,071)
Accumulated deficit	(3,305,446)	(2,859,977)
<b>Total Equity</b>	<b>103,138</b>	<b>533,043</b>

### 10.3.5 Seven historical consolidated statements of cash flows

Set out below is the Seven historical consolidated statements of cash flows for the financial years ended 30 June 2018 and 29 June 2019.

	29 June 2019	30 June 2018
	\$'000	\$'000
<b>Cash flows related to operating activities</b>		
Receipts from customers (inclusive of GST)	1,738,354	1,737,591
Payments to suppliers and employees (inclusive of GST)	(1,585,206)	(1,510,690)
Dividends received from equity accounted investees	880	1,000
Interest and other items of similar nature received	1,367	1,226
Interest and other costs of finance paid	(30,082)	(33,593)
Income tax paid, net of refunds	(15,207)	(43,428)
<b>Net operating cash flows</b>	<b>110,106</b>	<b>152,106</b>
<b>Cash flows related to investing activities</b>		
Payments for purchase of property, plant and equipment	(26,158)	(10,182)
Proceeds from sale of property, plant and equipment	255	253
Payments for intangibles	(14,689)	(18,889)
Payments for equity accounted investees	(11,564)	-
Proceeds from sale of equity accounted investees	20,750	300
Payments for other investments	(1,068)	(1,063)
Proceeds on sale of subsidiaries	-	4,945
Payment for purchase of controlled entities, net of cash acquired	1,446	(2,444)
Loan funds received from/(paid to) related entities	(4,359)	(2,192)
<b>Net investing cash flows</b>	<b>(35,387)</b>	<b>(29,272)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from borrowings	100,000	115,000
Repayments of borrowings	(226,427)	(135,000)
Dividends paid	-	(30,161)
<b>Net finance cash flows</b>	<b>(126,427)</b>	<b>(50,161)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(51,708)</b>	<b>72,673</b>
Cash and cash equivalents at beginning of period	142,163	69,490
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>90,455</b>	<b>142,163</b>

#### 10.4 Seven's FY20 outlook

At its annual general meeting on 13 November 2019, Seven announced that it expects FY20 underlying EBIT (including the impact of AASB 16) to be at the low end of its previous guidance range of \$190 million to \$200 million, and that the metropolitan television advertising market would decline by mid-single digits for the financial year.

#### 10.5 Rationale for proposed acquisition of Prime

The combination of Seven and Prime will solidify Seven's position as Australia's leading commercial premium broadcast, video and news network, with the potential to reach over 90% of Australia's population each month. Importantly it will allow Seven to provide a superior offering to advertisers, with seamless access via a single platform to both metropolitan and regional markets in Australia.

The combination will also benefit the Combined Group's audience by allowing the Combined Group to re-invest in content and expand the digital delivery of Seven's offering in regional markets. Regional Australia has 36% of Australia's population but only represents 10% of national advertising spend, and as such Seven believes that there is revenue potential that is yet to be unlocked in this market by the Combined Group.

The acquisition is expected to generate significant synergies and be earnings per share accretive for both Prime Shareholders and Seven Shareholders on a pro forma basis excluding impairment and following realisation of expected cost synergies described in section 11.2 below.

#### 10.6 Capital structure and ownership

##### 10.6.1 Issued Seven Securities

At the date of this Booklet, Seven has the following securities on issue:

Type of Security	Number on issue
Seven Shares	1,508,034,368

##### 10.6.2 Substantial holders

As extracted from filings released on ASX, the following persons were substantial holders of Seven Shares as at the date of this Booklet:

Substantial Holder	Number of Seven Shares	Voting power
Mr Kerry Matthew Stokes AC	619,753,734	40.94
Australian Capital Equity Pty Limited	618,711,654	40.88
Seven Group Holdings Limited	618,711,654	40.88

## **10.7 Key features of Seven Shares**

The key features of Seven Shares are summarised below.

### **10.7.1 Meetings of members and voting**

Each Seven Shareholder is entitled to receive notice of, attend and vote at, general meetings of Seven and to receive all notices, accounts and other documents required to be sent to Seven Shareholders under the Seven Constitution, the Corporations Act and the ASX Listing Rules.

At a general meeting of Seven, Seven Shareholders present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each Seven Share held.

### **10.7.2 Dividends**

The Seven Board may from time to time resolve to pay dividends to Seven Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

### **10.7.3 Transfer of Seven Shares**

Subject to the Seven Constitution, Seven Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Seven Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Seven Board may refuse to register a transfer of Seven Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Seven Board must refuse to register a transfer of Seven Shares when required to by the Corporations Act, the ASX Listing Rules or ASX Settlement Operating Rules.

### **10.7.4 Issue of further Seven Securities**

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, Seven may issue, or grant options in respect of, or otherwise dispose of further Seven Shares on such terms and conditions as the Seven Board resolves.

### **10.7.5 Winding up**

If Seven is wound up, then subject to the Seven Constitution and any special resolution or preferential rights or restrictions attached to a class of shares, any surplus must be divided among Seven's members in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares.

## **10.8 Shareholding restrictions and other limitations**

There are certain restrictions on shareholdings in Seven which arise under legislation and requirements of regulatory authorities. This section provides an overview of these restrictions.



### 10.8.1 Compliance with the BSA

The BSA imposes a number of conditions and restrictions on the ownership and control of commercial free-to-air TV broadcasting licences issued under the BSA. The BSA prohibits transactions which would result in a reduction of media diversity in a particular geographic area (set by radio licence areas) based on a points system.

These restrictions require that there must be at least five independent participants (including free-to-air TV, newspapers and radio) in metropolitan licence areas, and at least four independent participants in regional licence areas. In addition, a person, or television broadcaster, is prohibited from exercising control of more than one commercial free-to-air TV licence in the same licence area or more than two commercial radio broadcasting licences in the same licence area. This rule also applies to acting as a director of more than one licence holder.

If an unacceptable level of media diversity exists in a particular licence area, ACMA has the ability, among other things, to direct persons to dispose of their shares. The period for compliance with such a direction can be up to two years depending on the particular circumstances.

Seven shareholders are responsible for ensuring that they comply with the BSA restrictions. Failure to comply may give rise to severe penalties.

### 10.8.2 Foreign ownership restrictions

Under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and the *Foreign Acquisitions and Takeovers Regulation 2015 (FATA)* all foreign persons need to apply for and receive foreign investment approval to make an investment of 5% or more in an entity or business that wholly or partially carries on an Australian media business, regardless of the value of the investment. Seven is an Australian media business under the FATA.

## 10.9 Other information

### 10.9.1 Recent Seven share price performance

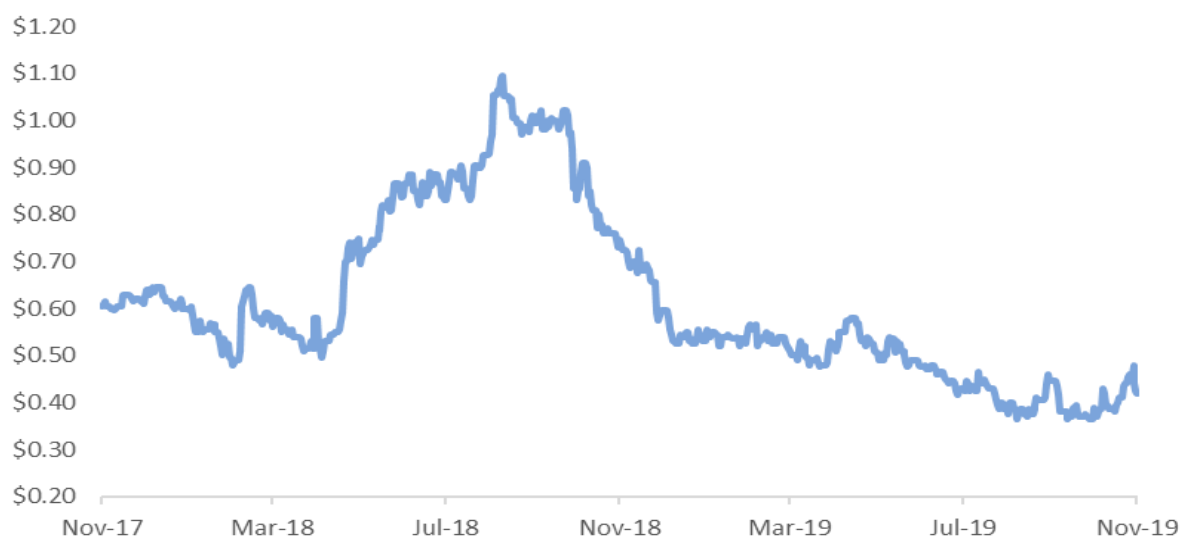
Seven Shares are listed and quoted for trading under ASX code 'SWM'.

The closing price of Seven Shares on ASX on 17 October 2019, being the last trading day prior to the announcement of the Scheme, was \$0.380 per share. The closing price of Seven Shares on ASX on the Last Practicable Date was \$0.42 per share, giving Seven an implied market capitalisation on that date of \$633,374,434.56.

During the period commencing on 17 July 2019 (being the date 3 months before the date the Scheme was announced) and ending on the Last Practicable Date:

- the highest recorded daily closing price for Seven Shares on ASX was \$0.48 per share on 11 November 2019; and
- the lowest recorded daily closing price for Seven Shares on ASX was \$0.37 per share on 21 August 2019, 26 September 2019 and 11 October 2019.

The following chart shows the daily closing price of Seven Shares on ASX in the period 24 months to the Last Practicable Date:



## 10.9.2 Interests of Seven Directors

### (a) Interests in Seven Securities

As at the date of this Booklet, Seven Directors had the following Relevant Interests in Seven Securities:

Seven Director	Position	Number of Seven Shares
Kerry Stokes AC	Chairman	619,753,734
James Warburton	Managing Director & Chief Executive Officer	0
John Alexander	Non-Executive Director	55,768
Teresa Dyson	Non-Executive Director	38,218
David Evans	Non-Executive Director	927,803
Colette Garnsey OAM	Non-Executive Director	250,000
Michael Malone	Non-Executive Director	133,000
Ryan Stokes	Non-Executive Director	240,466
Michael Ziegelaar	Non-Executive Director	10,000

### (b) Interests in Prime Securities

As at the date of this Booklet, none of the Seven Directors had a Relevant Interest in Prime Securities.

## 10.9.3 No interests in Prime Shares

As at the date of this Booklet, neither Seven nor any of its Associates had a Relevant Interest in any Prime Shares.

#### **10.9.4 No dealings in Prime Shares in previous four months**

Except for the consideration to be provided under the Scheme, neither Seven nor any of its Associates has provided or agreed to provide consideration for any Prime Shares under any purchase or agreement during the period of four months before the date of this Booklet.

#### **10.9.5 No pre-Scheme benefits**

During the period of four months before the date of this Booklet, neither Seven nor any Associate of Seven gave, or offered to give, or agreed to give a benefit to another person who was likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Scheme; or
- dispose of Prime Shares,

and which will not be provided to all Scheme Shareholders under the Scheme.

#### **10.9.6 No payments or benefits to current Prime Directors**

During the period of four months before the date of this Booklet, neither Seven nor any Associate of Seven gave, or offered to give, or agreed to give a benefit to any current Prime Directors.

#### **10.9.7 Further information about Seven**

Seven is a listed disclosing entity for the purposes of the Corporations Act, and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Seven is subject to the ASX Listing Rules, which require (subject to some exceptions) continuous disclosure of any information Seven has that a reasonable person would expect to have a material effect on the price or value of Prime Shares.

Pursuant to the Corporations Act and the Listing Rules, Seven is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a statement and report from the Seven Directors and an audit or review report respectively.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Seven is available on ASX's website at <https://www.asx.com.au/>.

Copies of documents given by Seven to ASIC under the Corporations Act may be obtained from, or inspected at, an ASIC office.

Information about Seven, including financial information, is available in electronic form on the Seven website ([www.sevenwestmedia.com.au](http://www.sevenwestmedia.com.au))

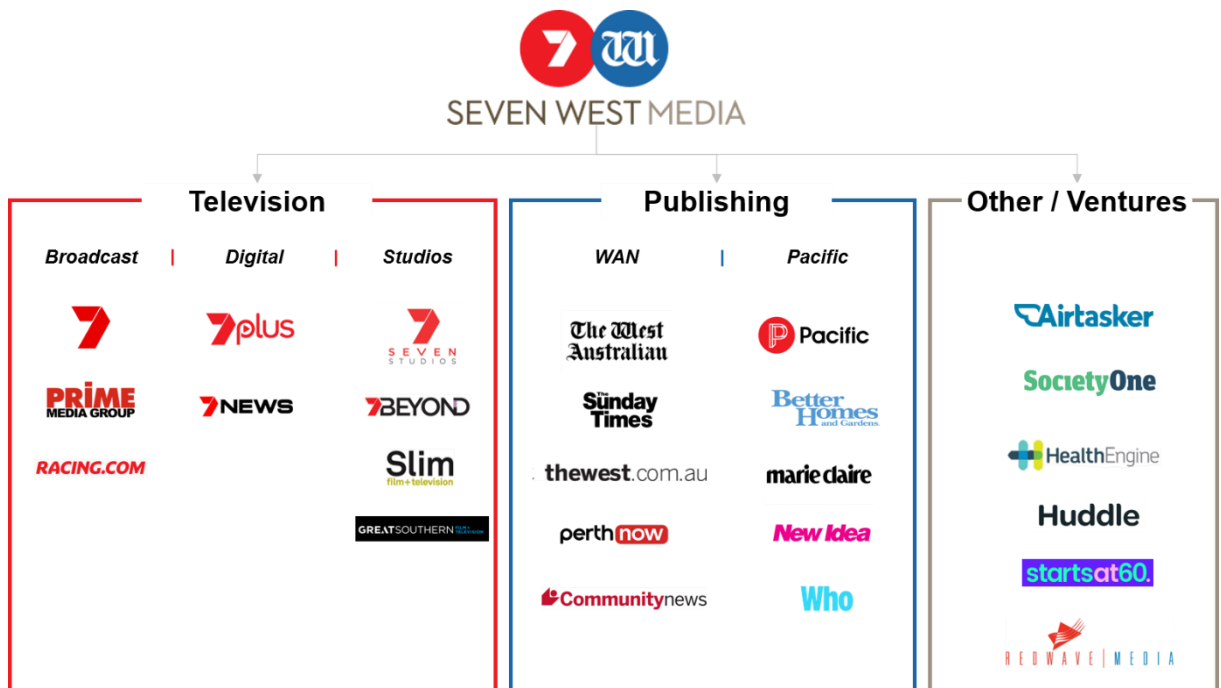
## 11. Overview of the Combined Group

### 11.1 Overview of the Combined Group

The Scheme combines two highly complementary businesses to create the leading wholly owned commercial premium broadcast, video and news network across Australia, reaching over 18 million people each month.

The Combined Group will comprise the following businesses:<sup>5</sup>

- Seven Network: free-to-air metropolitan TV network;
- Prime: free-to-air regional TV network;
- Seven Studios: Australia's largest production company, and manages Seven's content creation and distribution activities;
- Digital Platforms: Digital products including over-the-top (OTT) long-form video platform (7plus) and 7NEWS.com.au;
- The West: #1 metropolitan newspaper in WA; and
- Other Businesses and New Ventures: Portfolio of growth investments



If the Scheme is implemented, the Combined Group would have, on a FY19 pro-forma historical basis:

- combined total annual revenue and other income of approximately \$1,661,819,000; and

<sup>5</sup> Subject to completion of the divestment of Redwave (Seven's Western Australia radio assets) to Southern Cross Media as announced on 18 October 2019 and the divestment of Pacific Magazines to Bauer as announced on 21 October 2019.

- combined total annual Underlying EBITDA of approximately \$277,399,000 (before significant items and synergies).

## **11.2 Overview of potential synergies**

### **11.2.1 Cost Synergies**

Management teams of Seven and Prime have jointly undertaken a review of the potential cost synergies that could result from implementation of the Scheme.

As at the date of this Booklet, the Scheme is expected to realise cost synergies of at least \$11,000,000 on an annualised basis (excluding any integration costs incurred to realise those synergies and in implementing the Scheme). These cost synergies are expected to be fully realised within 12-18 months following implementation of the Scheme.

A range of outcomes and sources of cost synergies were identified during the review, and while the ultimate outcome may vary from what is described below, an indicative breakdown of these synergies is:

- removing duplicated procurement and business operations costs and enhancing operation efficiencies (approximately \$4,500,000): the Combined Group will enjoy benefits from its larger scale such as in negotiations with third parties for technical services, and in removal of duplicated roles in business operations;
- consolidating corporate and support functions to remove or reduce duplication (approximately \$6,000,000); and
- consolidation of head office and other overlapping premises (approximately \$500,000).

The expected time to achieve these synergies reflects the complexity of integrating the two businesses.

Most of the cost synergies expected to be realised are only available to the Combined Group and each of Seven and Prime does not expect to be able to realise them on a standalone basis.

There is a risk that the estimated cost synergies may not be realised or that they may only be realised over a longer period of time than the 12-18 months currently anticipated. There is also a risk that there will be unanticipated costs associated with this integration. For further information regarding risks relating to the integration of the Seven and Prime businesses and the realisation of potential synergies, refer to section 12.6, which sets out other risk factors that may impact on the ability to realise potential synergies.

### **11.2.2 Potential additional benefits**

There is potential for the Combined Group to realise additional benefits following implementation of the Scheme and Seven and Prime have not sought to specifically quantify these as at the date of this Booklet.

Areas where additional benefits may be realised are:

- improved advertiser proposition: the Combined Group can offer advertisers a single platform to seamlessly access both metropolitan and regional markets;
- enhanced audience proposition: with the potential to reach over 90% of Australia's population each month, the Combined Group will be able to enhance its audience proposition through content and digital delivery; and
- regional market opportunity: the Combined Group, with the improved advertiser and audience propositions, will be well-placed for unlock revenue potential of regional audiences.

See section 6.1 for further details on the potential additional benefits associated with the Scheme.

## **11.3 Intentions in relation to Prime and the Combined Group**

### **11.3.1 Introduction**

This section 11.3 outlines Seven's current intentions in relation to Prime and the Combined Group, including in relation to:

- the continuation of the business of Prime;
- any major changes to be made to the business of Prime; and
- the future employment of the present employees of Prime.

This section 11.3 should be read together with section 11.2. All statements set out in sections 11.2 and 11.3 are statements of current intention only, and may vary as new information becomes available or circumstances change.

If any statement set out in sections 11.2 or 11.3 is repeated, summarised or referred to in any other section of this Booklet (including in the Independent Expert's Report):

- the statement as set out in sections 11.2 or 11.3 will prevail to the extent of any inconsistency; and
- any qualifications or limitations as set out in sections 11.2 or 11.3 which apply to the statement will apply whenever the statement is repeated, summarised or referred to in any other section of this Booklet or the Independent Expert's Report (including, for the avoidance of doubt, even when the qualifications and limitations are not set out when the statement is repeated, summarised or referred to).

### **11.3.2 Intentions upon the Scheme being approved**

#### **(a) Operations of the Combined Group**

It is intended that the Combined Group will continue to be called Seven West Media Limited and that Prime's existing business units will be integrated into Seven's recently simplified corporate structure.

Following implementation of the Scheme, Seven will review the operations and structure of the Combined Group to create an integrated organisation that aligns with its strategic objectives including its transformation drive and content-led strategy. It is intended that the Combined Group will continue to operate Prime's businesses, including the broadcast of local news in accordance with television licence requirements. It is expected that the

Combined Group will focus on, amongst other things, the strategic benefits arising from being able to offer advertisers access to both metropolitan and regional market on a single platform.

(b) **Board and management of the Combined Group**

It is intended that the current Board of Seven will be the Board of the Combined Group.

Seven's Chairman, Kerry Stokes, AC, will chair the Combined Group. The current Chief Executive Officer and Managing Director of Seven, James Warburton, will be the Chief Executive Officer and Managing Director of the Combined Group.

The other members of the senior management of the Combined Group will be determined by the Seven Board as part of planning for implementation of the Scheme.

(c) **Employees of the Combined Group**

Following implementation of the Scheme, the Combined Group will conduct an analysis of its ongoing resourcing requirements.

In circumstances where duplication of roles is identified, Seven's present intention is to seek to allocate alternative responsibilities to those affected employees within the Combined Group (where practicable and possible to do so). However, it will not be possible for Seven to offer suitable alternative roles in all instances. Affected employees who are unable to be allocated alternative responsibilities will receive payments and other benefits to which they are entitled on departure under their terms of employment.

(d) **Corporate matters in relation to Prime**

If the Scheme becomes Effective, it is intended that the Prime Shares will be suspended from trading at the close of trading on the Effective Date. If the Scheme is Implemented, it is intended that the Prime Shares will be delisted from ASX shortly after the Implementation Date.

(e) **Dividend policy of the Combined Group**

Following implementation of the Scheme, the payment of future dividends to shareholders of the Combined Group will be at the discretion of the Directors of the Combined Group and will be a function of a number of factors including general business conditions, the operating results and financial condition of the Combined Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, including the availability of franking credits, any contractual, legal or regulatory restrictions on the payment of dividends by the Combined Group, and any other factors the Directors of the Combined Group may consider relevant.

### 11.3.3 Intentions generally

Other than as set out in this section 11.3 and elsewhere in this Booklet, it is Seven's current intention, on the basis of the facts and information concerning Prime Group that are known to it and the existing circumstances affecting the assets and operations of the Prime Group as at the date of this Booklet:

- that the business of the Prime Group will be conducted in substantially the same manner as at the date of this Booklet;
- not to make any major changes to the business of the Prime Group nor to redeploy any of Prime's fixed assets; and
- subject to the potential reduction in headcount outlined in section 11.3.2(c), to continue the employment of the Prime Group's employees.

#### **11.4 Share capital and other securities of the Combined Group**

If the Scheme is Implemented, Seven will issue approximately 167,852,544 New Seven Shares to Prime Shareholders.

As a result of the Scheme, the number of Seven Shares on issue will increase from 1,508,034,368 (being the number of Seven Shares on issue as at the date of this Booklet) to approximately 1,675,886,912.

#### **11.5 Combined Group Pro-Forma Historical Financial Information**

##### **11.5.1 Overview of historical financial profile of the Combined Group**

The Combined Group Pro-Forma Historical Financial Information set out in this section 11.5 has been prepared to illustrate the:

- historical income statement for the year ended 29 June 2019 (***Combined Group Pro-Forma Historical Statement of Profit or Loss***);
- historical statement of financial position as at 29 June 2019 (***Combined Group Pro-Forma Historical Statement of Financial Position***); and
- historical operating and investing cash flows for the year ended 29 June 2019 (***Combined Group Pro-Forma Historical Statement of Cash Flows***),

(together, the ***Combined Group Pro-Forma Historical Financial Information***).

The Combined Group Pro-Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in section 11.5.2;
- risk factors set out in section 12; and
- other information contained in this Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Combined Group Pro-Forma Historical Financial Information (a copy of which is included in Appendix 2).

##### **11.5.2 Basis of preparation and consolidation**

###### **(a) Basis of preparation**

The Combined Group Pro-Forma Historical Financial Information set out in this section 11.5 has been prepared in order to give Prime Shareholders an indication of the financial performance, financial position and cash flows of the



Combined Group as if the Scheme had been implemented from 1 July 2018 in respect of the financial performance and cash flows and 29 June 2019 in respect of the financial position.

It does not reflect the actual financial performance, financial position or cash flows of the Combined Group at the time of implementation of the Scheme. It has been prepared for illustrative purposes only for the purpose of this Booklet.

The Combined Group Pro-Forma Historical Financial Information presented in this section 11.5 is based on the:

- Prime Historical Financial Information, as at and for the year ended 30 June 2019;
- Seven Historical Financial Information, as at and for the year ended 29 June 2019; and
- pro-forma adjustments described in section 11.5.4, section 11.5.7 and section 11.5.10.

The Combined Group Pro-Forma Historical Financial Information has been prepared on the basis that the historical financial information of Prime for the financial year ended 30 June 2019 is materially representative of historical financial information of Prime for the period commencing 1 July 2018 and ending 29 June 2019.

The Combined Group Pro-Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent with International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 29 June 2019 in the Combined Group Pro-Forma Historical Statement of Financial Position and from 1 July 2018 in the Combined Group Pro-Forma Historical Statement of Profit or Loss and the Combined Group Pro-Forma Historical Statement of Cash Flows.

The historical financial information of Prime and Seven has been prepared in accordance with the significant accounting policies described in their respective financial statements for the year ended 30 June 2019 and 29 June 2019 respectively. In preparing the Combined Group Pro-Forma Historical Financial Information, Seven has undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Combined Group and could be reliably estimated. A material difference in accounting policy was identified regarding the tax treatment of indefinite life intangibles. Prime applies the principles of the AASB 112 *Income Taxes* to its television broadcast licences and assumes their value will be realised through use, not sale, and accordingly recognises a deferred tax liability. This accounting policy is inconsistent with the policy adopted by Seven, as Seven does not recognise a deferred tax liability on television broadcast licenses.

(b) **Basis of consolidation**

On implementation of the Scheme, Seven will gain control over Prime and therefore under AASB 3 *Business Combinations*, Seven is required to recognise the identifiable net assets of Prime at fair value on the date of acquisition within the Combined Group Pro-Forma Historical Statement of Financial Position. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

On implementation of the Scheme, Seven will gain control over Prime and will therefore consolidate the results of Prime from the date of acquisition (being 1 July 2018 for the purposes of the Combined Group Pro-Forma Historical Statement of Profit or Loss and the Combined Group Pro-Forma Historical Statement of Cash Flows). Any intercompany transactions between Seven and Prime will be eliminated on consolidation.

(c) **Presentation**

The Combined Group Pro-Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that Seven is the acquiring entity for accounting purposes.

Pro-Forma Adjustments have been made to reflect the financial impacts of the combination of Prime and Seven. The Combined Group Pro-Forma Historical Financial Information presented in this section 11.5 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

The principal Non-IFRS Financial Measures referred to in this section 11.5 are consistent with those of Seven. Refer to section 10.3.2 for explanations of the non-IFRS measures discussed.

The most recent Prime financial year end is 30 June 2019 and the most recent Seven financial year end is 29 June 2019. The Combined Group Pro-Forma Historical Financial Information has been prepared, as at and for the year ended, 29 June 2019 and, in doing so, it has been assumed that the historical financial statements of Prime for the financial year ended 30 June 2019 are materially representative of the historical financial information for the period commencing on 1 July 2018 and ending on 29 June 2019.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Group Pro-Forma Historical Financial Information presented in this section 11.5. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading of Prime after 30 June 2019, and Seven subsequent to 29 June 2019, which is not reflected in the historical financial information of Prime and Seven;
- the ultimate timing of Implementation of the Scheme to combine Prime and Seven;
- the value of a Seven Share on the Implementation Date which will change the value of goodwill recognised on acquisition;
- differences between the estimated amount of transaction costs and the amount ultimately incurred;
- finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, such as determining the value of all assets and liabilities acquired in accordance with the relevant accounting standards;<sup>6</sup>
- finalisation of the resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards; and
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of Seven and Prime (see section 11.2 for further details).

(d) **Standards issued but not yet effective**

AASB 16 *Leases* was effective for the Combined Group from 1 July 2019. Seven has performed a detailed analysis of the impact of implementation of AASB 16 *Leases* and expects the introduction of the standard will have a significant impact on reported assets, liabilities and income of the Seven Group, as well as the classification of cash flows relating to leased contracts. The standard will impact a number of key measures such as operating profit and cash generated from operations, as well as a number of alternative performance measures used by Seven.

The estimated impact of AASB 16 *Leases* adoption (before tax) for Seven is summarised below:

- As at 1 July 2018, non-current assets will increase by \$111,000,000 to \$136,000,000 and gross liabilities will increase by \$139,000,000 to \$170,000,000. This will result in a decrease in opening retained earnings of between \$28,000,000 to \$35,000,000.
- As at 29 June 2019, closing non-current assets will increase by \$104,000,000 to \$128,000,000 and gross liabilities will increase by \$138,000,000 to \$169,000,000. This will result in a decrease in closing net assets of between \$34,000,000 and \$41,000,000.

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<sup>6</sup> This may include the allocation of purchase price notionally attributed to non-amortising intangibles in this section 11.5 ultimately being attributed to amortising intangibles on completion of the purchase price accounting adjustments, the amortisation of which could adversely impact reported earnings of the Combined Group.

- For the year ended 29 June 2019, operating costs will reduce by \$17,900,000 to \$21,900,000, and profit before tax will reduce by \$5,600,000 and \$6,900,000.

Seven has elected not to recognise right of use assets and lease liabilities for short term leases or low value assets. Seven will continue to expense the lease payments associated with these leases on a straight line basis over the lease term.

Prime has performed a detailed analysis of the impact of implementation of AASB 16 *Leases*. Based on the work performed to date, Prime does not expect a material adjustment for the financial year ended 29 June 2019.

(e) **Preliminary purchase price accounting**

AASB 3 *Business Combinations* allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. Seven has not finalised the identification and valuation of Prime assets and liabilities, with finalisation to take place after implementation of the Scheme. For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 30 June 2019 historical statement of financial position of Prime.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Combined Group Pro-Forma Historical Statement of Profit or Loss. The quantum of any additional amortisation will depend on incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.

For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presenting in the Combined Group Pro-Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Pro-Forma Historical Statement of Financial Position.

### **11.5.3 Combined Group Pro-Forma Historical Statement of Profit or Loss**

This section 11.5.3 outlines the Combined Group Pro-Forma Historical Statement of Profit or Loss as though the Scheme Implemented on 1 July 2018.

2019	Seven \$'000	Prime \$'000	Eliminations (A) <sup>7</sup> \$'000	Combined Group Pro-Forma Historical \$'000
Revenue	1,552,810	190,674	(86,336)	1,657,148
Other revenue	3,624	1,047	-	4,671
<b>Total revenue and other income</b>	<b>1,556,434</b>	<b>191,721</b>	<b>(86,336)</b>	<b>1,661,819</b>
Share of net profit of equity accounted investee	1,141	156	-	1,297
Expenses	(1,313,978)	(153,409)	81,669	(1,385,718)
Net loss on sale of asset held for sale	(16,750)	-	-	(16,750)
Redundancy and restructure costs	(22,237)	-	-	(22,237)
Onerous contracts	(20,963)	-	-	(20,963)
<b>EBITDA</b>	<b>183,647</b>	<b>38,469</b>	<b>(4,667)</b>	<b>217,449</b>
Depreciation and amortisation	(31,518)	(11,879)	4,667	(38,730)
Impairment of intangible assets	(477,972)	(14,018)	-	(491,990)
Impairment of investments and other assets	(64,507)	-	-	(64,507)
<b>(Loss)/Profit before net finance costs and tax</b>	<b>(390,350)</b>	<b>12,571</b>	<b>-</b>	<b>(377,778)</b>
Finance costs	(36,111)	(1,310)	-	(37,421)
Write off of unamortised refinancing cost	(8,587)	-	-	(8,587)
Finance income	1,419	141	-	1,560
<b>(Loss) Profit before tax</b>	<b>(433,629)</b>	<b>11,402</b>	<b>-</b>	<b>(422,226)</b>
Income tax expense	(10,819)	(4,054)	(4,205)	(19,078)
<b>Net (Loss)/Profit</b>	<b>(444,448)</b>	<b>7,348</b>	<b>(4,205)</b>	<b>(441,305)</b>

### Reconciliation of EBITDA to Underlying EBITDA

2019	Seven \$'000	Prime \$'000	Eliminations (A) <sup>8</sup> \$'000	Combined Group Pro-Forma Historical \$'000
<b>EBITDA</b>	<b>183,647</b>	<b>38,469</b>	<b>(4,667)</b>	<b>217,449</b>
Net loss on sale of asset held for sale	16,750	-	-	16,750
Redundancy and restructure costs	22,237	-	-	22,237
Onerous contracts	20,963	-	-	20,963
<b>Underlying EBITDA</b>	<b>243,597</b>	<b>38,469</b>	<b>(4,667)</b>	<b>277,399</b>

<sup>7</sup> Refer to section 11.5.4 for an explanation of adjustments.

<sup>8</sup> Refer to section 11.5.4 for an explanation of adjustments.

#### **11.5.4 Adjustments to the Combined Group Pro-Forma Historical Statement of Profit or Loss**

The adjustment reflects the impact of eliminating intercompany transaction between Seven and Prime during the year ended 29 June 2019 and adjustments for alignment of accounting policies between Prime and Seven as follows:

- Seven has recorded revenue of \$81,669,000 derived under the Program Supply Agreement. Prime has incurred an equivalent expense of \$81,669,000 under the Program Supply Agreement. An elimination amount of \$81,669,000 has been recorded against Revenue and Expenses in the above table;
- Seven has recorded revenue of \$4,667,000 derived under the Program Supply Agreement for the upfront payment of program rights. Prime has incurred an equivalent expense of \$4,667,000 under the Program Supply Agreement for amortisation of program rights. An elimination amount of \$4,667,000 has been recorded against Revenue and Expenses in the above table; and
- Prime has recorded the release of the deferred tax liability of \$4,205,000 arising from the impairment on broadcast television licences at 30 June 2019. An adjustment has been made to add back this release in order to align Prime's accounting policy with Seven's.

#### **11.5.5 Items not reflected in the Combined Group Pro-Forma Historical Statement of Profit or Loss**

The Combined Group Pro-Forma Historical Statement of Profit or Loss has not been adjusted to reflect:

- the trading of Prime after 30 June 2019, or Seven since 29 June 2019;
- the significant increase in program affiliation fees under the Program Supply Agreement from FY20 (see section 9.8.6(b) for further details) which would increase Seven's share of Prime revenue and result in a corresponding increase in Prime's expenses;
- any synergies, any costs of realising synergies and business improvements arising following implementation;
- estimated transaction costs of approximately \$2,800,000 for Seven and approximately \$1,700,000 for Prime expected to be incurred directly in relation to the Scheme in the financial year ending 27 June 2020;
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of the implementation of the Scheme and the finalisation of purchase price accounting for the Scheme;
- any potential tax impact which may arise as a result of the implementation of the Scheme and the finalisation of the accounting for the acquisition; and
- any impact of standards issued but not yet effective as at 30 June 2019.

### 11.5.6 Combined Group Pro-Forma Historical Statement of Financial Position

This section 11.5.6 outlines the Combined Group Pro-Forma Historical Statement of Financial Position as at 29 June 2019 to illustrate the Scheme being Implemented on 29 June 2019.

2019	Seven	Prime	Purchase Price Accounting (A)	Eliminations (B)	Combined Group Pro- Forma Historical
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	90,455	6,443	-	-	96,898
Trade and other receivables	262,798	37,323	-	(1,056)	299,065
Current tax receivables	-	1,594	-	-	1,594
Program rights and inventories	193,269	3,000	-	(3,000)	193,269
Contract assets	3,566	-	-	-	3,566
Assets held for sale	-	645	-	-	645
Other assets	12,454	4,711	-	-	17,165
<b>Total Current Assets</b>	<b>562,542</b>	<b>53,716</b>	<b>-</b>	<b>(4,056)</b>	<b>612,202</b>
Program rights and inventories	15,857	9,000	-	(9,000)	15,857
Equity accounted investees	12,850	377	-	-	13,227
Other financial assets <sup>9</sup>	60,552	-	-	-	60,552
Property, plant and equipment	126,554	22,358	-	-	148,912
Intangible assets	565,478	878	15,714	-	582,070
Deferred tax assets	1,759	(17)	1,350	-	3,092
Other non-current assets	7,178	501	-	-	7,679
<b>Total Non-Current Assets</b>	<b>790,228</b>	<b>33,097</b>	<b>17,064</b>	<b>(9,000)</b>	<b>831,389</b>
<b>Total Assets</b>	<b>1,352,770</b>	<b>86,813</b>	<b>17,064</b>	<b>(13,056)</b>	<b>1,443,591</b>
Trade and other payables	288,704	8,226	-	(1,056)	295,874
Provisions	105,425	7,203	-	-	112,628
Deferred income	7,192	-	-	(3,000)	4,192
Contract liabilities	21,368	-	-	-	21,368
Borrowings	1,045	-	-	-	1,045
Current tax liabilities	1,575	-	-	-	1,575
<b>Total Current Liabilities</b>	<b>425,309</b>	<b>15,429</b>	<b>-</b>	<b>(4,056)</b>	<b>436,682</b>
Trade and other payables	10,011	-	-	-	10,011
Provisions	147,681	600	-	-	148,281
Deferred income	12,792	-	-	(9,000)	3,792
Non-current borrowings	653,839	16,000	4,500	-	674,339
<b>Total Non-Current Liabilities</b>	<b>824,323</b>	<b>16,600</b>	<b>4,500</b>	<b>(9,000)</b>	<b>836,423</b>

<sup>9</sup> Other financial assets represent equity investments in unlisted entities.

<b>Total Liabilities</b>	<b>1,249,632</b>	<b>32,029</b>	<b>4,500</b>	<b>(13,056)</b>	<b>1,273,105</b>
<b>Net Assets</b>	<b>103,138</b>	<b>54,784</b>	<b>12,564</b>	<b>-</b>	<b>170,486</b>
Share capital	3,393,546	310,262	70,498	(310,262)	3,464,044
Reserves	14,640	3,722	-	(3,722)	14,640
Non-controlling interest (BS)	398	-	-	-	398
Retained profits/(accumulated deficit)	(3,305,446)	(259,200)	(3,150)	259,200	(3,308,596)
<b>Total Equity</b>	<b>103,138</b>	<b>54,784</b>	<b>67,348</b>	<b>(54,784)</b>	<b>170,486</b>

### 11.5.7 Adjustments to the Combined Group Pro-Forma Historical Statement of Financial Position

#### (a) Adjustment (A) – Purchase Price Accounting

The Combined Group Pro-Forma Historical Statement of Financial Position has been prepared in accordance with the acquisition accounting principles as set out in AASB 3 *Business Combinations* on the basis of provisional amounts as noted below.

<b>\$'000</b>	
Scheme Consideration <sup>10</sup>	70,498
Net assets acquired <sup>11</sup>	54,784
<b>Goodwill and Other Intangibles Recognised</b>	<b>15,714</b>
Transaction costs incurred – Seven West Media	2,800
Transaction costs incurred – Prime	1,700
<b>Total Transaction Costs<sup>12</sup></b>	<b>4,500</b>
Tax impact at 30% <sup>13</sup>	1,350
<b>Retained earnings adjustment</b>	<b>3,150</b>
Increase in interest-bearing loans borrowings <sup>14</sup>	4,500
Transaction Costs	(4,500)
<b>Net cash outflow</b>	<b>-</b>

<sup>10</sup> As calculated on 14 November 2019, the Last Practicable Date, assuming that 366,330,303 Prime Shares are acquired in exchange for 167,852,544 New Seven Shares at a Seven Share Price of \$0.42.

<sup>11</sup> The net assets of Prime as at 30 June 2019 derived from Prime's statement of financial position as at June 30 2019.

<sup>12</sup> Estimated transaction costs of approximately \$1,700,000 (excluding GST) for Prime and \$2,800,000 (excluding GST) for Seven expected to be incurred directly in relation to the Scheme. Transaction costs are assumed to be expensed as incurred and are presented as a reduction in retained earnings. The associated tax effect of \$1,350,000 has been recognised as an increase to deferred tax assets.

<sup>13</sup> Total deferred tax assets recognised of \$1,350,000 on transaction costs.

<sup>14</sup> The increase in non-current interest-bearing borrowings of \$4,500,000 is to fund the estimated transaction costs of \$4,500,000.



(b) **Adjustment (B) – Eliminations**

The Combined Group Pro-Forma Historical Statement of Financial Position has been adjusted to reflect:

- elimination of the unamortised amount relating to the upfront payment made by Prime as part of the Program Supply Agreement of \$3,000,000 recorded in Current Assets under Program Rights and Inventories and \$9,000,000 recorded in Non-current Assets under Program Rights and Inventories;
- elimination of the unrecognised revenue amount relating to the upfront payment received from Prime as part of the Program Supply Agreement of \$3,000,000 has been recorded in Current Liabilities under Deferred Income and \$9,000,000 recorded in Non-current Liabilities under Deferred Income;
- elimination of trade receivables and payable transactions between Seven and Prime to the value of \$1,056,000;
- de-recognition of the share capital of Prime of \$310,262,000;
- de-recognition of the pre-acquisition reserves of Prime of \$3,722,000; and
- de-recognition of pre-acquisition accumulated deficit of \$259,200,000.

**11.5.8 Items not reflected in the Combined Group Pro-Forma Historical Statement of Financial Position**

The Combined Group Pro-Forma Historical Statement of Financial Position has not been adjusted to reflect:

- the trading of Prime after 30 June 2019, or Seven since 29 June 2019;
- the significant increase in program affiliation fees under the Program Supply Agreement from 1 July 2019 (see section 9.8.6(b) for further details) which would increase Seven's share of Prime revenue and result in a corresponding increase in Prime's expenses;
- finalisation of the purchase price accounting for the acquisition of Prime, including identification and measurement of all purchase price accounting adjustments and tax cost base resetting;
- any synergies, any costs of realising synergies and business improvements arising following implementation; and
- any impact of standards issued but not yet effective as at 29 June 2019.

**11.5.9 Combined Group Pro-Forma Historical Statement of Cash Flows**

This section 11.5.9 outlines the Combined Group Pro-Forma Historical Statement of Cash Flows to illustrate the Scheme being Implemented on 1 July 2018.

2019	Seven	Prime	Inter-company Eliminations	Combined Group Pro- Forma Historical
	\$'000	\$'000	\$'000	\$'000
Cash flows related to operating activities				
Receipts from customers (inclusive of GST)	1,738,354	212,072	(110,412)	1,840,014
Payments for suppliers and employees (inclusive of GST)	(1,585,206)	(182,195)	95,412	(1,671,989)
Dividends received from equity accounted investees	880	-	-	880
Interest and other items of similar nature received	1,367	141	-	1,508
Interest and other costs of finance paid	(30,082)	(940)	-	(31,022)
Income tax paid, net of refunds	(15,207)	(6,612)	-	(21,819)
<b>Net operating cash flows</b>	<b>110,106</b>	<b>22,466</b>	<b>(15,000)</b>	<b>117,572</b>
Payments for purchase of property, plant and equipment	(26,158)	(2,581)	-	(28,739)
Proceeds from sale of property, plant and equipment	255	-	-	255
Payments for intangibles	(14,689)	(15,000)	15,000	(14,689)
Payments for equity accounted investees	(11,564)	-	-	(11,564)
Proceeds from sale of equity accounted investees	20,750	-	-	20,750
Payments for other investments	(1,068)	-	-	(1,068)
Payment for purchase of controlled entities, net of cash acquired	1,446	-	-	1,446
Loan funds received from/(paid to) related entities	(4,359)	850	-	(3,509)
<b>Net investing cash flows</b>	<b>(35,387)</b>	<b>(16,731)</b>	<b>15,000</b>	<b>(37,118)</b>
Proceeds from borrowings	100,000	95,000	-	195,000
Repayment of borrowings	(226,427)	(105,000)	-	(331,427)
Share-based payments – performance rights exercised	-	(195)	-	(195)
<b>Net financing cash flows</b>	<b>(126,427)</b>	<b>(10,195)</b>	<b>-</b>	<b>(136,622)</b>
Net increase (decrease) in cash and cash equivalents	(51,708)	(4,460)	-	(56,168)
Cash and cash equivalents at the beginning of the year	142,163	10,903	-	153,066
<b>Cash and cash equivalents at the end of the year</b>	<b>90,455</b>	<b>6,443</b>	<b>-</b>	<b>96,898</b>

#### **11.5.10 Adjustments to the Combined Group Pro-Forma Historical Statement of Cash Flows**

The Combined Group Pro-Forma Historical Statement of Cash Flows has been adjusted to reflect the following.

- The elimination of the payment of \$89,903,000 (inclusive of GST) in affiliation fees made by Prime under the Program Supply Agreement and recorded under Payments for Suppliers and Employees. An equivalent elimination amount of \$89,903,000 (inclusive of GST) relating to the receipt of affiliation fees received by Seven under the Program Supply Agreement has been recorded under Receipts from Customers.
- The elimination of the payment of \$15,000,000 (exclusive of GST) relating to the upfront payment for program rights made by Prime under the Program Supply Agreement and recorded under Payments for Intangibles. An equivalent elimination amount of \$15,000,000 (exclusive of GST) relating to the receipt of the upfront payment for program rights by Seven under the Program Supply Agreement has been recorded under Receipts from Customers.
- The elimination of the payment of \$1,500,000 GST relating to the acquisition of program rights made by Prime and recorded under Payments for Suppliers and Employees. An equivalent elimination amount of \$1,500,000 relating to the receipt of the GST on the sale of program rights by Seven has been recorded under Receipts from Customers.
- The elimination of receipts of \$4,009,000 received by Prime for advertising and broadcasting activities with Seven and recorded under Receipts from Customers. An equivalent elimination amount of \$4,009,000 relating to the payment by Seven for advertising and broadcasting activities with Prime has been recorded under Payments for Suppliers and Employees.

#### **11.5.11 Items not reflected in the Combined Group Pro-Forma Historical Statement of Cash Flows**

The Combined Group Pro-Forma Historical Statement of Cash Flows has not been adjusted to reflect:

- the trading of Prime after 30 June 2019, or Seven since 29 June 2019;
- the significant increase in program affiliation fees under the Program Supply Agreement from 1 July 2019 (see section 9.8.6(b) for further details) which would increase Seven's share of Prime revenue and result in a corresponding increase in Prime's expenses;
- any synergies, any costs of realising synergies and business improvements arising following implementation;

- estimated transaction costs of approximately \$2,800,000 (excluding GST) for Seven and \$1,700,000 (excluding GST) for Prime expected to be incurred directly in relation to the Scheme in FY20; and
- any debt drawdowns or cash repayments, as the Combined Group Pro-Forma Historical Cash Flows do not present cash flows from financing activities.

#### 11.5.12 Debt facilities and cash

	Seven	Prime	Combined Group Pro-Forma Historical
	\$'000	\$'000	\$'000
Interest bearing loan - current	(1,045)	-	(1,045)
Interest bearing loan – non-current net of unamortised refinancing cost	(653,839)	(16,000)	(669,839)
<b>Total interest bearing loan</b>	<b>(654,884)</b>	<b>(16,000)</b>	<b>(670,884)</b>
Cash and cash equivalent	90,455	6,443	96,898
<b>Net Debt</b>	<b>(564,429)</b>	<b>(9,557)</b>	<b>(573,986)</b>

## 12. Risk Factors

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### 12.1 Introduction

The Prime Board considers that it is appropriate for Prime Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Prime and the value of Prime Shares. This may, in turn, affect decisions by the Prime Board in respect of potential distributions to Prime Shareholders if the Scheme is not implemented.

In addition, if the Scheme is implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) will be entitled to receive New Seven Shares.

The price and value of Seven Shares, and the future operating and financial performance of the Combined Group, will be influenced by a range of factors, many of which will be beyond the control of the Combined Group.

This section 12 outlines:

- specific risks associated with your current investment in Prime Shares (refer to section 12.2);
- general investment risks in relation to Prime Shares (refer to section 12.3).
- specific risks relating to Seven and its business (refer to section 12.4);
- specific risks relating to the Scheme and the creation of the Combined Group (refer to section 12.5);
- specific risks relating to the Combined Group (refer to section 12.6); and
- general investment risks in relation to Seven Shares (refer to section 12.7).

A significant number of these risks are, or will be, risks to which Prime Shareholders are already exposed. However, as the nature of the Combined Group's business will change from that of the standalone business of Prime, Prime Shareholders will potentially be exposed to additional risks in respect of the Combined Group.

The risk factors described in this section 12 are not an exhaustive list and should be read in conjunction with the other information contained in this Booklet. There may be additional risks and uncertainties not currently known to Prime or Seven, or that may currently be considered immaterial, which may also have a material adverse effect on the financial and operational performance and the value of Prime Shares, Seven Shares and the Combined Group.

These risk factors do not take into account the individual investment objectives, financial and taxation situation, position or particular needs of Prime Shareholders.

You should carefully consider the risk factors discussed in section 12, as well as the other information contained in this Scheme Booklet, before voting on the Scheme.

## 12.2 Specific risks relating to Prime and its business

Risk	Nature of Risk
<b>Increased competition for audiences and revenue</b>	The regional television advertising market continues to decline in the face of increased competition. Audiences are declining due to the impact of new media platforms and technologies, including streaming services. The decline may have a materially adverse impact on Prime's revenue, cash flow and financial position.
<b>The Program Supply Agreement</b>	Prime is highly dependent on Seven as the one supplier for the majority of its television content. In August 2018, Prime announced that it had extended the term of the Program Supply Agreement for a period of five years commencing 1 July 2018. Prime's program costs increased in the year ended 30 June 2019 following the renewal of the Program Supply Agreement. A second increase in program costs will occur under the Program Supply Agreement in the year ended 30 June 2020. Prime's reliance on Seven for content may lead to further increased programming supply costs at the conclusion of the term of the current Program Supply Agreement. Prime is also exposed to a risk that Seven does not renew the agreement on terms that are acceptable to Prime following the conclusion of the term of the existing agreement in 2023.
<b>Free-to-air television markets are undergoing a structural change leading to loss of revenue</b>	Digital advertising spend on new media platforms and technologies is growing at a faster rate than free-to-air television advertising growth. Regional free-to-air television advertising markets are declining at different rate to metropolitan markets. The shift towards advertising spend on new media platforms and technologies is likely to have a significant adverse effect on the financial performance of Prime.
<b>Loss of key personnel: high dependence on one or few individuals.</b>	Areas of Prime's business include highly specialised technical and professional skills. Prime is therefore reliant on key people in the business who are subject matter experts. There is a risk that Prime will not be able to attract and retain employees with relevant experience in future. Failure to address and mitigate this reliance could cause inefficiencies in the business and result in financial loss.
<b>Non-compliance with regulation</b>	<p>Regulations and other laws can restrict the content which can be shown (e.g. restrictions on advertising certain products, such as cigarettes) or the manner in which Prime can report on certain matters (e.g. defamation laws, among others, may affect news reporting) and otherwise regulate Prime and its business.</p> <p>Prime has an established regulatory compliance function and governance framework. Prime's regulatory compliance function monitors compliance with existing regulations, the political and regulatory environment and Prime's adherence to internal processes.</p> <p>Failure to comply with these laws could result in administrative actions or legal proceedings against Prime, which could attract fines and civil and criminal liability.</p>

Risk	Nature of Risk
<b>Information Security</b>	A breach of information security, a cyber security attack or a cyber security breach could cause business interruption, loss of data security or reputational damage to Prime.
<b>Customer concentration</b>	A small number of media buying agencies account for approximately 56.1% of Prime's revenue. Prime is exposed to the potential loss of major clients through increased competition and a preference shift towards new media platforms and technologies. The loss of a high-concentration customer could cause a significant deterioration in Prime's financial results.
<b>Pressure on Prime's audience and revenue from broadcast video on demand services</b>	Prime holds no digital rights to Seven's content. Seven has started to stream on the internet content that Prime currently sources under the Program Supply Agreement, through the 7plus broadcast video on demand service. Prime's ability to monetise Seven programming in regional licence areas may dissipate as the take up of Seven's broadcast video on demand services increases which could cause a significant deterioration in Prime's financial results.

### 12.3 General risks in relation to Prime Shares

The market price of Prime Shares and decisions by the Prime Board in relation to future distributions made to Prime Shareholders are influenced by a number of factors, including but not limited to, the following:

- changes in investor sentiment in and the overall performance of Australian and international stock markets;
- general economic conditions, including changes in business and industry cycles, inflation, interest rates, exchange rates, commodity prices, employment levels, sentiment in credit markets and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules;
- changes to media laws;
- natural disasters and catastrophes, whether global, regional or local in scale;
- accounting standards which may affect the financial performance and position reported by Prime; and
- loss of key personnel.

### 12.4 Specific risks relating to Seven and its business

The future operating performance of Seven and the value of the investment in the New Seven Shares may also be affected by risks relating to Seven's business. Some of these risks are specific to Seven while others relate to the general industry in which Seven operates and to economic conditions.

Risk	Nature of Risk
<b>Australian Advertising Market</b>	<p>The amount of advertising revenue generated by Seven is dictated by advertising market conditions. Since businesses generally reduce or relocate their advertising budgets during economic recessions or downturns, the strong reliance upon advertising revenue by Seven makes its operating results susceptible to prevailing economic conditions.</p> <p>There can be no assurance that advertising spend in the media industries in Australia will not contract in the future. Any contraction in advertising spend in Australia could have a material adverse effect on the free-to-air television, radio, newspaper, magazine and online advertising markets as a whole, and in turn the operating and financial performance of Seven.</p>
<b>Competition</b>	<p>The Australian media industry is highly concentrated and competitive, with a number of operators competing for market share and advertising revenue through the same or alternate products. The actions of an existing competitor or the entry of new competitors in a media segment in which Seven operates, a competing media segment or generally in the media sector may have a material adverse effect on Seven.</p> <p>More recently, there has been growth in the presence in the market of 'streaming video on demand' products which may have the potential to increase competition.</p> <p>Seven competes for audience share and advertising revenues with all forms of media such as free-to-air television, newspapers, magazines, radio, outdoor advertising, pay television, direct mail, cinema and the internet.</p> <p>The introduction and development of new and innovative forms of media has the capacity to fragment audiences and reduce advertising spend directed to existing media. Alternative forms of media could become more attractive for advertisers, as a result of cost reductions, improvement in ease of production or improvement in ability to target audiences. Any of these circumstances related to the development of other forms of media could adversely impact the media advertising markets which Seven operates within and, in turn, Seven's revenue and profitability.</p>
<b>Changes in technology</b>	<p>The media industry is characterised by changing technology, evolving industry standards and the emergence of new technologies. Technology plays an increasingly important role in the delivery of media content to customers in a cost-effective manner, for example, the development of digital broadcasting which enables multi-channelling and more efficient delivery of content.</p> <p>Seven's ability to compete in the media industries effectively in the future may be impacted by its ability to maintain or develop appropriate technology platforms for the efficient delivery of its services. There is an ongoing risk that Seven's technology may not be fit for purpose or that major technology projects may not be delivered on plan.</p> <p>No assurance can be given that Seven will have the resources to acquire, or the ability to develop, new competitive technologies. In addition, maintaining or developing appropriate technologies may require significant capital investment by Seven.</p>



Risk	Nature of Risk
<p><b>New broadcasting licences and other regulatory change</b></p>	<p>ACMA is the regulatory authority overseeing the procedural allocation and regulation of commercial free to air television licences under the BSA. Any issue of new licences would increase the level of competition faced by Seven in the free to air television broadcasting industry, and this may materially adversely impact on its ratings and its operating and financial performance.</p> <p>While Seven is not aware of any breach of licence conditions attached to existing commercial television broadcasting licences or any other circumstances that could give rise to a finding that it was not a "suitable person" to hold a licence under the BSA, ACMA could exercise its powers to suspend, cancel or refuse to renew one or more of Seven's commercial television licences in the future should these circumstances change. The suspension, cancellation or non-renewal of one or more of Seven's commercial television licences may have an adverse impact on Seven's operating and financial performance and its standing in the Australian free to air television broadcasting industry.</p>
<p><b>Programming and ratings</b></p>	<p>Seven's ability to generate advertising revenues through free to air television is a factor of its programming and audience ratings.</p> <p><b>Programming</b></p> <p>The operating and financial performance of Seven is dependent upon its ability to produce and purchase relevant television programming. Some of Seven's programming is sourced from external content suppliers under existing contracts. There is a risk that Seven is unable to secure competitive programming, through new contracts or the renewal of existing contracts, on terms favourable to Seven or with the necessary rights to enable Seven to exploit programming across a range of digital platforms.</p> <p>There is also a risk that programming costs may increase. Programming costs represent a significant component of Seven's overall costs. An increase in programming costs would be likely to impact adversely on Seven's financial and operating performance.</p> <p>Seven's operating and financial performance could also be adversely affected by new programming initiatives, the acquisition of new programming rights or increased promotional activities by its competitors.</p> <p>Seven has established a local creative production unit so that Seven can have greater control on the type and style of some of its programming. Given the uncertainty relating to and life cycle of program development, no assurance can be provided that the unit will develop high rating programming in the short to medium term or at all.</p> <p><b>Ratings</b></p> <p>Ratings are the key driver of free-to-air television advertising pricing and revenue. The operating and financial performance of Seven depends upon its ability to maintain strong audience ratings vis-à-vis its competitors.</p> <p>While Seven continues to invest in programming, there is no certainty that Seven's ratings relative to other free-to-air networks will improve or be maintained. If Seven's ratings decline, this could materially adversely affect its operating and financial performance.</p>

Risk	Nature of Risk
<p><b>Magazines</b></p>	<p>Seven operates in the Australian magazine industry through its subsidiary, Pacific. If the recently announced disposal of Pacific (see section 10.2.2) does not proceed, Pacific will continue to form part of Seven's business.</p> <p>Pacific primarily depends upon revenue from magazine circulation and advertising spend in its publications, and as such its profitability correlates with the popularity of magazines and Seven's market share in the Australian magazine industry.</p> <p>Pacific is affected by a number of prevailing external factors including industry-wide declines in circulation and declines in advertising due to a shift to alternative media options including the internet, subdued economic conditions and evolving interests, tastes and preferences of consumers. These factors are outside the control of Seven. Accordingly, the operating and financial performance of Seven's relies in part on the continued ability to meet consumer preferences through Pacific.</p> <p>Pacific also licences content from overseas and domestic companies for use in its publications. The loss of a content licensing agreement, inability to secure contracts on competitive terms or the renegotiation of existing contracts may impact upon Seven's operating and financial performance.</p>
<p><b>Newspapers</b></p>	<p>Seven's newspaper business primarily depends upon revenue from circulation and advertising spend in its newspaper publications. Seven's profitability and revenue is impacted by the circulation of its newspapers and Seven's ability to retain market share in those respective markets.</p> <p>The newspaper industry has experienced declines in circulation and there is a risk that circulation could decline further.</p> <p>Newspaper display advertisements are impacted by broader economic conditions, which are generally outside the control of Seven. Accordingly, the operating and financial performance of Seven's newspaper business relies in part on the broader economic conditions of the markets in which Seven publishes newspapers.</p>
<p><b>Online</b></p>	<p>Growth in online advertising is underpinned by a range of factors including growth in internet penetration in Australia and migration from more traditional forms of media to new forms of media. Internet penetration in the Australian market has been growing at a steady rate, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of Seven's online businesses.</p> <p>Migration has been driven by a number of factors affecting both buyers and sellers including increased internet penetration and broadband speeds. Whilst the migration to online has occurred over recent years there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of Seven's online businesses (though any such adverse effect may be partly offset by a corresponding benefit to Seven's traditional media businesses if consumers remain with those forms of media).</p> <p>Online user behaviour is evolving, with increasing penetration of mobile devices and tablets and the trend for users to engage across multiple screens simultaneously. To date Seven's online businesses have been a beneficiary of these changes, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the</p>

Risk	Nature of Risk
	<p>growth of Seven's online businesses. New competitors continue to enter the online advertising market.</p> <p>Seven has sought to address this by focussing on delivering premium service to its clients as measured by their 'advocacy' rating and underpinned by its ability to add value to advertisers via deeper understanding of user data. To date Seven has been successful in doing so and achieving positive advocacy scores amongst major clients, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of Seven's online businesses.</p>
<p><b>Litigation and legal matters</b></p>	<p>Seven is exposed to the risk of potential legal action and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. Furthermore, the media industry involves particular risks associated with defamation litigation and litigation to protect media and intellectual property rights.</p> <p>As with all litigation, there are risks involved. An adverse outcome in litigation or the cost of responding to potential or actual litigation may materially adversely affect the operating and financial performance of Seven.</p>
<p><b>Changes in Government policy and regulation</b></p>	<p>Seven operates in a highly regulated environment. Seven may be adversely affected by changes in Government policy, regulation or legislation applying to companies in the television broadcasting industry or to Australian media companies in general. This includes, among other things:</p> <ul style="list-style-type: none"> <li>• the introduction of a more restrictive regime to monitor and control media ownership and acquisitions, such as the introduction of a 'public interest' test in connection with media acquisitions;</li> <li>• government policy restricting the issue of a fourth commercial free-to-air television licence;</li> <li>• changes to the anti-siphoning regime under which some sporting events must be offered to the free to air television networks;</li> <li>• local content obligations; and</li> <li>• legislation such as the BSA that regulates ownership interests and control of Australian media organisations.</li> </ul>
<p><b>Acquisitions, divestments and other projects</b></p>	<p>Seven regularly examines new acquisition and divestment opportunities and other projects which complement its existing strategy. However, there can be no assurance that Seven will identify suitable acquisition or divestment opportunities or other projects at acceptable prices, or successfully execute such opportunities or projects. In addition, Seven's past and future acquisitions and divestments and other projects may subject it to unanticipated risks and liabilities, or disrupt its operations and divert management's attention and resources from Seven's day to day operations.</p> <p>In addition, as noted above in section 10.2.2, Seven has recently entered into binding agreements to sell its Pacific and Western Australian radio assets. Completion of these disposals is subject to various conditions including (in relation to the disposal of Pacific) ACCC</p>

Risk	Nature of Risk
	<p>approval. If those conditions are not satisfied, or if the transactions are otherwise delayed or terminated prior to completion occurring, Seven will not receive the sale proceeds expected to be realised from those disposals.</p>
<b>Intangible Assets</b>	<p>Under Seven's accounting policies, goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.</p> <p>A change in operating or advertising market conditions may require changes to certain key assumptions used in calculating the estimated recoverable amounts of intangibles. Impairments may affect the profit of Seven and its ability to pay dividends.</p>
<b>Refinancing</b>	<p>Seven's existing debt tranches will need to be refinanced on their respective maturity dates, the soonest date being in December 2021.</p> <p>Seven may incur increased borrowing costs, or may even be unable to refinance with new debt if its credit profile has deteriorated materially, or if there are reductions in debt market liquidity at or around the time that Seven needs to refinance its various debt tranches. Whether this occurs will depend on numerous factors, some of which are outside Seven's control, such as the prevailing economic, political and capital market conditions and credit availability.</p>
<b>Debt covenants</b>	<p>Seven's debt facilities are subject to leverage ratios and interest cover ratios. In the course of operating a prudent financing strategy, particularly in current market conditions, Seven can employ a range of strategies in order to meet its financial covenants.</p> <p>If there were a significant further decline in advertising revenue or earnings, this could cause Seven to not comply with these financial covenants. A failure to comply with any of these financial covenants may require Seven to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that its lenders would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditioned upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions in the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, demanding payment of outstanding borrowings.</p>
<b>Foreign exchange risk</b>	<p>The vast majority of Seven's international program agreements are denominated in Australian dollars. Seven has some limited exposure to foreign exchange risk primarily in relation to paper purchasing agreements, however, these are not material within the overall costs of the business.</p>
<b>Operational risk</b>	<p>Seven's business is subject to operational risks of various kinds, including:</p> <ul style="list-style-type: none"> <li>• transmission or systems failure;</li> </ul>

Risk	Nature of Risk
	<ul style="list-style-type: none"> <li>• data loss or cyber security incidents;</li> <li>• inaccurate reporting;</li> <li>• failure to attract and retain key personnel; and</li> <li>• other execution risks.</li> </ul> <p>If any of these events occur, this could materially adversely affect Seven's operating and financial performance.</p>
<p><b>Change in macroeconomic conditions</b></p>	<p>Seven's revenue and profitability is highly correlated to spending levels by Australian and overseas businesses, which in turn could be affected by changes in macroeconomic conditions in Australia and internationally. Changes in the macroeconomic environment are beyond the control of Seven and include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• changes in inflation, interest rates and foreign currency exchange rates;</li> <li>• changes in employment levels and labour costs, which will affect the cost structure of Seven;</li> <li>• changes in aggregate investment and economic output; and</li> <li>• other changes in economic conditions which may affect the revenue or costs of Seven.</li> </ul>
<p><b>Risks associated with SGH's holding</b></p>	<p>SGH's current holding of Seven Shares, together with any future utilisation of the 'creep rule' exception under the Corporations Act, may give SGH a greater degree of control over Seven, including greater influence over the Seven's financial and operating policies, and the composition of Seven's Board, than is currently the case. This may result in a change of control of Seven without payment of a control premium to Seven shareholders. SGH may also exert that influence in ways that are not consistent with the interests of other Seven Shareholders.</p>
<p><b>Risks associated with large shareholders</b></p>	<p>Seven has a number of shareholders with relatively large shareholdings. An expectation by the market that one or more of these shareholders may sell all or a substantial portion of its Seven shareholding, or the actual sale of such a shareholding, could have a negative effect on the price of Seven Shares.</p>

## 12.5 Specific risks relating to the Scheme and the creation of the Combined Group

### 12.5.1 Conditions Precedent

The implementation of the Scheme is subject to a number of Conditions Precedent, which are summarised in section 15.2.1 and which are set out in full in clause 3.1 of the Scheme Implementation Deed. Section 8.7 sets out the current status of each of the Conditions Precedent.

The Scheme will not proceed to a Second Court Hearing unless each of the Conditions Precedent are satisfied or waived (where capable of waiver). As such, a

failure to satisfy or waive any of the Conditions Precedent or a delay in the satisfaction or waiver of any Conditions Precedent and therefore implementation of the Scheme, may adversely affect the price of value of Seven Shares or Prime Shares.

### **12.5.2 Court approval and delays**

There is a risk that the Court may not approve the Scheme or that Court approval may be delayed. In particular, if there is a material change in circumstances between the date of this Booklet and the Second Court Date, then, depending on the nature and timing of the change in circumstances:

- Prime may be required to issue a supplementary document to this Booklet and the preparation of that supplementary document may result in delays to the indicative key dates at the front of this Booklet; and
- the Court will have regard to that change in deciding how it should proceed – if any such changes are so significant that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

### **12.5.3 Uncertain exact value of the Scheme Consideration**

The implied value of the Scheme Consideration is liable to vary over time depending on the prevailing Seven Share price, including between the date of this Booklet, the date of the Scheme Meeting and the date on which the Scheme Consideration is received by Scheme Shareholders (other than Ineligible Foreign Scheme Shareholders).

Following implementation of the Scheme, the Seven Share price may rise or fall based on market conditions and the Combined Group's financial and operating performance. If the Seven Share price falls, the value of the New Seven Shares received by Scheme Shareholders as Scheme Consideration will also fall.

## **12.6 Specific risks relating to the Combined Group**

### **12.6.1 Change in risk and investment profile**

If the Scheme is implemented, Scheme Shareholders (excluding Ineligible Foreign Shareholders) will receive new Seven Shares in exchange for their Prime Shares. Accordingly, there will be a change to the risk profile to which Prime Shareholders are currently exposed.

As a consequence of implementation of the Scheme, Scheme Shareholders will be exposed to risk factors relating to Seven, and to certain additional risks relating to the Combined Group and the integration of the businesses of Seven and Prime, as outlined in this section 12. Ineligible Foreign Shareholders will also be exposed to these risks until the Sale Agent sells the New Seven Shares issued to it through the Sale Facility (see section 8.10.7 for further details on the Sale Facility). The investment profile for Prime Shareholders will also change, as the operational profile, capital structure and size of the Combined Group is substantially different from that of Prime on a standalone basis.

### **12.6.2 Integration risks and realisation of anticipated synergies**

The performance of the Combined Group will be affected by, among other factors, the successful integration of the businesses of Seven and Prime. There is no guarantee that the businesses of the Combined Group will be able to be integrated successfully without any unexpected delays or additional costs or that issues and risks identified by Seven in its due diligence on Prime can be managed or mitigated adequately. There is a risk that the operating and financial performance and future prospects of the Combined Group could be adversely impacted if the businesses of Seven and Prime are not integrated effectively or if material issues and risks identified by Seven in its due diligence on Prime cannot be managed as Seven anticipates. Additionally, such integration may take longer than expected and anticipated net efficiencies, benefits and potential synergies of that integration may be less than targeted.

Further, as discussed in section 11.2, there is a risk that implementation of the Scheme may not result in the realisation of the estimated potential synergies (either on time or at all) due to, a variety of possible factors including:

- possible differences in the management culture of the two groups and the potential loss of key personnel, employees or customers;
- higher than anticipated integration or other costs;
- lower than expected savings; or
- unforeseen costs relating to the integration of IT systems and platforms, financial and accounting systems and other operating and management systems.

If the integration of the businesses of Seven and Prime is not achieved in an effective manner and within a reasonable time, the full benefits of the potential synergies may be achieved only in part, or not at all.

### **12.6.3 Employees**

The Combined Group's success following implementation of the Scheme will depend in part upon its ability to retain people who are currently key employees of Seven and Prime. Employee retention may be particularly challenging during the implementation of the Scheme and following integration of Seven and Prime, as employees may experience uncertainty about their future roles.

If there is a departure of key employees during the implementation, or as a result, of the Scheme, the Combined Group's business could be adversely affected.

Furthermore, the Combined Group may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the business, and the Combined Group's ability to realise the anticipated benefits of the Scheme may be adversely affected.

Implementation of the Scheme could result in the termination of management positions or employment contracts of certain executives or employees of Seven or Prime, resulting in significant redundancy payments.

Certain key executives and other employees of Seven or Prime and their respective Subsidiaries may terminate their management positions or their employment contracts

on their own initiative or that of the Combined Group as a result of the Scheme. If members of the Combined Group's senior management depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted.

#### **12.6.4 Change in Accounting or financial reporting standards**

AAS are set by the AASB and are outside the Combined Group's control. Changes to accounting standards issued by the AASB, or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the Combined Group's financial statements.

#### **12.6.5 Purchase price accounting**

The Combined Group Pro-Forma Historical Statement of Financial Position at 29 June 2019 has been prepared on the basis of the assumptions set out in section 11.5.7. The actual values which will be attributable to each of these assumptions will only be determined at the Implementation Date. As part of integration, including through the process of purchase price allocation, the Combined Group will need to consider the carrying values of Prime assets and liabilities. Accordingly, there will be a risk that the Combined Group Pro-Forma Historical Statement of Financial Position may be materially different from that presented in section 11.5.6.

### **12.7 General risks in relation to Seven Shares**

#### **12.7.1 There is a risk of shareholder dilution**

In the future, Seven may elect to issue Seven Shares (or securities convertible into Seven Shares) including in connection with fundraising for acquisitions it may decide to make. While Seven is subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), its shareholders may be diluted as a result of such issues of Seven Shares or securities.

#### **12.7.2 The price of Seven Shares may fluctuate**

The price at which Seven Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of Seven's control.

Some of the factors which may affect the price of Seven Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which Seven operates and general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Seven specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters.

#### **12.7.3 Taxation changes may occur**

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the tax liabilities of



Seven or the treatment of a Seven Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in Seven Shares involves tax considerations which may differ for each Seven Shareholder. Each prospective shareholder is encouraged to seek professional tax advice in connection with any investment in Seven.

#### **12.7.4 Force majeure events may occur**

Events may occur within or outside Australia that could impact upon the Australian economy, the operation of Seven and the price of Seven Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Seven's services and its ability to conduct business. Seven has only a limited ability to insure against some of these risks.

#### **12.8 Other risks**

Additional risks and uncertainties not currently known to Seven or Prime, or that may currently be considered immaterial, may also have a material adverse effect on the business and operating and financial performance of Seven and/or Prime and that of the Combined Group. The information set out above in this section 12 does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Seven, Prime or the Combined Group.

## 13. Tax Considerations

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### 13.1 Introduction

The following is a general summary of the Australian income tax, goods and services tax (**GST**), and stamp duty implications for Prime Shareholders for their disposal of Prime Shares under the Scheme.

This summary is general in nature and does not purport to be a complete or particularised analysis of the tax consequences arising from the Scheme for each Prime Shareholder. Prime Shareholders are advised to seek professional tax advice in relation to their particular circumstances.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (the **ITAA 1936**) and the *Income Tax Assessment Act 1997* (the **ITAA 1997**) as at the date of this Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

The information provided below is not applicable to all Prime Shareholders. This tax summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. This summary will not apply to Prime Shareholders who:

- hold their Prime Shares on 'revenue account' (such as share trading entities or entities who acquired their Prime Shares for the purposes of resale at a profit) or as 'trading stock';
- hold their Prime Shares under an employee share scheme offered by Prime where those shares remain subject to deferred taxation under Division 83A of the ITAA 1997 (other than where those Prime Shares are no longer subject to any relevant employee share scheme rules);
- may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their Prime Shares;
- have a functional currency for Australian tax purposes other than an Australian functional currency; and/or
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Prime Shares.

### 13.2 Class Ruling

Prime has lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Prime Shareholders of their disposal of Prime Shares under the Scheme (the **Class Ruling**). In particular, the Class Ruling is being sought to confirm that CGT roll-over relief will be available to Prime Shareholders who are residents of Australia for tax purposes and receive New Seven Shares in exchange for their Prime Shares under the Scheme.

The Scheme is not conditional on the receipt of the Class Ruling.

The Class Ruling has not been issued by the ATO as at the date of this Booklet. It is not expected to be issued until after the implementation of the Scheme. Prime Shareholders should refer to the class ruling once it is published. The class ruling will be available at [www.ato.gov.au](http://www.ato.gov.au).

It is expected that the Class Ruling will be issued on the basis of a view of the Commissioner of Taxation which is broadly consistent with this summary. It is important that Prime Shareholders be aware that the Commissioner of Taxation may reach an alternative view, however, and this summary should be considered in light of that possibility and read together with the Class Ruling once it is available.

### **13.3 Australian tax resident Prime Shareholders**

#### **13.3.1 Disposal of Prime Shares**

The disposal of Prime Shares by a Prime Shareholder will trigger capital gains tax (**CGT**) event A1.

The CGT event should occur when the change of ownership of the Prime Shares occurs. Under the Scheme, the change of ownership will occur on the Implementation Date.

Broadly, a Prime Shareholder will:

- make a 'capital gain' if the capital proceeds from the disposal of their Prime Shares exceeds the cost base of their Prime Shares (subject to CGT scrip for scrip roll-over relief, discussed below); or
- make a 'capital loss' if the capital proceeds from the disposal of their Prime Shares are less than the reduced cost base of their Prime Shares.

Subject to the CGT roll-over (discussed below), a Prime Shareholder who makes a capital gain on the disposal of their Prime shares will be required to include in their assessable income any 'net capital gain' after the application of capital losses (if any) and the CGT discount (if available, see below).

A capital loss realised on the disposal of the Prime Shares may be used to offset other capital gains derived by a Prime Shareholder in the income year in which the capital loss is realised, or may be carried forward to offset capital gains derived by the shareholder in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Prime Shareholders should obtain their own tax advice in relation to the operation of these rules.

Some Prime Shareholders may be able to disregard a capital gain or capital loss from the disposal of their Prime Shares where their Prime Shares were acquired, or taken to be acquired, before 20 September 1985.

#### **13.3.2 Capital proceeds**

The capital proceeds for the CGT event arising from the disposal of Prime Shares under the Scheme is expected to be the Scheme Consideration received by a Prime Shareholder, which for each Prime Share will comprise the New Seven Shares.

In working out the amount that should be included in the capital proceeds for the CGT event, the market value of the New Seven Shares should be determined at the Implementation Date.

#### **13.3.3 Cost base**

The cost base and reduced cost base of Prime Shares will generally include the amount paid, or the market value of any property given, to acquire the Prime Shares,

plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the Prime Shareholders. The cost base of each Prime Share will depend on the individual circumstances of each Prime Shareholder.

#### **13.3.4 CGT discount**

Generally, Australian resident Prime Shareholders who are individuals, trusts, and complying superannuation funds that have held Prime Shares for at least 12 months at the time of disposal should be entitled to a CGT discount in calculating the amount of any capital gain on the disposal of their Prime Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Prime Shares is 50% in the case of individuals and trusts or 33 1/3% in the case of Australian complying superannuation entities. The CGT discount is not available for Prime Shareholders that are companies.

Prime Shareholders who acquired some or all of their Prime Shares prior to 21 September 1999 may be able to apply the indexation regime to increase the cost base of those Prime Shares. Any Prime Shareholder that elects to index the cost base of their Prime Shares cannot apply the CGT discount.

As the rules relating to discount capital gains for trusts are complex, Prime recommends that Prime Shareholders who are trustees seek their own independent advice on how the CGT discount provisions will apply to them and the trusts' beneficiaries.

#### **13.4 CGT scrip for scrip roll-over relief**

It is expected that the availability of CGT scrip for scrip roll-over relief for Prime Shareholders will be addressed in the Class Ruling requested by Prime. Prime Shareholders should refer to the Class Ruling once published. The commentary below is subject to the Commissioner's determination in respect of these matters.

An Australian resident Prime Shareholder who disposes of their Prime Shares in exchange for New Seven Shares, and who would otherwise make a capital gain in respect of the disposal of their Prime Shares, may choose to obtain CGT scrip for scrip roll-over relief under subdivision 124-M of the ITAA 1997. Roll-over is not available if a Prime Shareholder realises a capital loss on the disposal of their Prime Shares.

If, and to the extent that, scrip for scrip roll-over relief is available and chosen by a Prime Shareholder, the capital gain that would otherwise arise will be disregarded.

Seven will not make a choice under section 124-795(4) of the ITAA 1997 to deny Prime Shareholders obtaining scrip for scrip roll-over relief.

If CGT roll-over relief under subdivision 124-M of the ITAA 1997 is available, and a Prime Shareholder elects to apply roll-over relief, then:

- a capital gain that the Prime Shareholder makes from the disposal of their Prime Shares under the Scheme should be disregarded and deferred until a subsequent taxable event occurs in respect of the New Seven Shares; and
- for the purpose of determining the CGT cost base and reduced cost base of the New Seven Shares, the sum of the CGT cost base and reduced cost base of the Prime

Shareholder's Prime Shares will be reasonably apportioned between the New Seven Shares issued to the Prime Shareholder.

In these circumstances, the Prime Shareholder should be taken to have acquired the New Seven Shares under the Scheme:

- for general CGT purposes, on the Implementation Date; and
- for the purposes of applying the CGT discount to any future dealings in the New Seven Shares, on the date they acquired the relevant Prime Shares.

The Prime Shareholder must make a choice to apply CGT roll-over relief by the day they lodge an income tax return for the income year in which the Implementation Date occurs, which choice can be evidenced by excluding the disregarded capital gain from assessable income in the Prime Shareholder's income tax return. There is no need to lodge a separate notice with the ATO.

### **13.5 Where scrip for scrip roll-over is not chosen or available**

Where a Prime Shareholder is not eligible for, or does not choose, CGT roll-over relief:

- any capital gain or capital loss made by the Prime Shareholder from the disposal of their Prime Shares will be taken into account in calculating the shareholder's 'net capital gain' (see above) for the income year ending 30 June 2020; and
- the first element of the cost base and reduced cost base of each New Seven Share that the Prime Shareholder receives should be equal to the market value of the Prime Shares disposed of on the date the New Seven Share is issued.

The 'acquisition date' of the New Seven Shares should be the Implementation Date. This will be relevant for the purposes of determining whether the Prime Shareholder can be eligible for the CGT discount in relation to a subsequent disposal of the New Seven Shares.

### **13.6 Non-Australian tax resident Prime Shareholders**

For a Prime Shareholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their Prime Shares at any time in carrying on a business through a permanent establishment in Australia,

the disposal of the Prime Shares will generally only result in Australian CGT implications if, in broad terms:

- that Prime Shareholder together with their associates held an interest of 10% or more in Prime at the time of disposal or for a 12-month period within two years preceding the disposal (referred to as a 'non-portfolio interest'); and
- more than 50% of the market value of Prime's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation).

On the basis that less than 50% of the market value of Prime's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), Prime Shareholders who are non-Australian tax residents should generally be able to disregard any Australian capital gain or loss otherwise arising as a result of the disposal of the Prime Shares.

A non-resident individual Prime Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their Prime Shares from CGT event A1 on ceasing to be an Australian tax resident may be subject to Australian CGT consequences on disposal of their Prime Shares.

Prime Shareholders who are non-Australian tax residents should seek their own independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

### **13.7 Foreign Resident Capital Gains Withholding**

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding' obligation (calculated by reference to the Scheme Consideration) on Seven if:

- Seven considers or reasonably believes that a Prime Shareholder is a foreign resident; and
- the Prime Shareholder satisfies the “non-portfolio interest” test referred to above.

On the basis that less than 50% of the market value of Prime's assets is, and will be on the Implementation Date, attributable to direct and indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), the foreign resident capital gains withholding regime should not apply to Seven's acquisition of Prime Shares from a Prime Shareholder, and accordingly Seven should not be required to withhold any amount from the Scheme Consideration on account of the withholding.

### **13.8 GST**

There should be no GST payable in respect of the sale of Prime Shares under the Scheme. Where a Prime Shareholder is not registered or required to be registered for GST, the sale will be outside the scope of the GST. Otherwise, the sale of the Prime Shares will be an input taxed financial supply. Where this is the case, Prime Shareholders should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of the Prime Shares.

### **13.9 Stamp Duty**

No stamp duty should be payable by Prime Shareholders on the disposal of Prime Shares, or the acquisition of New Seven Shares, under the Scheme.

Any stamp duty payable in connection with the transfer of the Prime Shares to Seven, or the acquisition of New Seven Shares by Prime Shareholders, must be paid by Seven.

## 14. Information relating to Prime Directors

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### 14.1 Interests of Prime Directors in Prime Shares

The table below lists the Relevant Interests of Prime Directors in Prime Shares as at the date of this Booklet:

Prime Director	Position	Number of Prime Shares held	Relevant Interest in Prime Shares
John Hartigan	Non-Executive Chair	42,750	0.017%
Ian Audsley	CEO and Executive Director	973,940	0.266%
Ian Neal	Non-Executive Director	40,000	0.011%
Peter Macourt	Non-Executive Director	Nil	0.00%
Cass O'Connor	Non-Executive Director	75,000	0.020%
Robbie Sefton	Non-Executive Director	Nil	0.00%

Prime Directors who hold Prime Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration in respect of each Scheme Share they hold.

Each Prime Director intends to vote, or cause to be voted, all Prime Shares held or controlled by them (being the Prime Shares in which they have a Relevant Interest) in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Prime Shareholders.

### 14.2 Interests of Prime Directors in Seven Shares

No Prime Director holds, or has any interest in, marketable securities of Seven or any other member of the Seven Group

### 14.3 Interests of Prime Directors in contracts of Seven

No Prime Director has an interest in any contract entered into by Seven.

### 14.4 Dealings of Prime Directors in Seven Shares and Prime Shares

There has been no dealing by any of the Prime Directors in any marketable securities of Prime or Seven or any other member of the Seven Group or Prime Group in the four months preceding the Last Practicable Date.

### 14.5 Other interests of Prime Directors

Other than as noted above and as set out in section 14.6 below, no Prime Director has any other interest, whether as a director, member or creditor of Seven or otherwise, which is material to the Scheme, other than in their capacity as a holder of Prime Shares.

### 14.6 Agreements or arrangements with Prime Directors and executive officers

Prime and Ian Audsley, Chief Executive Officer and Executive Director of the Prime Group, have entered into a contract the effect of which is that Mr Audsley will retire from his position

as Chief Executive Officer and Executive Director of the Prime Group on the date that the Scheme is Implemented. Prime will pay Mr Audsley up to \$1,237,000 (in aggregate) in connection with this retirement from office, excluding payment in respect of accrued statutory entitlements (for example, annual and long service leave) and the super guarantee, which will be paid in addition to that amount.

Prime and John Palisi, Chief Financial Officer and Company Secretary of the Prime Group, have entered into a contract the effect of which is that Mr Palisi will retire from his position as Chief Financial Officer and Company Secretary of the Prime Group on the date that the Scheme is Implemented. Prime will pay Mr Palisi up to \$368,000 (in aggregate) in connection with this retirement from office, excluding payment in respect of accrued statutory entitlements (for example, annual and long service leave) and the super guarantee, which will be paid in addition to that amount.

#### **14.7 Payments and other benefits to directors, secretaries or executive officers of Prime**

As detailed in Prime's annual report for the year ended 30 June 2019, Prime has an executive performance plan in place that consists of a short-term incentive plan and a long-term incentive plan (the *Incentive Plans*). Under the terms of the Incentive Plans, if the Scheme is implemented, participating executive officers will be entitled to receive a portion of the incentives that may have been available to them under the terms of the Incentive Plans. The payments that will be made to executive officers in accordance with the Incentive Plans are included in the amounts detailed in section 14.6.



## 15. Additional Information

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### 15.1 Suspension of trading of Prime Shares

Prime Shares will be suspended from trading on ASX from close of trading on the Effective Date (currently expected to be Friday, 20 December 2019).

### 15.2 Summary of Scheme Implementation Deed

On 17 October 2019, Prime and Seven entered into a Scheme Implementation Deed which sets out the steps required to be taken by the parties to give effect to the Scheme. The Scheme Implementation Deed contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Prime's obligation to conduct its business in the ordinary course during the Scheme process.

The key terms of the Scheme Implementation Deed are summarised below. A full copy of the Scheme Implementation Deed is attached to Prime's ASX announcement on 18 October 2019, which can be obtained from [www.asx.com.au](http://www.asx.com.au).

#### 15.2.1 Conditions Precedent

Implementation of the Scheme is subject to the Conditions Precedent, which are summarised in section 8.7. Clause 3.3 of the Scheme Implementation Deed sets out which party can waive each of the Conditions Precedent.

- (i) **Regulatory approvals:** before 5.00pm on the Business Day before the Second Court Date:
  - (A) **ACCC:** Seven has received written notification that:
    - (1) based on the information provided to the ACCC, the ACCC does not propose to intervene in the acquisition by Seven of the Scheme Shares pursuant to section 50 of the CCA (whether or not the notification also states that the ACCC reserves its position if other material information emerges);
    - (2) based on the information provided to the ACCC and the acceptance by the ACCC of written undertakings provided or agreed to be provided to the ACCC, the ACCC does not propose to intervene in the acquisition by Seven of the Scheme Shares pursuant to section 50 of the CCA (whether or not the notification also states that the ACCC reserves its position if other material information emerges);
    - (3) authorisation of the acquisition by Seven of the Scheme Shares is granted by the Australian Competition Tribunal under Part VII of the CCA and no application to the Federal Court of Australia has been made for judicial review of the decision of the Australian Competition Tribunal within the prescribed period; or
    - (4) the Federal Court of Australia makes orders or declares that the acquisition by Seven of the Scheme Shares will not contravene section 50 of the CCA,

**(Competition Approval).**

- (B) **ACMA:** ACMA has given its approval under section 61AJ(4) of the BSA in respect of the Transaction on terms and conditions satisfactory to Seven and Prime (each acting reasonably) (**ACMA Approval**) and that approval remains in full force and effect in all respects and has not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before 8.00am on the Second Court Date;
  - (C) **ASIC and ASX:** ASIC and ASX issue or provide all other relief, waivers, confirmations, exemptions, consents or approvals, and do all other acts, necessary, or which Prime and Seven agree are desirable, to implement the Scheme and such reliefs, waivers confirmations, exemptions, consents, approvals or other acts (as the case may be) remain in full force and effect in all respects and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before 8.00am on the Second Court Date; and
  - (D) **other:** any other approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency, to implement the Scheme are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects, and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before 8.00am on the Second Court Date.
- (ii) **Shareholder approval:** Prime Shareholders agree to the Scheme at the Scheme Meeting by the Requisite Majority under subparagraph 411(4)(a)(ii) of the Corporations Act.
  - (iii) **Independent Expert:** the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interest of Prime Shareholders before the time when the Booklet is registered by ASIC.
  - (iv) **Court approval:** the Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act.
  - (v) **Restraints:** between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date:
    - (A) there is not in effect any temporary, preliminary or final order, injunction, decision or decree issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition;
    - (B) no action or investigation is announced, commenced or threatened by any Government Agency; and
    - (C) no application is made to any Government Agency, in consequence of, or in connection with, the Scheme which:
    - (D) restrains, prohibits or otherwise materially adversely affects (or could reasonably be expected to restrain, prohibit or otherwise materially adversely affect) the Scheme, completion of the Transaction or the

rights of Seven in respect of Prime or the Prime Shares to be acquired under the Scheme; or

- (E) requires the divestiture by Seven of any Prime Shares or the divestiture of any assets of the Seven Group or the Prime Group, unless such order, injunction decision, decree, action, investigation or application has been disposed of to the satisfaction of Seven and Prime (each acting reasonably), or is otherwise no longer effective or enforceable, by 8.00am on the Second Court Date.
- (vi) **Prime Prescribed Occurrence:** no Prime Prescribed Occurrence between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date and remains unremedied as at 8.00am on the Second Court Date.
- (vii) **Seven Prescribed Occurrence:** no Seven Prescribed Occurrence occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date and remains unremedied as at 8.00am on the Second Court Date.
- (viii) **Prime Regulated Event:** no Prime Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date, and remains unremedied as at 8.00am on the Second Court Date.
- (ix) **Seven Regulated Event:** no Seven Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date and remains unremedied as at 8.00am on the Second Court Date.
- (x) **New Seven Shares:** the New Seven Shares to be issued pursuant to the Scheme are approved for official quotation by ASX by 8.00am on the Second Court Date (provided that any such approval may be subject to the customary conditions) and that approval remains in full force and effect in all respects (subject to those customary conditions), and has not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before 8.00am on the Second Court Date.

### 15.2.2 Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Prime. These arrangements are in line with market practice and may be summarised as follows:

- (i) **No Shop:** during the Exclusivity Period, Prime must not, and must ensure that each of its Related Persons and Related Bodies Corporate and the Related Persons of those Related Bodies Corporate do not, solicit, invite, encourage or initiate (including by the provision of non-public information to any third party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal; or
- (ii) **No Talk:** during the Exclusivity Period, Prime must not, and must ensure that each of its Related Persons and Related Bodies Corporate and the Related Persons of those Related Bodies Corporate do not:

- (A) participate in or continue any negotiations or discussions, with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal;
- (B) negotiate, accept or enter into any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (C) disclose or otherwise provide or make available any material non-public information about the business or affairs of the Prime Group to a third party (other than a Government Agency that has the right to obtain that information and has sought it) in connection with, with a view to obtaining, or which would reasonably be expected to encourage or lead to the formulation, receipt or announcement of, an actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Prime Group); or
- (D) communicate to any person an intention to do anything referred to in the preceding paragraphs of this section 15.2.2(ii),

but nothing in this section 15.2.2(ii) prevents Prime from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Transaction.

However, Prime is not required to comply with the obligations summarised in section 15.2.2(ii) if compliance with that clause would, in the opinion of the Prime Board, formed in good faith after receiving written legal advice from its external legal advisers, constitute, or would be reasonably likely to constitute, a breach of any of the fiduciary or statutory duties of the directors of Prime.

- (iii) **Notification:** during the Exclusivity Period, Prime, as soon as practicable and not later than one Business Day, notify Seven in writing if it, or any of its Related Bodies Corporate or any of their respective Related Persons, becomes aware of any:
  - (A) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any inquiry, expression of interest, offer, proposal or discussion in relation to an actual, proposed or potential Competing Proposal;
  - (B) proposal made to Prime, any of its Related Bodies Corporate or any of their respective Related Persons in connection with, or in respect of any exploration or completion of, an actual, proposed or potential Competing Proposal; or
  - (C) provision by Prime, any of its Related Bodies Corporate or any of their respective Related Persons of any material non-public information concerning the business or operations of Prime or the Prime Group to any third party (other than a Government Agency) in connection with an actual, proposed or potential Competing Proposal.

- (iv) **Matching Right:** during the Exclusivity Period, Prime must:
- (A) not, and must ensure that its respective Related Bodies Corporate do not, enter into any legally binding agreement, arrangement or understanding to undertake or give effect to an actual, proposed or potential Competing Proposal; and
  - (B) use its best endeavours to procure that none of the Prime Directors publicly change their recommendation in favour of the Scheme or recommend an actual, proposed or potential Competing Proposal (provided that a statement that no action should be taken by Prime Shareholders pending the assessment of a Competing Proposal by the Prime Board and its advisers shall not contravene this clause),

unless:

- (C) the Prime Board acting in good faith and in order to satisfy what the Prime Directors consider to be their statutory or fiduciary duties (having received written legal advice from its external legal advisers) determines that the Competing Proposal would be or would be reasonably likely to be an actual, proposed or potential Superior Proposal;
- (D) Prime has provided Seven with all material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the third party making the actual, proposed or potential Competing Proposal;
- (E) Prime has given Seven at least 5 Business Days after the date of the provision of that information referred to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- (F) Seven has not announced or otherwise formally proposed to Prime a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 5 Business Day period referred to in subparagraph (iii) above.

If Seven formally proposes to Prime, or announces, amendments to the Scheme that the Prime Board, acting reasonably and in good faith, determines constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal (the **Counterproposal**) by the expiry of the 5 Business Day period in 15.2.2(iv)(E), then the parties must use their best endeavours to agree the amendments to the Scheme Implementation Deed and the Scheme that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable, and Prime must procure that each of the directors of Prime continue to recommend the Transaction (as modified by the Counterproposal) to Prime Shareholders.

These exclusivity arrangements are set out in full in clause 11 of the Scheme Implementation Deed.

### 15.2.3 Payment of Reimbursement Fee by Prime

Prime has agreed to pay Seven the Reimbursement Fee if in summary:

- (i) **Change in recommendation:** during the Exclusivity Period, one or more Prime Directors:
  - (A) fails to recommend that Prime Shareholders vote in favour of the Scheme at the Scheme Meeting;
  - (B) publicly withdraws, adversely revises or adversely qualifies his or her recommendation that Prime Shareholders vote in favour of the Scheme; or
  - (C) supports or endorses a Competing Proposal,  
other than:
    - (D) where the Independent Expert concludes that the Scheme is not in the best interests of Prime Shareholders other than where the conclusion is due wholly or primarily to the existence of a Competing Proposal; or
    - (E) in the circumstance where Prime is entitled to terminate the Scheme Implementation Deed for material breach of the Scheme Implementation Deed by Seven and Prime has given the appropriate termination notice to Seven.
- (ii) **Competing Proposal announced and transaction subsequently completing:** a Competing Proposal with respect to Prime is announced during the Exclusivity Period and, within 9 months of that announcement, any third party or any associate of that third party:
  - (A) completes a Competing Proposal of a kind referred to in any of paragraphs 2, 3, or 4 of the definition of Competing Proposal; or
  - (B) enters into an agreement, arrangement or understanding with Prime or the Prime Board of the kind referred to in paragraph 5 of the definition of Competing Proposal; or
- (iii) **Seven terminates the Scheme Implementation Deed:** subject to certain exceptions, Seven terminates the Scheme Implementation Deed due to:
  - (A) a material breach by Prime (where Prime has failed to remedy such breach within the required period); or
  - (B) a Prime Prescribed Occurrence or Prime Regulated Event occurs (where Prime has failed to remedy such breach within the required period); or
  - (C) a breach by Prime of a Prime Representation and Warranty (where Prime has failed to remedy such breach within the required period) which is material in the context of the Scheme taken as a whole,  
other than as a result of the occurrence of a matter contemplated by paragraph 22 or 27 of the definition of Prime Regulated Event.

However, the Reimbursement Fee is not payable if the Scheme nevertheless becomes Effective.

For full details of the Reimbursement Fee, see clause 12 of the Scheme Implementation Deed.

#### **15.2.4 Payment of Reimbursement Fee to Prime:**

Seven has agreed to pay Prime the Reimbursement Fee if in summary Prime terminates the Scheme Implementation Deed due to:

- (i) a material breach by Seven (where Seven has failed to remedy such breach within the required period); or
- (ii) a Seven Prescribed Occurrence or Seven Regulated Event occurs (where Seven has failed to remedy such breach within the required period); or
- (iii) a breach by Prime of a Prime Representation and Warranty (where Seven has failed to remedy such breach within the required period) which is material in the context of the Scheme taken as a whole,

other than as a result of the occurrence of a matter contemplated by paragraph 18 or 24 of the definition of Seven Regulated Event.

However, the Break Fee is not payable if the Scheme nevertheless becomes Effective.

For full details of the Break Fee, see clause 12 of the Scheme Implementation Deed.

#### **15.2.5 Termination**

The parties may terminate the Scheme Implementation Deed by agreeing to do so in writing.

Either Prime or Seven may terminate the Scheme Implementation Deed by written notice to the other party:

- (i) other than in respect of a breach of either a Seven Representation and Warranty or a Prime Representation and Warranty (which are dealt with separately), at any time before 8.00am on the Second Court Date if the other party has materially breached the Scheme Implementation Deed, the party entitled to terminate has given written notice to the party in breach of the Scheme Implementation Deed setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and the other party has failed to remedy the breach within 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given;
- (ii) at any time before 8.00am on the Second Court Date if the Court or another Government Agency (including any other court) has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Scheme to be implemented by the End Date, and the action or refusal has become final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of an appeal or review succeeding by the End Date;
- (iii) on the failure of a Condition Precedent in the circumstances set out in, and in accordance with, clause 3.4 of the Scheme Implementation Deed; or
- (iv) if the Effective Date for the Scheme has not occurred, or will not occur, on or before the End Date.

- (v) if:
  - (A) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied;
  - (B) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied by the time and date specified in the Scheme Implementation Deed for the satisfaction of that Condition Precedent or such Condition Precedent is otherwise not satisfied by that time and date; or
  - (C) it becomes more likely than not that the Scheme will not become Effective on or before the End Date,

and the parties have consulted in good faith to consider and are unable to agree whether i) the Transaction may proceed by way of alternative means or methods; ii) to change or adjourn the date of the Second Court Hearing; or iii) to extend the relevant date or End Date:

- (D) in the case of the event or occurrence contemplated by paragraph (v)(A), within five Business Days after the date on which notice of the event or occurrence is given to the other party;
- (E) in the case of an event or occurrence, or otherwise in the circumstances, contemplated by paragraph (v)(B), by five Business Days before the time and date specified in the Scheme Implementation Deed for the satisfaction of that Condition Precedent; or
- (F) in the case of the circumstances contemplated by paragraph (v)(C), by the End Date,

unless the relevant Condition Precedent is stated in the Scheme Implementation Deed to be for the sole benefit of the other party, or the relevant Condition Precedent has been waived or the party entitled to waive the relevant Condition Precedent confirms in writing to the other party that it will not rely on the event or occurrence that would or does prevent the relevant Condition Precedent from being satisfied.

Seven may terminate the Scheme Implementation Deed by written notice to Prime at any time before 8.00am on the Second Court Date if:

- (vi) a Prime Prescribed Occurrence or Prime Regulated Event occurs, and Seven has given written notice to Prime setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and Prime has not remedied the relevant matter within 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given; or
- (vii) any Prime Board Member:
  - (A) fails to recommend the Scheme in accordance with clause 5.4(a) of the Scheme Implementation Deed;
  - (B) publicly withdraws, adversely revises or adversely modifies his or her recommendation that Prime Shareholders vote in favour of the Scheme or his or her support for the Scheme; or
  - (C) makes a public statement indicating that they no longer recommend the Transaction or recommending, supporting or endorsing another



transaction (including any Competing Proposal but excluding a statement that no action should be taken by Prime Shareholders pending assessment of a Competing Proposal by the Prime Board).

Prime may terminate the Scheme Implementation Deed by written notice to Seven at any time before 8.00am on the Second Court Date if:

- (viii) a Seven Prescribed Occurrence or Seven Regulated Event occurs, and Prime has given written notice to Seven setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and Seven has not remedied the relevant matter within 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given; or
- (ix) the Prime Board or a majority of the Prime Board has changed, withdrawn or modified its recommendation as permitted under clause 5.4 of the Scheme Implementation Deed and, if applicable, Prime has paid the Reimbursement Fee to Seven.

Either party may, at any time prior to 8.00am on the Second Court Date, terminate the Scheme Implementation Deed for breach of a representation and warranty by the other party only if:

- (x) that party has given written notice to the party in breach setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
- (xi) the relevant breach continues to exist 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given to the party in breach; and
- (xii) the relevant breach is material in the context of the Scheme taken as a whole.

### **15.3 Consents and disclaimers**

The following parties have given, and have not withdrawn before the date of this Booklet, their consent to be named in this Booklet in the form and context in which they are named:

- Link as the manager of the Prime Share Register;
- EY as investigative accountant to Prime in relation to the Scheme;
- Allens as legal adviser and tax adviser to Prime in relation to the Scheme;
- KPMG, as auditor of Seven; and
- Ernst & Young, as auditor of Prime.

The Independent Expert has given, and has not withdrawn, its consent to be named in this Booklet and to the inclusion of the Independent Expert's Report in Appendix 1 to this Booklet and to the references to the Independent Expert's Report in this Booklet being made in the form and context in which each such reference is included.

Seven has given its consent to be named in this Booklet and to the inclusion of the Seven Information in this Booklet in the form and context in which that information is included.

Each person named in this section 15.3:

- has not authorised or caused the issue of this Booklet;

- does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than as specified in this section 15.3; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Booklet, other than a reference to its name and the statement (if any) included in this Booklet with the consent of that party as specified in this section 15.3.

#### **15.4 Status of regulatory conditions**

As at the date of this Booklet:

- **Competition approvals:** the necessary ACCC approval is yet to be obtained.
- **ACMA approval:** the necessary ACMA approval is yet to be obtained.
- **ASIC and ASX:** except as noted in section 15.5 the necessary ASIC and ASX approvals are yet to be obtained.
- **Other Approvals:** Prime is not aware of any other approvals, consents, or waivers required from a Government Agency in relation to the implementation of the Scheme.

An update on each regulatory condition will be provided at the scheme meeting.

#### **15.5 Regulatory relief and confirmations**

Prime has applied for, and ASX has granted, the following waivers and confirmations in relation to certain ASX Listing Rules as they apply to Prime:

- confirmation under ASX Listing Rule 15.1.3 that ASX does not object to the draft Booklet; and
- confirmation that the timetable for the implementation of the Scheme is acceptable to ASX.

#### **15.6 No unacceptable circumstances**

The Prime Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Prime that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

#### **15.7 Directors' statement**

The issue of this Booklet has been unanimously authorised by the Prime Board.

The Prime Board has given (and not withdrawn) its consent to lodgement of this Booklet with ASIC.

#### **15.8 No other material information**

Otherwise than as contained or referred to in this Booklet, including the Independent Expert's Report and the information that is contained in the Appendices to this Booklet, there is no other information as at the date of this Booklet that is material to the making of a decision by a Prime Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any Prime Director and which has not previously been disclosed to Prime Shareholders.

### **15.9 Benefits and fees given to Seven Directors and senior managers**

No fees or benefits have been given or agreed to be given to any Seven Director or senior manager in connection with the Scheme.

### **15.10 Fees incurred in connection with the Scheme**

The amount of the fees and expenses incurred by Prime in connection with the Scheme, including the fees and expenses of financial advisers, lawyers, accountants, and communication consultants, is estimated at approximately \$1,700,000 (excluding GST). This includes fee and expense estimates for professional services paid or payable to:

- Allens for acting as legal adviser and tax adviser to Prime (\$650,000);
- Lonergan Edwards & Associates Limited for acting as Independent Expert (\$240,000);
- Ernst & Young for acting as Investigating Accountant (\$180,000); and
- Communication, print and other transactional costs (\$210,000).

Other transaction costs (including in relation to the Share Registry) are estimated at \$580,000.

In aggregate, if the Scheme is not implemented, Prime expects to pay approximately \$1.7 million (excluding GST) in transaction costs.

### **15.11 Notice to Prime Shareholders in jurisdictions outside Australia**

The release, publication or distribution of this Booklet (electronically or otherwise) may be restricted by law or regulation in jurisdictions other than Australia and if you are outside Australia and come into possession of this Booklet, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Booklet has been prepared in accordance with the laws and regulations of Australia and the information contained in this Booklet may not be the same as that which would have been disclosed if this Booklet had been prepared in accordance with the laws and regulations outside Australia.

This Booklet and the Scheme do not in any way constitute an offer of shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

If you are an Ineligible Foreign Shareholder, you will not be able to receive New Seven Shares. New Seven Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on ASX, with the Sale Proceeds to be paid to Ineligible Foreign Shareholders, after deducting applicable brokerage costs, stamp duty, currency conversion costs and other selling costs, taxes and charges. See section 8.10.7 for further information.

Prime residents outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme.

For details regarding Ineligible Foreign Shareholders, you should refer to sections 8.2 and 8.10.7.

### **15.12 Notice to Prime Shareholders in New Zealand**

The New Seven Shares being issued under the Scheme are being issued to shareholders with registered addresses in New Zealand in reliance on the *Financial Markets Conduct (Incidental*

*Offers) Exemption Notice 2016*. This Booklet is not a product disclosure statement under the *Financial Markets Conduct Act 2013 (FMCA)* or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMCA or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

### **15.13 Supplementary disclosure**

If Prime becomes aware of any of the following between the date of lodgement of this Booklet for registration with ASIC and the Second Court Date:

- a material statement in this Booklet is false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Prime may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Prime Shareholders at their registered address as shown in the Prime Share Register; or
- posting a statement on Prime's website at [www.primemedia.com.au](http://www.primemedia.com.au),

as Prime in its absolute discretion considers appropriate.

## 16. Glossary and Interpretation

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### 16.1 Glossary

The meanings of the terms used in this Booklet are set out below.

<b>Term</b>	<b>Meaning</b>
<b>\$</b>	Australian dollars.
<b>AAS</b>	the Australian Accounting Standards.
<b>AASB</b>	the Australian Accounting Standards Board.
<b>ACCC</b>	the Australian Competition and Consumer Commission.
<b>ACMA</b>	the Australian Communications and Media Authority.
<b>ACMA Approval</b>	has the meaning given in section 15.2.1(i)(B).
<b>Appendix</b>	an appendix to this Booklet.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act included a reference to the Scheme Implementation Deed and Prime (when the associate reference relates to Seven) or Seven (when the associate reference relates to Prime) was the designated body.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market that it operates (i.e. the Australian Securities Exchange), as the context requires.
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ABN 49 008 504 532) as a holder of a licence to operate a clearing and settlement facility.
<b>ASX Settlement Operating Rules</b>	the operating rules of the clearing and settlement facility provided by ASX Settlement.
<b>ATO</b>	the Australian Taxation Office.
<b>Booklet</b>	this document dated 15 November 2019, including all of the Appendices to and the forms which accompany this Booklet.
<b>Break Fee</b>	\$600,000.
<b>BSA</b>	the <i>Broadcasting Services Act 1992</i> (Cth).
<b>Business Day</b>	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.
<b>BVOD</b>	broadcast video on demand
<b>CCA</b>	the <i>Competition and Consumer Act 2010</i> (Cth).
<b>CEO</b>	chief executive officer.
<b>CGT</b>	capital gains tax.
<b>CHESS</b>	the clearing house electronic subregister system of share transfers operated by ASX Settlement.
<b>Class Ruling</b>	has the meaning given to that term in section 13.2.

<b>Term</b>	<b>Meaning</b>
<b>Combined Group</b>	the combined Prime Group and Seven Group following implementation of the Scheme, of which Seven will be the parent company.
<b>Combined Group Pro-Forma Historical Financial Information</b>	has the meaning given to that term in section 11.5.1.
<b>Combined Group Pro-Forma Historical Statement of Cash Flows</b>	has the meaning given to that term in section 11.5.1.
<b>Combined Group Pro-Forma Historical Statement of Financial Position</b>	has the meaning given to that term in section 11.5.1.
<b>Combined Group Pro-Forma Historical Statement of Profit or Loss</b>	has the meaning given to that term in section 11.5.1.
<b>Commissioner</b>	the Commissioner of Taxation.
<b>Competing Proposal</b>	<p>any proposal, agreement, arrangement or transaction (or expression of interest therefor), which, if entered into or completed, would mean a third party (either alone or together with any Associate) may:</p> <ol style="list-style-type: none"> <li>1 directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Prime Shares;</li> <li>2 acquire Control of Prime;</li> <li>3 directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of the business or assets of the Prime Group;</li> <li>4 otherwise directly or indirectly acquire or merge with Prime; or</li> <li>5 require Prime to abandon, or otherwise fail to proceed with, the Scheme,</li> </ol> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p>
<b>Competition Approval</b>	has the meaning given in section 15.2.1(i)(A).
<b>Conditions Precedent</b>	the conditions precedent to the Scheme as set out in section 15.2.1.
<b>Control</b>	has the meaning given in section 50AA of the Corporations Act.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).

<b>Term</b>	<b>Meaning</b>
<b>Court</b>	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Prime and Seven.
<b>EBITDA</b>	has the meaning given in section 9.8.2.
<b>Effective</b>	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
<b>Effective Date</b>	the date on which the Scheme becomes Effective.
<b>Eligible Prime Shareholder</b>	any Prime Shareholder that is not an Ineligible Foreign Shareholder.
<b>End Date</b>	8 months after the date of the Scheme Implementation Deed, being 17 June 2020.
<b>Exclusivity Period</b>	the period from and including the date of the Scheme Implementation Deed to the earlier of: <ul style="list-style-type: none"> <li>• the date of termination of the Scheme Implementation Deed;</li> <li>• the End Date; and</li> <li>• the Effective Date.</li> </ul>
<b>EY</b>	Ernst & Young.
<b>Fairly Disclosed</b>	a reference to 'Fairly Disclosed' means disclosed to Seven or Prime (as applicable) or any of its Related Persons, to a sufficient extent, and in sufficient detail, so as to enable a reasonable person (or one of its Related Persons) experienced in transactions similar to the Transaction and experienced in a business similar to any business conducted by the Prime Group or the Seven Group (respectively), to identify the nature and scope of the relevant matter, event or circumstance (including, in each case, that the potential financial effect of the relevant matter, event or circumstance was reasonably ascertainable from the information disclosed).
<b>Financial Indebtedness</b>	any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any: <ol style="list-style-type: none"> <li>1 bill, bond, debenture, note or similar instrument;</li> <li>2 acceptance, endorsement or discounting arrangement;</li> <li>3 guarantee;</li> <li>4 finance or capital lease;</li> <li>5 agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or</li> <li>6 obligation to deliver goods or provide services paid for in advance by any financier.</li> </ol>
<b>FIRB</b>	the Australian Foreign Investment Review Board.

<b>Term</b>	<b>Meaning</b>
<b><i>First Court Date</i></b>	the first day on which an application made to the Court for an order under section 411(4)(a) of the Corporations Act convening the Scheme Meeting is heard.
<b><i>FY18</i></b>	financial year ended or ending, in respect of Prime and Seven, 30 June 2018.
<b><i>FY19</i></b>	financial year ended or ending, in respect of Prime, 30 June 2019, and in respect of Seven, 29 June 2019.
<b><i>FY20</i></b>	financial year ended or ending, in respect of Prime, 30 June 2020, and in respect of Seven, 27 June 2020.
<b><i>Government Agency</i></b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
<b><i>IFRS</i></b>	International Financial Reporting Standards.
<b><i>Implementation Date</i></b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
<b><i>Independent Expert</i></b>	Lonergan Edwards.
<b><i>Independent Expert's Report</i></b>	the report by the Independent Expert, a copy of which is set out in Appendix 1.
<b><i>Ineligible Foreign Shareholders</i></b>	a Scheme Shareholder whose address shown in the Prime Share Register on the Scheme Record Date is a place outside Australia and its external territories or outside New Zealand, unless Seven and Prime agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Seven Shares when the Scheme becomes Effective.
<b><i>Insolvency Event</i></b>	means, in relation to an entity: <ol style="list-style-type: none"> <li>1 the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days);</li> <li>2 a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets;</li> <li>3 the entity executing a deed of company arrangement;</li> <li>4 the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of the Scheme Implementation Deed;</li> <li>5 the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation) or is otherwise presumed to be insolvent under the Corporations Act unless the entity has, or has access to, committed financial support from its parent entity such that it is able to pay its debts; or</li> </ol>



<b>Term</b>	<b>Meaning</b>
	6 the entity being deregistered as a company or otherwise dissolved, except in the case of an entity with less than \$50,000 in net assets as at the date of the Scheme Implementation Deed.
<b>Investigating Accountant</b>	EY.
<b>Independent Limited Assurance Report</b>	the report prepared by the Investigating Accountant dated 15 November 2019 set out in Appendix 2.
<b>ITAA</b>	the <i>Income Tax Assessment Act 1936</i> (Cth).
<b>ITAA 1997</b>	the <i>Income Tax Assessment Act 1997</i> (Cth).
<b>Last Practicable Date</b>	14 November 2019, being the last practicable trading day before the printing of this Booklet.
<b>Link</b>	Link Market Services Limited (ACN 083 214 537).
<b>Listing Rules</b>	the listing rules of ASX.
<b>Lonergan Edwards</b>	Lonergan Edwards and Associates Limited (ACN 095 445 560).
<b>Net Debt</b>	in respect of Prime, has the meaning given in section 9.8.2, and in respect of Seven, has the meaning given in section 10.3.2.
<b>New Seven Share</b>	a new Seven Share to be issued under the terms of the Scheme as Scheme Consideration.
<b>Nine Entertainment</b>	Nine Entertainment Co. Holdings Limited (ACN 122 203 892).
<b>Non-IFRS Financial Measures</b>	in respect of Prime, has the meaning given in section 9.8.2, and in respect of Seven, has the meaning given in section 10.3.2.
<b>Notice of Scheme Meeting</b>	the notice set out in Appendix 5 to convene the Scheme Meeting.
<b>OTT</b>	has the meaning given in section 10.2.2(b).
<b>Pacific</b>	Seven's magazine publishing business, known as Pacific Magazines, operated by Seven's subsidiary, Pacific Magazines Pty Limited.
<b>Prime</b>	Prime Media Group Limited (ACN 000 764 867) of 363 Antill Street, Watson ACT 2602 and, where the context requires, its subsidiaries from time to time.
<b>Prime Board</b>	the board of directors of Prime.
<b>Prime Director</b>	a director of Prime.
<b>Prime Disclosure Materials</b>	<ol style="list-style-type: none"> <li>1 the documents and information contained in the data room made available by Prime to Seven and its Related Persons, the index of which has been initialled by, or on behalf of, the parties for identification;</li> <li>2 written responses from Prime and its Related Persons to requests for further information made by Seven and its Related Persons, a copy of which has been initialled by, or on behalf of, the parties for identification; and</li> <li>3 documents and information otherwise exchanged between Prime (and its Related Persons) and Seven (and its Related Persons) prior to the date of the Scheme Implementation Deed, a written</li> </ol>

Term	Meaning
	description of which has been initialled by, or on behalf of, the parties for identification.
<b>Prime Group</b>	Prime and each of its Subsidiaries, and a reference to a Prime Group Member or a member of the Prime Group is to Prime or any of its Subsidiaries (excluding, until implementation of the Scheme, any member of the Seven Group).
<b>Prime Historical Financial Information</b>	has the meaning given to that term in section 9.8.
<b>Prime Information</b>	information regarding the Prime Group provided by Prime for inclusion in this Booklet (which, for the avoidance of doubt, does not include the Seven Information or the Independent Expert's Report or the Independent Limited Assurance Report).
<b>Prime Material Contract</b>	<p>any agreement, contract, deed or other arrangement, right or instrument (each of the foregoing things or matters being a <b>Right</b>) which:</p> <ol style="list-style-type: none"> <li>1 involves financial accommodation of at least \$2,000,000 to any member of the Prime Group;</li> <li>2 imposes obligations or liabilities on any party of at least \$1,000,000 per annum or \$4,000,000 over the life of the Right;</li> <li>3 contributes, or is reasonably likely to contribute \$2,000,000 per annum of consolidated EBITDA of the Prime Group; or</li> <li>4 is material in the context of the businesses of the Prime Group taken as a whole.</li> </ol>
<b>Prime Prescribed Occurrence</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1 required or expressly permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</li> <li>2 Fairly Disclosed in the Prime Disclosure Materials;</li> <li>3 required to respond to emergencies, including any event or circumstance that causes damage to property which has the effect that Prime is not able to broadcast;</li> <li>4 required by any applicable law or by a Government Agency (except where that requirement arises as a result of an action by a Prime Group member between the date of the Scheme Implementation Deed and the Implementation Date);</li> <li>5 undertaken in response to a Competing Proposal to the extent the action is expressly permitted by clause 11 of the Scheme Implementation Deed;</li> <li>6 allowed for (by way of overall category as opposed to specific item) in Prime's FY20 budget contained in the Prime Disclosure Materials;</li> <li>7 agreed to in writing by Seven; or</li> <li>8 Fairly Disclosed by Prime in an announcement made by Prime to ASX, or a publicly available document lodged by it with ASIC, in the</li> </ol>

Term	Meaning
	<p>2 year period prior to the date of the Scheme Implementation Deed,</p> <p>the occurrence of any of the following:</p> <p>9 Prime converting all or any of its shares into a larger or smaller number of shares;</p> <p>10 a member of the Prime Group resolving to reduce its share capital in any way;</p> <p>11 a member of the Prime Group:</p> <ul style="list-style-type: none"> <li>• entering into a buy-back agreement; or</li> <li>• resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> <p>12 a member of the Prime Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to a directly or indirectly wholly owned Subsidiary of Prime;</p> <p>13 a member of the Prime Group issuing or agreeing to issue securities convertible into shares;</p> <p>14 a material member of the Prime Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</p> <p>15 a material member of the Prime Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or</p> <p>16 an Insolvency Event occurs in relation to a member of the Prime Group.</p>
<b>Prime Regulated Event</b>	<p>other than as:</p> <p>1 required or expressly permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</p> <p>2 Fairly Disclosed in the Prime Disclosure Materials;</p> <p>3 required to respond to emergencies;</p> <p>4 required by any applicable law or by a Government Agency (except where that requirement arises as a result of an action by a Prime Group Member between the date of the Scheme Implementation Deed and the Implementation Date);</p> <p>5 undertaken in response to a Competing Proposal to the extent the action is expressly permitted by clause 11 of the Scheme Implementation Deed;</p> <p>6 agreed to in writing by Seven;</p> <p>7 allowed for (by way of overall category as opposed to specific item) in Prime's FY20 budget contained in the Prime Disclosure Materials;</p>

Term	Meaning
	<p>8 Fairly Disclosed by Prime in an announcement made by Prime to ASX, or a publicly available document lodged by it with ASIC, in the 2 year period prior to the date of the Scheme Implementation Deed;</p> <p>9 a result of the utilisation or drawing down, in the ordinary course of business, of any finance facilities existing as at the date of this Deed and Fairly Disclosed;</p> <p>10 a result of an agreement, contract, commitment or arrangement relating to the purchase or sale of advertising or commercial advertising airtime, the placement of advertising, or the production of advertising, entered into in the ordinary course of business, provided that Prime notifies Seven in writing (including reasonable details) promptly following entry into any such agreements, contracts, commitments or arrangements which require payments by the Prime Group in excess of \$1,000,000 (individually) or \$2,000,000 (in aggregate); or</p> <p>11 a result of a retention payment made by a member of the Prime Group to an employee where the aggregate of all such payments is \$250,000 or less,</p> <p>the occurrence of any of the following:</p> <p>12 a material Prime Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;</p> <p>13 a Prime Group Member acquiring or disposing of, or entering into or announcing any agreement for the acquisition or disposal of, any asset or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material adverse change in:</p> <ul style="list-style-type: none"> <li>• the manner in which Prime conducts its business;</li> <li>• the extent or value of the assets of Prime; or</li> <li>• the extent or value of the liabilities of Prime,</li> </ul> <p>in each case, in the context of the Prime Group as a whole;</p> <p>14 Seven becoming aware that the Prime Representation and Warranty in paragraph (j) of Schedule 4 of the Scheme Implementation Deed is inaccurate in any material way;</p> <p>15 Prime announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;</p> <p>16 a member of the Prime Group making any material change to its constitution;</p> <p>17 a member of the Prime Group:</p> <ul style="list-style-type: none"> <li>• acquiring, leasing or disposing of;</li> <li>• agreeing to acquire, lease or dispose of; or</li> <li>• offering, proposing, announcing a bid or tendering for,</li> </ul>

Term	Meaning
	<p>any business, assets, entity or undertaking, the value of which exceeds \$1,000,000 (individually) or \$2,000,000 (in aggregate);</p> <p>18 a member of the Prime Group:</p> <ul style="list-style-type: none"> <li>• entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by the Prime Group in excess of \$1,000,000 (individually) or \$2,000,000 (in aggregate) other than any payment required by law;</li> <li>• (without limiting the foregoing) agreeing to incur capital expenditure of more than \$1,000,000 per annum (individually) or \$2,000,000 per annum (in aggregate);</li> <li>• waiving any material third party default where the financial impact on the Prime Group will be in excess of \$1,000,000 (individually) or \$2,000,000 (in aggregate); or</li> <li>• accepting as a compromise of a matter less than the full compensation due to a member of the Prime Group where the financial impact of the compromise on the Seven Group is more than \$1,000,000 (individually) or \$2,000,000 (in aggregate);</li> </ul> <p>19 any member of the Prime Group entering into any transaction or agreement that continues beyond the Implementation Date on terms that are not arm's length commercial terms;</p> <p>20 any member of the Prime Group materially varying or terminating any Prime Material Contract;</p> <p>21 any member of the Prime Group entering into any agreement, contract, deed or other arrangement that would, if entered into, qualify as a Prime Material Contract;</p> <p>22 Prime being delisted or Prime shares being subject to suspension from quotation for 5 or more trading days;</p> <p>23 a member of the Prime Group providing financial accommodation other than to members of the Prime Group (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$1,000,000 (individually) or \$2,000,000 (in aggregate);</p> <p>24 a member of the Prime Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees whose total employment cost exceeds (or would exceed in the case of an agreement or arrangement not on foot on the date of the Scheme Implementation Deed) \$750,000 (<b>Prime Key Person</b>), to accelerate or otherwise materially increase compensation or benefits for any of any Prime Key Persons, in each case other than pursuant to:</p> <ul style="list-style-type: none"> <li>• contractual arrangements in effect on the date of the Scheme Implementation Deed; or</li> <li>• Prime's policies and guidelines in effect on the date of the Scheme Implementation Deed,</li> </ul>

Term	Meaning
	<p>provided that the increases in compensation or benefits for Prime Key Persons is no greater than 5% of that person's total employment cost as at the date of the Scheme Implementation Deed;</p> <p>25 a member of the Prime Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;</p> <p>26 a member of the Prime Group doing anything that would result in a change in the Prime consolidated tax group where that change could be reasonably expected to have a material adverse effect on Prime's business or operations or the value of Prime Shares; or</p> <p>27 notice of any material investigation, prosecution, arbitration, litigation or dispute threatened or fines or penalties (including interest) levied or threatened to be levied against a member of the Prime Group which could reasonably be expected to give rise to a liability for the Prime Group in excess of \$8,000,000 (<b>Material Proceedings</b>) or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. For the avoidance of doubt, Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that it relates to a matter Fairly Disclosed in the Prime Disclosure Materials or an insurer has agreed to cover the liability under an insurance policy maintained by a member of the Prime Group.</p>
<b>Prime Share</b>	a fully paid ordinary share in the capital of Prime.
<b>Prime Shareholder</b>	each person who is recorded in the Prime Share Register as the legal holder of a Prime Share.
<b>Prime Shareholder Information Line</b>	the information line set up for the purpose of answering enquiries from Prime Shareholders in relation to the Scheme, being on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia), Monday to Friday (excluding national public holidays in Australia) between 9.00am and 5.00pm (Sydney time).
<b>Prime Share Price</b>	the price of Prime Shares as quoted on ASX.
<b>Prime Share Register</b>	the register of members of Prime maintained in accordance with the Corporations Act.
<b>Prime Share Registry</b>	the share registry of Prime, being Link Market Services Limited (ACN 083 214 537).
<b>Program Supply Agreement</b>	has the meaning given in section 9.1.3.
<b>Reimbursement Fee</b>	\$600,000.
<b>Related Body Corporate</b>	has the meaning given in the Corporations Act.
<b>Related Person</b>	in respect of a party to the Scheme Implementation Deed or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate.

<b>Term</b>	<b>Meaning</b>
<b><i>Relevant Interest</i></b>	has the meaning given by sections 608 and 609 of the Corporations Act.
<b><i>Requisite Majority</i></b>	<p>in relation to the Scheme Resolution:</p> <ul style="list-style-type: none"> <li>• a majority in number (more than 50%) of Prime Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Prime Shareholders, by corporate representative); and</li> <li>• at least 75% of the total number of votes cast on the Scheme Resolution.</li> </ul>
<b><i>Restraint Event</i></b>	<ul style="list-style-type: none"> <li>• any temporary, preliminary or final order, injunction, decision or decree issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition;</li> <li>• any action or investigation that is announced, commenced or threatened by any Government Agency; and</li> <li>• any application made to any Government Agency,</li> </ul> <p>in consequence of, or in connection with, the Scheme which:</p> <ul style="list-style-type: none"> <li>• restrains, prohibits or otherwise materially adversely affects (or could reasonably be expected to restrain, prohibit or otherwise materially adversely affect) the Scheme, completion of the Transaction or the rights of Seven in respect of Prime or the Prime Shares to be acquired under the Scheme; or</li> <li>• requires the divestiture by Seven of any Prime Shares or the divestiture of any assets of the Seven Group or the Prime Group.</li> </ul>
<b><i>Sale Agent</i></b>	the entity (or entities) to be appointed by Seven and Prime (jointly) to sell the New Seven Shares that are attributable to Ineligible Foreign Shareholders, under the Sale Facility.
<b><i>Sale Facility</i></b>	the facility established for the sale of New Seven Shares on behalf of Ineligible Foreign Shareholders, as described in clause 5.3 of the Scheme.
<b><i>Sale Proceeds</i></b>	has the meaning given to that term in section 8.10.7(a).
<b><i>Scheme</i></b>	the members' scheme of arrangement under Part 5.1 of the Corporations Act between Prime and the Scheme Shareholders pursuant to which Prime Shareholders will transfer each of their Prime Shares to Seven in exchange for the Scheme Consideration, substantially in the form set out in Appendix 4 or in such other form as Prime and Seven agree in writing.
<b><i>Scheme Consideration</i></b>	the consideration to be provided by Seven to Scheme Shareholders under the Scheme for the transfer of each Prime Share held on the Scheme Record Date, as more fully described in section 8.3.
<b><i>Scheme Implementation Deed</i></b>	the implementation deed between Prime and Seven dated 17 October 2019 relating to the implementation of the Scheme and summarised in

<b>Term</b>	<b>Meaning</b>
	section 15.2, a copy of which was released in full to ASX on 18 October 2019.
<b><i>Scheme Meeting</i></b>	the scheme meeting of Prime Shareholders to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act to be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.
<b><i>Scheme Meeting Proxy Form</i></b>	the proxy form for the Scheme Meeting which forms part of this Booklet.
<b><i>Scheme Meeting Record Date</i></b>	10.00am on Tuesday, 17 December 2019, being the time and date for determining eligibility to vote at the Scheme Meeting.
<b><i>Scheme Record Date</i></b>	7.00pm (Sydney time) on the third Business Day after the Effective Date, or such other time as may be agreed to in writing by Seven and Prime, being the time and date which determines the entitlements of Prime Shareholders to Scheme Consideration for implementation of the Scheme.
<b><i>Scheme Resolution</i></b>	the resolution to approve the Scheme to be considered by Prime Shareholders at the Scheme Meeting, set out in the Notice of Scheme Meeting contained in Appendix 5.
<b><i>Scheme Share</i></b>	a Prime Share held by a Scheme Shareholder as at the Scheme Record Date.
<b><i>Scheme Shareholder</i></b>	a Prime Shareholder as at the Scheme Record Date.
<b><i>Second Court Date</i></b>	the first day of the Second Court Hearing, or, if the hearing is adjourned for any reason, the first day of the adjourned hearing.
<b><i>Second Court Hearing</i></b>	the hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
<b><i>Security Interest</i></b>	has the meaning given in section 51A of the Corporations Act.
<b><i>Seven</i></b>	Seven West Media Limited (ACN 053 480 845) of 8 Central Avenue, Eveleigh NSW 2015.
<b><i>Seven Board</i></b>	the board of directors of Seven.
<b><i>Seven Constitution</i></b>	the constitution of Seven adopted on 4 November 1999, as amended.
<b><i>Seven Deed Poll</i></b>	the deed poll dated 14 November 2019 executed by Seven relating to the Scheme, the terms of which are set out in Appendix 3.
<b><i>Seven Director</i></b>	a director of Seven.
<b><i>Seven Disclosure Materials</i></b>	<ol style="list-style-type: none"> <li>1 the documents and information contained in the data room made available by Seven to Prime and its Related Persons, the index of which has been initialled by, or on behalf of, the parties for identification;</li> <li>2 written responses from Seven and its Related Persons to requests for further information made by Prime and its Related Persons, a copy of which has been initialled by, or on behalf of, the parties for identification; and</li> </ol>



Term	Meaning
	<p>3 documents and information otherwise exchanged between Prime (and its Related Persons) and Seven (and its Related Persons) prior to the date of the Scheme Implementation Deed, a written description of which has been initialled by, or on behalf of, the parties for identification.</p>
<b>Seven Group</b>	<p>Seven and each of its Subsidiaries, and a reference to a <b>Seven Group Member</b> or a member of the Seven Group is to Seven or any of its Subsidiaries (excluding, until implementation of the Scheme, Prime and its subsidiaries).</p>
<b>Seven Historical Financial Information</b>	<p>has the meaning given to that term in section 10.3.</p>
<b>Seven Information</b>	<p>information provided by Seven to Prime in writing for inclusion in the Booklet regarding:</p> <ul style="list-style-type: none"> <li>• the Seven Group;</li> <li>• the Combined Group (other than the Prime Information contained in that information);</li> <li>• the Scheme Consideration;</li> <li>• Seven's intentions in relation to Prime Group's business, assets and employees; and</li> <li>• statements in the Scheme Booklet relating to the expected accretion in earnings per share resulting from the Scheme for Prime Shareholders and Seven Shareholders on a pro forma basis,</li> </ul> <p>which includes the information contained in the Letter from the Chairman of Seven and sections 10, 4.3 and 11, 12.4 and 12.5 but excludes the Prime Information, the Independent Expert's Report the Independent Limited Assurance Report, and any description of the tax effect of the transaction on Scheme shareholders prepared by an external adviser to Prime.</p>
<b>Seven Material Contract</b>	<p>any agreement, contract, deed or other arrangement, right or instrument (each of the foregoing things or matters being a <b>Right</b>) which:</p> <ol style="list-style-type: none"> <li>1 involves financial accommodation of at least \$20,000,000 to any member of the Seven Group;</li> <li>2 imposes obligations or liabilities on any party of at least \$15,000,000 per annum or \$60,000,000 over the life of the Right;</li> <li>3 contributes, or is reasonably likely to contribute \$15,000,000 per annum of consolidated EBITDA of the Seven Group; or</li> <li>4 is material in the context of the businesses of the Seven Group taken as a whole.</li> </ol>
<b>Seven Prescribed Occurrence</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1 required or expressly permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</li> <li>2 Fairly Disclosed in the Seven Disclosure Materials;</li> <li>3 required to respond to emergencies;</li> </ol>

Term	Meaning
	<p>4 required by any applicable law or by a Government Agency (except where that requirement arises as a result of an action by a Seven Group Member between the date of the Scheme Implementation Deed and the Implementation Date);</p> <p>5 agreed to in writing by Prime; or</p> <p>6 allowed for (by way of overall category as opposed to specific item) in Seven's FY20 outlook contained in the Seven Disclosure Materials;</p> <p>7 Fairly Disclosed by Seven in an announcement made by Seven to ASX, or a publicly available document lodged by it with ASIC, in the 2 year period prior to the date of the Scheme Implementation Deed,</p> <p>the occurrence of any of the following:</p> <p>8 Seven converting all or any of its shares into a larger or smaller number of shares;</p> <p>9 a member of the Seven Group resolving to reduce its share capital in any way;</p> <p>10 a member of the Seven Group:</p> <ul style="list-style-type: none"> <li>• entering into a buy-back agreement; or</li> <li>• resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> <p>11 a member of the Seven Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than:</p> <ul style="list-style-type: none"> <li>• to a directly or indirectly wholly owned Subsidiary of Seven; or</li> <li>• the issue of Seven Shares upon the vesting and/or exercise of Seven performance rights disclosed in Schedule 5 of the Scheme Implementation Deed;</li> </ul> <p>12 a member of the Seven Group issuing or agreeing to issue securities convertible into shares;</p> <p>13 a material member of the Seven Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</p> <p>14 a material member of the Seven Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or</p> <p>15 an Insolvency Event occurs in relation to a member of the Seven Group.</p>
<b>Seven Regulated Event</b>	<p>other than as:</p> <p>1 required or expressly permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</p>

Term	Meaning
	<p>2 Fairly Disclosed in the Seven Disclosure Materials;</p> <p>3 required to respond to emergencies;</p> <p>4 required by any applicable law or by a Government Agency (except where that requirement arises as a result of an action by a Seven Group Member between the date of the Scheme Implementation Deed and the Implementation Date);</p> <p>5 agreed to in writing by Prime;</p> <p>6 allowed for (by way of overall category as opposed to specific item) in Seven's FY20 outlook contained in the Seven Disclosure Materials;</p> <p>7 Fairly Disclosed by Seven in an announcement made by Seven to ASX, or a publicly available document lodged by it with ASIC, in the 2 year period prior to the date of the Scheme Implementation Deed,</p> <p>the occurrence of any of the following:</p> <p>8 a material Seven Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;</p> <p>9 a Seven Group Member acquiring or disposing of, or entering into or announcing any agreement for the acquisition or disposal of, any asset or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material adverse change in:</p> <ul style="list-style-type: none"> <li>• the manner in which Seven conducts its business;</li> <li>• the extent or value of the assets of Seven; or</li> <li>• the extent or value of the liabilities of Seven,</li> </ul> <p>in each case, in the context of the Seven Group as a whole;</p> <p>10 Prime becoming aware that the Seven Representation and Warranty in paragraph (j) of Schedule 3 of the Scheme Implementation Deed is inaccurate in any material way;</p> <p>11 Seven announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;</p> <p>12 a member of the Seven Group making any material change to its constitution;</p> <p>13 a member of the Seven Group:</p> <ul style="list-style-type: none"> <li>• acquiring, leasing or disposing of;</li> <li>• agreeing to acquire, lease or dispose of; or</li> <li>• offering, proposing, announcing a bid or tendering for,</li> <li>• any business, assets, entity or undertaking, the value of which exceeds \$15,000,000 (individually) or \$30,000,000 (in aggregate);</li> </ul> <p>14 a member of the Seven Group:</p>

Term	Meaning
	<ul style="list-style-type: none"> <li>• entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by the Seven Group in excess of \$15,000,000 (individually) or \$30,000,000 (in aggregate) other than any payment required by law;</li> <li>• (without limiting the foregoing) agreeing to incur capital expenditure of more than \$15,000,000 per annum (individually) or \$30,000,000 per annum (in aggregate);</li> <li>• waiving any material third party default where the financial impact on the Seven Group will be in excess of \$15,000,000 (individually) or \$30,000,000 (in aggregate); or</li> <li>• accepting as a compromise of a matter less than the full compensation due to a member of the Seven Group where the financial impact of the compromise on the Seven Group is more than \$15,000,000 (individually) or \$30,000,000 (in aggregate),</li> </ul> <p>15 any Seven Group Member entering into any transaction or agreement that continues beyond the Implementation Date on terms that are not arm's length commercial terms;</p> <p>16 any Seven Group Member materially varying or terminating any Seven Material Contract;</p> <p>17 any Seven Group Member entering into any agreement, contract, deed or other arrangement that would, if entered into, qualify as a Seven Material Contract;</p> <p>18 Seven being delisted or Seven shares being subject to suspension from quotation for 5 or more trading days;</p> <p>19 a member of the Seven Group providing financial accommodation other than to members of the Seven Group (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$15,000,000 (individually) or \$30,000,000 (in aggregate);</p> <p>20 a member of the Seven Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees whose total employment cost exceeds (or would exceed in the case of an agreement or arrangement not on foot on the date of the Scheme Implementation Deed) \$750,000 (<b>Seven Key Person</b>), to accelerate or otherwise materially increase compensation or benefits for any Seven Key Persons, in each case other than pursuant to:</p> <ul style="list-style-type: none"> <li>• contractual arrangements in effect on the date of the Scheme Implementation Deed; or</li> <li>• Seven's policies and guidelines in effect on the date of the Scheme Implementation Deed,</li> </ul> <p>provided that the increase in compensation or benefits for any Seven Key Persons is no greater than 5% of that person's total</p>

Term	Meaning
	<p>employment cost as at the date of the Scheme Implementation Deed;</p> <p>21 a member of the Seven Group paying any of its directors or employees a termination or retention payment where the aggregate of all such payments is greater than \$1,000,000, other than in accordance with contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the Seven Disclosure Materials;</p> <p>22 a member of the Seven Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;</p> <p>23 a member of the Seven Group doing anything that would result in a change in the Seven consolidated tax group where that change could be reasonably expected to have a material adverse effect on Seven's business or operations or the value of Seven Shares; or</p> <p>24 notice of any material investigation, prosecution, arbitration, litigation or dispute threatened or fines or penalties (including interest) levied or threatened to be levied against a member of the Seven Group which could reasonably be expected to give rise to a liability for the Seven Group in excess of \$30,000,000 (<b>Material Proceedings</b>) or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. For the avoidance of doubt, Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that it relates to subject matter Fairly Disclosed in the Seven Disclosure Materials or to the extent that an insurer has agreed to cover the liability under an insurance policy maintained by a member of the Seven Group.</p>
<b>Seven Share</b>	a fully paid ordinary share in the capital of Seven.
<b>Seven Shareholder</b>	a person who is registered in the Seven Share Register as a holder of Seven Shares from time to time.
<b>Seven Share Price</b>	the price of Seven Shares as quoted on ASX.
<b>Seven Share Register</b>	the register of members of Seven maintained in accordance with the Corporations Act.
<b>SGH</b>	has the meaning given to that term in section 10.1.2.
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
<b>Superior Proposal</b>	<p>means a bona fide Competing Proposal:</p> <ol style="list-style-type: none"> <li>1 of the kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal; and</li> <li>2 not resulting from a breach by Prime of any of its obligations under clause 11 of the Scheme Implementation Deed (it being understood that any actions by the Related Persons of Prime in breach of clause 11 of the Scheme Implementation Deed shall be deemed a breach by Prime for the purposes hereof),</li> </ol>

<b>Term</b>	<b>Meaning</b>
	<p>that the Prime Board, acting in good faith, and after receiving written legal advice from its external legal advisers, determines:</p> <p>3 is reasonably capable of being valued and completed; and</p> <p>4 would, if completed substantially in accordance with its terms, reasonably likely be more favourable to Prime Shareholders than the Transaction,</p> <p>in each case taking into account all terms and conditions and other aspects of the Competing Proposal and of the Transaction.</p>
<b><i>Underlying EBITDA</i></b>	in respect of Prime, has the meaning given in section 9.8.2, and in respect of Seven, has the meaning given in section 10.3.2.
<b><i>Treasurer</i></b>	the Treasurer of the Commonwealth of Australia.
<b><i>Transaction</i></b>	the acquisition of the Scheme Shares by Seven through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
<b><i>TV</i></b>	television.
<b><i>VWAP</i></b>	the volume weighted average trading price of the relevant securities, calculated by dividing the total value by the total volume of securities traded for the relevant period.
<b><i>WA Chess Investments</i></b>	WA Chess Investments Pty Ltd (ACN 636 006 347).

## 16.2 Interpretation

In this Booklet, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural 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 of and an annexure to this Booklet as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Booklet;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

**APPENDICES**

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**Appendix 1 – Independent Expert's Report**

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# LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors  
Prime Media Group Limited  
Suite 132 Jones Bay Wharf  
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Pyrmont NSW 2009

14 November 2019

## **Subject: Proposed acquisition by way of Scheme**

Dear Directors

### **Introduction**

- 1 On 18 October 2019, Prime Media Group Limited (Prime or the Company) announced that it and Seven West Media Limited (SWM) had entered into a Scheme Implementation Deed (the Agreement) on 17 October 2019 under which SWM will acquire all of the issued shares in Prime (the Proposed Transaction). Pursuant to the Agreement, Prime shareholders will receive 0.4582 SWM shares for each Prime share held (the Scheme Consideration).
- 2 The Proposed Transaction is to be implemented via a scheme of arrangement between Prime and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 Upon implementation of the Scheme, existing SWM shareholders will own 90% of the merged entity and Prime shareholders will own the remaining 10%.
- 4 Prime will request that the Court convene a meeting of Prime shareholders. Under the *Corporations Act 2001* (Cth) (Corporations Act), the Scheme is approved by Prime shareholders if a resolution in favour of the Scheme is passed by a majority in number of the Prime shareholders present and voting at the Scheme meeting (in person or by proxy), and by 75% of the votes cast on the resolution. If this occurs and the remaining conditions precedent as satisfied or waived (as applicable) a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all Prime shareholders who hold Prime shares as at the Scheme Record Date<sup>1</sup>, whether or not they voted for the Scheme (and even if they voted against the Scheme).

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<sup>1</sup> As defined in Schedule 1 of the Agreement. The Scheme Record Date is 7.00pm on the third business day after the Scheme becomes effective.



## Purpose of report

- 5 The Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Prime shareholders. In addition, the Prime Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of Prime shareholders.
- 6 Accordingly, the Directors of Prime have requested Lonergan Edwards & Associates Limited (LEA) to prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Prime shareholders and the reasons for that opinion<sup>2</sup>.
- 7 LEA is independent of Prime and SWM and has no other involvement or interest in the proposed Scheme.

## Summary of opinion

- 8 In our opinion, the Scheme is not fair but is reasonable to, and in the best interests of, Prime shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

## Value of Prime

- 9 We have assessed the value of Prime shares on a 100% controlling interest basis at between 21 cents per share to 24 cents per share based on the results of the following three valuation methodologies:

Prime – valuation	Cents per share	
	Low	High
Discounted cash flow (DCF)	20.5	23.2
Capitalisation of EBITDA <sup>(1)</sup>	20.8	24.1
Share price, adjusted for a control premium	22.9	25.0
Adopted range	21.0	24.0

**Note:**

- 1 Earnings before interest, tax, depreciation and amortisation (EBITDA).

- 10 As indicated above, there is a high degree of consistency regarding the equity value of Prime under all three methodologies.

## Value of Scheme Consideration

- 11 We have assessed the value of the SWM shares offered as consideration pursuant to the Scheme at between 40 cents and 45 cents per share. This range reflects the more recent trading range in SWM shares, and the volume weighted average price (VWAP) of SWM shares since the announcement of the Scheme on 18 October 2019 up to 14 November 2019 being 42.4 cents per share.

<sup>2</sup> Due to the nature of the Scheme, Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of Expert Reports* (RG 111) also requires the expert to provide an opinion on whether the Scheme is fair and reasonable.

- 12 On this basis, we have assessed the value of the Scheme Consideration to be received by Prime shareholders in the event that the Scheme is implemented at 18.3 cents to 20.6 cents per Prime share, as shown below:

Value of Scheme Consideration per Prime share		
	Low \$ per share	High \$ per share
Assessed realisable value of SWM shares <sup>(1)</sup> (cents per SWM share)	40.0	45.0
Scheme ratio	0.4582	0.4582
<b>Assessed value of the Scheme Consideration (cents per Prime share)</b>	<b>18.3</b>	<b>20.6</b>

- 13 Prime shareholders should note that the listed market price of SWM shares is subject to daily fluctuation. The price at which SWM shares may be sold may therefore be greater or less than our assessed realisable value of SWM shares of 40 cents to 45 cents per share.

### Fairness

- 14 Pursuant to RG 111, a scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for Prime shares is shown below:

Comparison of Scheme Consideration to value of Prime			
	Low cents per share	High cents per share	Mid-point cents per share
Value of Scheme Consideration	18.3	20.6	19.5
Value of 100% of Prime	21.0	24.0	22.5
<b>Extent to which the Scheme Consideration is less than the value of Prime</b>	<b>(2.7)</b>	<b>(3.4)</b>	<b>(3.0)</b>

- 15 As the Scheme Consideration is less than our assessed valuation range for Prime shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is not fair to Prime shareholders when assessed based on the Guidelines set out in RG 111.

### Reasonableness and in the best interests

- 16 Pursuant to RG 111, the Scheme may be “reasonable” if, despite not being “fair” but after considering other significant factors, in the opinion of the expert there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 17 RG 111 also states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a superior proposal.
- 18 Accordingly, we summarise below the likely advantages and disadvantages for Prime shareholders if the Scheme proceeds.

### ***Advantages***

19 The Scheme has the following benefits for Prime shareholders:

- (a) Prime shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The merged entity will also have enhanced financial scale (relative to Prime on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities
- (b) as Prime shareholders will collectively hold approximately 10% of the shares in the merged entity if the Scheme is implemented, Prime shareholders who retain their SWM shares received as consideration should benefit from the realisation of expected synergies from a combination of the businesses over time
- (c) as noted in Section VII, Prime shares have historically traded on significantly lower EBITDA multiples than SWM. We believe this discount reflects (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth and SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. However, as a result of the Scheme, Prime will be acquired by SWM and prima facie this discount should no longer apply. Consequently, we believe the value of Prime will be greater under SWM ownership and accordingly Prime shareholders should benefit from this value uplift over the medium term by virtue of their 10% collective ownership interest in SWM post implementation of the Scheme
- (d) the average relative value of both companies' share prices since 23 August 2019<sup>3</sup>, and in the one month period prior to the announcement of the Scheme (commencing 18 September 2019), are consistent with the exchange ratio under the Scheme. This analysis therefore indicates that the exchange ratio (i.e. 0.4582 shares in SWM for every Prime share) is reasonable and appropriate if considered as a merger / combination of the two businesses rather than a change in control transaction.

### ***Disadvantages***

20 The Scheme has the following disadvantages for Prime shareholders:

- (a) our assessed value of the Scheme Consideration is less than our assessed value range for Prime shares on a 100% controlling interest basis. As a result the Scheme Consideration is not fair under RG 111
- (b) whilst the value of the Scheme Consideration provides Prime shareholders with a modest premium above the listed market price of Prime shares immediately before the announcement of the Scheme, the premium is significantly below those observed in other change of control transactions
- (c) SWM has significantly higher debt levels than Prime. This higher debt level means that any significant decline in the merged group's profitability could have significant adverse consequences for the value of SWM shares. In contrast, Prime is expected to repay all its debt during FY20

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<sup>3</sup> Prime provided materially lower earnings guidance for FY20 after the market closed on 22 August 2019.

- (d) SWM's higher debt level also means that SWM is unlikely to reinstate dividend payments anytime soon, as free cash flow is more likely to be directed towards debt repayments. In contrast, Prime is more likely to be in a position to reinstate dividends, although management may be reluctant to do so given the impact of declining television advertising revenues on profitability.

## Conclusion

21 As indicated above there are significant advantages and disadvantages associated with the Scheme. Whilst our assessed value of the Scheme Consideration only provides Prime shareholders with a modest premium above recent trading prices prior to the announcement of the Scheme (and is not fair under RG 111), on balance we have concluded that the Scheme is reasonable to, and in the best interests of, Prime shareholders in the absence of a superior proposal because:

- (a) the exchange ratio (i.e. 0.4582 shares in SWM for every Prime share) is reasonable and appropriate if considered as a merger / combination of the two businesses rather than a change in control transaction
- (b) if the Scheme is implemented, Prime shareholders will acquire an interest in a much larger, more diversified business which is better placed to deal with the current challenges being faced by participants in the traditional media sector.

22 Accordingly, we consider the Scheme to be:

- (a) not fair but reasonable to Prime shareholders in the absence of a superior proposal; and
- (b) in the best interests of Prime shareholders in the absence of a superior proposal.

## Likelihood of an alternative proposal

23 Prime shareholders should note that on 30 October 2019 WA Chess Investments Pty Limited (WA Chess Investments) announced to the ASX that it had acquired 37.6 million Prime shares (representing 10.26% of the shares in Prime) between 9 September 2019 and 29 October 2019 at prices between 18.4 cents per share and 24 cents per share. WA Chess Investments has subsequently acquired a further 9.6 million shares at 20 cents per share, increasing its shareholding to approximately 12.89% of Prime (as at 5 November 2019)<sup>4</sup>.

24 Whilst the intentions of WA Chess Investments are unknown at the date of this report, in our view, there is some possibility that WA Chess Investments will put forward an alternative proposal for or in connection with Prime prior to the Scheme meeting.

## General

25 In preparing this report we have considered the interests of Prime shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

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<sup>4</sup> Based on a substantial shareholder notice filed by WA Chess Investments on 6 November 2019.

- 26 The impact of approving the Scheme on the tax position of Prime shareholders depends on the individual circumstances of each investor. Prime shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 27 The ultimate decision whether to approve the Scheme should be based on each Prime shareholder's assessment of their own circumstances. If Prime shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.
- 28 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Prime shareholders read the remainder of our report.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative

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## I Key terms of the Scheme

### Terms

- 29 On 18 October 2019, Prime Media Group Limited (Prime or the Company) announced that it and Seven West Media Limited (SWM) had entered into a Scheme Implementation Deed (the Agreement) under which SWM will acquire all of the issued shares in Prime (the Proposed Transaction). Pursuant to the Agreement, Prime shareholders will receive 0.4582 SWM shares for each Prime share held (the Scheme Consideration).
- 30 The Proposed Transaction is to be implemented via a scheme of arrangement between Prime and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised below).
- 31 Upon implementation of the Scheme, existing SWM shareholders will own 90% of the merged entity and Prime shareholders will own the remaining 10%.

### Conditions

- 32 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between Prime and SWM dated 17 October 2019<sup>5</sup>:
- (a) before the times set out in the Agreement, ASIC, the Australian Communications and Media Authority (ACMA), the Australian Competition and Consumer Commission (ACCC) and the Australian Securities Exchange (ASX) have issued or provided and not withdrawn such advice, consents or approvals as required to implement the proposed Scheme
  - (b) before the time set out in the Agreement, any other approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency, to implement the Scheme are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects, and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing)
  - (c) Prime shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act at the Scheme Meeting
  - (d) an independent expert issues a report which concludes that the Scheme is in the best interests of Prime shareholders before the date on which the Scheme Booklet is lodged with ASIC
  - (e) the Court approves the Scheme in accordance with s411(4)(b) of the Corporations Act
  - (f) on or before 8.00am on the Second Court Date, no Court or Government Agency issues any temporary, preliminary or final order, injunction, decision or decree, or announces, commences or threatens any action or investigation, and no application is made to any Government Agency, which:

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<sup>5</sup> Terms used in this paragraph are as defined in Schedule 1 of the Agreement.



- (i) restrains, prohibits or otherwise materially adversely affects (or could reasonably be expected to do so) the Scheme, completion of the Proposed Transaction or the rights of SWM in respect of Prime or the Prime shares to be acquired under the Scheme, or
- (ii) requires the divestiture by SWM of any Prime shares or the divestiture of any assets of SWM or Prime,

unless such order, injunction decision, decree, action, investigation or application has been disposed of to the satisfaction of SWM and Prime (each acting reasonably), or is otherwise no longer effective or enforceable

- (g) no Prime Prescribed Occurrence occurs and remains unremedied in respect of Prime on or before 8.00am on the Second Court Date
- (h) no Seven Prescribed Occurrence occurs and remains unremedied in respect of SWM on or before 8.00am on the Second Court Date
- (i) no Prime Regulated Event occurs and remains unremedied in respect of Prime on or before 8.00am on the Second Court Date
- (j) no Seven Regulated Event occurs and remains unremedied in respect of SWM on or before 8.00am on the Second Court Date
- (k) the SWM shares to be issued pursuant to the Scheme are approved for official quotation by the ASX and such approval remains in full force and effect and has not been withdrawn, revoked, suspended, restricted or amended by 8.00am on the Second Court Date.

33 In addition Prime has agreed that up until the End Date (as set out in Schedule 1 of the Agreement) it will:

- (a) not solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion by any person in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal
- (b) not participate in or continue any discussions or negotiations with any person in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal, and not enter into any agreement, arrangement or understanding regarding an actual, proposed or potential competing proposal (except where the Directors of Prime determine, after having received written advice from its legal advisors, that to not do so would be reasonably likely to breach their fiduciary duties or statutory obligations)
- (c) not provide any material non-public information to a third party for the purposes of enabling that party to table a competing proposal or which would reasonably be expected to encourage or lead to an actual, proposed or potential competing proposal
- (d) notify SWM as soon as practicable (and no later than one business day) if it receives a competing proposal or becomes aware of any negotiations, discussions or approaches or attempts to initiate any negotiations or discussion in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal

- (e) not enter into any legally binding agreement with a third party to give effect to a competing proposal or to publicly recommend a competing proposal unless Prime has:
  - (i) notified SWM that the Directors of Prime have determined that the competing proposal would or would be reasonably likely to be an actual, proposed or potential Superior Proposal,<sup>6</sup> and given SWM the details of the competing proposal, including details of the price and material terms and conditions of the competing proposal including the identity of the party making the competing proposal; and
- (f) given SWM at least five business days to provide a matching or superior proposal.

34 A break fee of \$600,000 is payable by either Prime to SWM or SWM to Prime in certain circumstances as specified in the Agreement.

### **Resolution**

35 Prime shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.

36 If the resolution is passed by the requisite majorities, Prime must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Prime shareholders who hold Prime shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

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<sup>6</sup> As defined in Schedule 1 of the Agreement.

## II Scope of our report

### Purpose

- 37 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to s411 of the Corporations Act.
- 38 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 39 SWM (and related parties Seven Group Holdings Limited or entities associated with Mr Kerry Stokes) do not currently have any shareholding in Prime and have no representation on the Prime Board. However, both a condition precedent to the Scheme and the Prime Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of Prime shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in Prime being held by SWM, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of Prime.
- 40 The Directors of Prime have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in Prime by SWM under the Scheme is fair and reasonable and in the best interests of Prime shareholders and the reasons for that opinion.
- 41 This report has been prepared by LEA for the benefit of Prime shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Prime shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Prime shareholders.
- 42 The ultimate decision whether to approve the Scheme should be based on each Prime shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

### Basis of assessment

- 43 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 44 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, in the opinion of the expert, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 45 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 46 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of Prime shareholders.
- 47 Our report has therefore considered:
- (a) the market value of 100% of the shares in Prime
  - (b) the value of the Scheme Consideration to be received by Prime shareholders, being 0.4582 SWM shares for each Prime share
  - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
  - (d) the extent to which a control premium is being paid to Prime shareholders
  - (e) the extent to which Prime shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (f) the listed market price of Prime shares, both prior to and subsequent to the announcement of the proposed Scheme
  - (g) the likely market price of Prime shares if the proposed Scheme is not approved
  - (h) the value of Prime to an alternative offeror and the likelihood of a higher alternative offer being made for Prime prior to the date of the Scheme meeting
  - (i) the advantages and disadvantages of the Scheme from the perspective of Prime shareholders
  - (j) other qualitative and strategic issues associated with the Scheme.

### **Limitations and reliance on information**

- 48 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 49 Our report is also based upon financial and other information provided by Prime and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 50 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Prime shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 51 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 52 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 53 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 54 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
  - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

### III Profile of Prime

#### Overview

55 Prime is a regional television broadcaster with a viewing area that covers northern and southern New South Wales (NSW), the Australian Capital Territory (ACT), Victoria, the Gold Coast and all of regional Western Australia (WA). The Company primarily operates the free-to-air (FTA) television networks PRIME7 and GWN7, which broadcast content largely through a program supply agreement (PSA) with SWM. Prime is headquartered in Pymont, Sydney and employs approximately 375 full time equivalent staff.

#### History

56 The foundations of Prime (formerly known as Prime Television Ltd) were established in 1986 upon the acquisition of a number of regional television stations in NSW. In 1996, Prime expanded into the regional WA television market, purchasing the Golden West Network (GWN) from Mr Kerry Stokes for \$71 million. At the time of the acquisition, GWN was the monopoly commercial television network in the regional WA area, however shortly after the acquisition, WIN Corporation Pty Ltd (WIN) purchased a licence to operate a second commercial FTA television service in the regional WA area. In March 1999, GWN became an affiliate of SWM, replacing the existing agreements with Nine Entertainment Co. Holdings Limited (Nine Entertainment). Since then, the operations of Prime have been impacted by the addition and disposal of a number of media business and assets. A summary of the more material acquisitions / divestments made by the Company are set out below:

#### Prime – history

Date	Key development
Aug 01	<ul style="list-style-type: none"> <li>Prime announced that it had sold its 50% stake in Azul Television, Argentina to JP Morgan for \$US67.5 million</li> </ul>
Dec 01	<ul style="list-style-type: none"> <li>Prime entered into a joint venture with Publishing and Broadcasting Limited (PBL) to grow Prime's business in New Zealand. Under the terms of the venture, PBL (which operated Nine Entertainment's network at the time) contributed, at no cost, all of its wholly owned programming for a period of five years. In return, PBL was granted an option to acquire 50% of the shares in Prime New Zealand at any time over the next five years for consideration equal to the amount of any funding contributed to the joint venture from commencement to the exercise of the option</li> </ul>
Nov 05	<ul style="list-style-type: none"> <li>In November 2005, Prime entered into an agreement with Sky Television to sell the Prime business in New Zealand for \$NZ30 million</li> </ul>
Mar 07	<ul style="list-style-type: none"> <li>Prime announced a cash takeover offer for Becker Group Limited, valuing the group's equity at \$26.1 million. The Becker Group operated on site broadcasting and television production businesses throughout Australia</li> </ul>
Apr 07	<ul style="list-style-type: none"> <li>Prime acquired approximately 15% in destra Corporation for around \$10.4 million. destra Corporation was an ASX listed digital media company</li> </ul>
Aug 07	<ul style="list-style-type: none"> <li>Prime acquired two radio stations operating in the Sunshine Coast of southeast Queensland for \$33.5 million</li> </ul>
Nov 08	<ul style="list-style-type: none"> <li>On 13 November 2008, destra Corporation (of which Prime had an equity investment) was placed into Voluntary Administration</li> </ul>
Sep 09	<ul style="list-style-type: none"> <li>Prime commenced the compulsory acquisition of Broadcast Production Services Limited (formerly known as Becker Group Limited)</li> </ul>
Jul 10	<ul style="list-style-type: none"> <li>Prime announced the sale of outside broadcast operator OnSite Broadcasting (NZ) Limited to Sky Television for \$NZ13.5 million</li> </ul>
Oct 10	<ul style="list-style-type: none"> <li>Prime announced the sale of its Australian outside broadcasting operations to Gearhouse Broadcast Pty Ltd for \$8.5 million (with a potential earn-out of \$3 million)</li> </ul>

### Prime – history

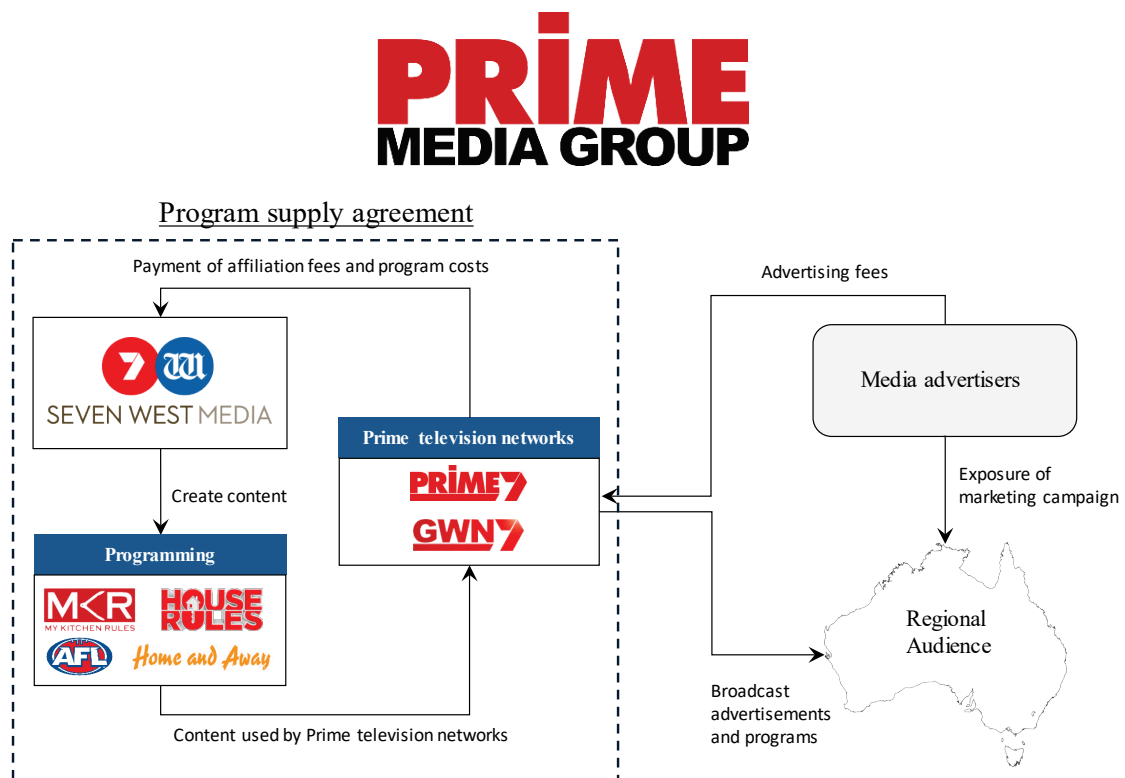
#### Date Key development

- Aug 13 • Prime announced the sale of its radio group, consisting of four AM and six FM licenses in regional Queensland to Grant Broadcasters Pty Limited for \$24.5 million

## Current operations

- 57 Prime operates from a Pyrmont head office and employs approximately 375 full time equivalent staff. The Company generates revenue from the broadcast of advertisements primarily across its FTA television networks PRIME7 and GWN7. A diagrammatic overview of Prime’s primary FTA television operations is set out below:

### Prime – FTA television operations



- 58 Prime’s FTA television networks broadcast to an audience which covers regional northern and southern NSW, the ACT, Victoria, the Gold Coast and all of regional WA. These regional areas provide Prime with the potential to reach an audience of over 5.5 million people. In FY19, Prime maintained its industry leadership in regional advertising revenue share and audience share for the seventh consecutive year, reporting a 41.5% revenue market share<sup>7</sup> and a 41% audience share<sup>8</sup>.

<sup>7</sup> Based on the aggregated markets of NSW and Victoria for the period 1 July 2018 to 30 June 2019.

<sup>8</sup> Based on all people 6.00am to midnight for the period 1 July 2018 to 30 June 2019 in the aggregated markets of NSW and Victoria.



### **Program supply agreement**

- 59 The majority of content which is shown on PRIME7 and GWN7 is supplied through a PSA with SWM (which operates the Seven Network). The Seven Network has developed a programming schedule that includes some of the biggest content brands including My Kitchen Rules, House Rules and Home and Away, as well as major sports such as the Australian cricket, Australian Football League (AFL) and the Olympic Games.
- 60 Prime extended its PSA with SWM for a further five years from 1 July 2018. Under the PSA, Prime is required to pay SWM an affiliation fee which is based on a percentage of gross television advertising revenues. Whilst the affiliation fee percentage is confidential, it should be noted that the affiliation fee will significantly increase in FY20 based on the terms of the agreement, to a percentage level that will be maintained for the remaining four year term.
- 61 It should also be noted that Prime holds no digital rights to the Seven Network's content, and that the Seven Network is now streaming and providing broadcast video on demand (BVOD) services in Prime's licence areas through the 7plus streaming service (which enables users to access the Seven Network's live television broadcast as well as catch-up television without needing to watch Prime's broadcast).

### **News programming**

- 62 PRIME7 and GWN7 are the number one local television news providers in their respective broadcast markets across regional Australia, accounting for more than 50% of the available audience. Details of the news programs delivered by these networks are set out below:
- (a) **PRIME7** – PRIME7 augments the Seven Network's news and current affairs services, producing six separate 30-minute local news bulletins each weekday for the Central West region of NSW, New England and the North West region of NSW, the North Coast of NSW, Wagga Wagga and the Riverina, and Albury-Wodonga. In addition to producing local news, PRIME7 produces a 6.30pm PRIME7 National News bulletin that, in the eastern states of Australia, follows the PRIME7 Local News at 6.00pm
  - (b) **GWN7** – provides the only local news bulletin on television for viewers in regional WA. The 30-minute local news bulletins are supplemented with local news and weather updates throughout the day and evening.

### **Other operations**

- 63 Prime also has a 50% interest in joint ventures that have acquired FTA television licenses in regional WA and in Mildura / Sunraysia, which it operates with related entities of WIN. The joint ventures broadcast Nine Entertainment programming in regional WA and Mildura.
- 64 Prime also broadcasts the television channel iShopTV in its broadcast licence areas in conjunction with Brand Developers Australia Pty Ltd (Brand Developers). Prime owns the iShop brand and is responsible for transmission services. Brand Developers is responsible for sourcing, producing and delivering content for the channel.



## Boomtown

65 During FY19, Prime (together with other regional television networks, radio stations and print and online publications<sup>9</sup>) created a new media-marketing platform, “Boomtown”. The platform, which was created in response to declining regional media advertising spends, aims to educate media buyers and advertisers on the value of regional media advertising and the spending power of people living outside the capital cities. The platform provides media buyers with insights and facts into the 8.8 million population of Australians living in regional areas, and provides access to regional media operators across a variety of mediums.

## Financial performance

66 The financial performance of Prime for the four years ended 30 June 2019 (FY19), is set out below:

<b>Prime – statement of financial performance<sup>(1)</sup></b>				
	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Revenue from customer contracts	235.1	237.4	220.0	207.8
Agency commissions	(19.2)	(19.6)	(19.9)	(17.1)
<b>Net sales<sup>(2)</sup></b>	<b>215.9</b>	<b>217.8</b>	<b>200.1</b>	<b>190.7</b>
Cost of sales	(112.0)	(106.3)	(100.9)	(101.5)
<b>Gross profit</b>	<b>103.9</b>	<b>111.5</b>	<b>99.1</b>	<b>89.2</b>
<b>EBITDA before significant items<sup>(4)</sup></b>	<b>53.4</b>	<b>63.6</b>	<b>47.1</b>	<b>38.5</b>
D&A (excluding program rights)	(8.6)	(8.3)	(8.0)	(7.2)
Amortisation of program rights	(1.7)	(1.7)	(1.7)	(4.7)
<b>EBIT<sup>(3)</sup> before significant items<sup>(4)</sup></b>	<b>43.1</b>	<b>53.6</b>	<b>37.5</b>	<b>26.6</b>
Net finance costs	(3.5)	(2.4)	(1.5)	(1.2)
Significant items <sup>(5)</sup>	(121.0)	0.5	(53.6)	(14.0)
<b>Profit / (loss) before tax</b>	<b>(81.3)</b>	<b>51.7</b>	<b>(17.6)</b>	<b>11.4</b>
Income tax expense	23.6	(15.4)	5.3	(4.1)
<b>Profit / (loss) after tax</b>	<b>(57.7)</b>	<b>36.2</b>	<b>(12.3)</b>	<b>7.3</b>
<i>Net revenue growth</i>	<i>na</i>	<i>0.9%</i>	<i>(8.2%)</i>	<i>(4.7%)</i>
<i>Underlying EBITDA margin<sup>(6)</sup></i>	<i>24.8%</i>	<i>29.2%</i>	<i>23.5%</i>	<i>20.2%</i>
<i>Underlying EBITDA growth</i>	<i>na</i>	<i>18.9%</i>	<i>(25.9%)</i>	<i>(18.3%)</i>

### Note:

1 Rounding differences exist.

2 Net sales revenue represents advertising and other external revenue (net of agency commissions), and excludes interest income, Government grants and other income.

3 Earnings before interest and tax (EBIT).

4 Includes share of profits / (losses) from associates.

5 Significant items comprise the following:

Impairment expense	(122.9)	-	(51.7)	(14.0)
Redundancies	(0.1)	(0.5)	(1.0)	-
Gain on sale of surplus assets	2.1	1.0	-	-
Non-recurring legal and consulting expenses	-	-	(0.9)	-
Total significant items	(121.0)	0.5	(53.6)	(14.0)

6 Based on net sales revenue.

<sup>9</sup> Other participants include Southern Cross Austereo, WIN Network, Grant Broadcasters, Australian Community Media, Imparja and News Corp Australia.

- 67 Over the period set out above, Prime's revenue and underlying EBITDA declined significantly as the regional television advertising market has faced increasing competition from national and international entertainment, news and information platforms. Growing competition from online media (such as YouTube and subscription video on demand (SVOD) services such as Netflix and Stan) has been a key factor behind the decline in regional FTA broadcasting industry revenue, as more viewers have streamed films and television programs online. In addition, most of these platforms do not have the same regulatory obligations that Prime does such as fees for broadcast spectrum, local content quotas, advertising time and category restrictions, drama and children's programming quotas and captioning for the hearing impaired. These regulatory obligations are increasingly expensive to meet and maintain, at a time when advertising revenue is falling, and have contributed to the decline in Prime's EBITDA margins over the above period.
- 68 In response to the decline in advertising revenue, in the more recent period, Prime has reduced employee costs by downsizing key management personnel. In prior periods Prime has outsourced key activities such as on-air playout services (in December 2016) and reduced management functions associated with the outsourcing. However, this has been offset by the significant increase in affiliation fees (as a percentage of gross television advertising revenue) pursuant to the long-standing program supply arrangements between SWM and Prime.

#### **FY20 outlook**

- 69 On 22 August 2019 as part of its FY19 results announcement, Prime management provided the following earnings guidance with respect to its FY20 results:

*“Overall, the regional television advertising market is subdued. Revenue pace for July and August was behind that of the prior period(s), throughout September however Prime typically experiences a late run for placement within the AFL Finals series.*

*We have limited visibility into the second quarter. Gains in certain national advertiser categories were softened by reduction in others, reflecting the current retail environment and soft consumer sentiment. However, discussions with advertisers point to an improvement in demand for Prime's major markets throughout the latter months of this calendar year.*

*At local level, TV ad markets are soft and look challenged going forward with consumer confidence impacted by prolonged drought conditions and the arrival of tech giants Google and Facebook in what have traditionally been 'local media' advertising markets.*

*Prime expects trading conditions to improve in the second half in the lead up to the 2020 Tokyo Olympics. However, as a result of the continued decline in regional markets and increased affiliation fees, Prime's earnings before interest tax depreciation & amortisation (EBITDA) for the 2020 financial year is forecast to be \$23.0M to \$25.0M, while core net profit after tax is forecast to be \$8.0M to \$10.0M.”*

- 70 Prime management have advised that there have been no matters of significance since 22 August 2019 which would cause them to change the earnings guidance provided on that date.

## Financial position

71 The financial position of Prime as at 30 June 2018 and 30 June 2019 is set out below:

Prime – statement of financial position <sup>(1)</sup>		
	30 Jun 18	30 Jun 19
	\$m	\$m
Debtors and prepayments	40.7	43.6
Current program rights	1.7	3.0
Creditors, accruals and provisions	(21.3)	(15.4)
<b>Net working capital</b>	<b>21.0</b>	<b>31.2</b>
Property, plant and equipment	25.3	22.4
Non-current program rights	-	9.0
Intangible assets	16.6	0.9
Investment in associates	1.1	0.4
Assets held for sale	0.6	0.6
Non-current prepayments	0.6	0.5
Deferred tax assets (net)	(1.8)	(0.0)
Non-current creditors, accruals and provisions	(0.5)	(0.6)
<b>Total funds employed</b>	<b>62.9</b>	<b>64.3</b>
Cash and cash equivalents	10.9	6.4
Borrowings	(25.7)	(16.0)
<b>Net cash / (borrowings)</b>	<b>(14.8)</b>	<b>(9.6)</b>
<b>Net assets attributable to Prime shareholders</b>	<b>48.2</b>	<b>54.8</b>

**Note:**

1 Rounding differences exist.

## Program rights

72 The composition of Prime's program rights is shown below:

Prime – program rights		
	30 Jun 18	30 Jun 19
	\$m	\$m
Current program rights	1.7	3.0
Non-current program rights	-	9.0
<b>Total</b>	<b>1.7</b>	<b>12.0</b>

73 Program rights relate to television program rights which have arisen from the Company's supply agreements with SWM, and represent the purchased rights to broadcast certain programs at some time in the future. In FY19, Prime paid SWM \$15.0 million for program costs which covered the five year period of the PSA from 1 July 2018 to 30 June 2023. Program rights are amortised over the term of the contract to which the rights relate<sup>10</sup> and are carried at cost less accumulated amortisation and impairment.

<sup>10</sup> The \$15 million program costs purchased in FY19 is being amortised at the rate of \$3 million per annum.

### Property, plant and equipment

74 The composition of Prime's property, plant and equipment is shown below:

Prime – property, plant and equipment		
	30 Jun 18	30 Jun 19
	\$m	\$m
Land and buildings	6.8	6.6
Leasehold improvements	0.7	0.6
Plant and equipment	17.8	15.2
<b>Total</b>	25.3	22.4

75 Prime's property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The Company's land and buildings include land located in the ACT and leasehold strata units located in Sydney, which are both held under 99 year lease agreements.

### Intangible assets

76 The composition of Prime's intangible assets is shown below:

Prime – intangible assets		
	30 Jun 18	30 Jun 19
	\$m	\$m
Television broadcast licenses	11.8	-
Infrastructure access licence	0.4	-
Business software development costs including websites	4.4	0.9
<b>Total</b>	16.6	0.9

77 Television broadcast licenses have been acquired through business combinations and consist of the right to broadcast television to specific market areas. The licenses are subject to renewal by the ACMA at no significant cost to the Company. The licenses are carried at cost less accumulated impairment losses and are tested annually for impairment using the value in use method. As a result of impairment testing in FY19, Prime recognised an \$11.8 million impairment charge against television broadcast licenses, reducing the carrying value to \$nil. The Company also recognised a \$2.2 million impairment charge against other intangible assets.

### Investments in associates

78 Prime's investment in associates relates to joint ventures that broadcast Nine Entertainment programming in regional WA and Mildura. Investments in associates are initially recognised at cost and are adjusted annually to recognise changes in Prime's share of the net assets of the associate.

### Net debt

79 The composition of Prime's net debt is shown below:

Prime – net debt	30 Jun 18	30 Jun 19
	\$m	\$m
Cash and cash equivalents	(10.9)	(6.4)
Non-current interest bearing loans and borrowings	25.7	16.0
<b>Total</b>	14.8	9.6

80 As at 30 June 2019, Prime had a \$30 million secured bank loan facility which was partially drawn to \$16.0 million. The facility, which matures in 2023, is secured by a charge over all of the assets of the borrower group, which comprises all of Prime’s wholly owned entities excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged on the facility at the BBSY<sup>11</sup> rate plus a margin of 1.80%.

### Franking credits

81 We note that Prime had a significant franking credit balance of \$65.5 million as at 30 June 2019. The ability to distribute these franking credits to shareholders depends on, inter-alia, Prime’s level of retained earnings, future profitability, available cash reserves and borrowing capacity.

82 In this regard we note that:

- (a) no dividends have been paid by Prime since August 2017, and Prime management have not indicated when it might resume paying dividends
- (b) the retained profits reserve<sup>12</sup> of the parent entity was only \$17.1 million as at 30 June 2019
- (c) net profit before significant items is expected to decline materially in FY20 for the reasons discussed above
- (d) Prime’s current borrowing facilities reduce to \$10 million from 30 June 2021. In contrast, the amount drawn under these facilities as at 30 June 2019 was \$16.0 million (although this has reduced subsequent to year end).

83 Given the above, and the outlook for the business, prima facie the large majority of these franking credits are unlikely to be distributed to shareholders in the foreseeable future.

### Share capital and performance

84 As at 14 November 2019, Prime had 366.3 million fully paid ordinary shares on issue, and no performance rights or other equity securities on issue.

### Significant shareholders

85 As at 14 November 2019, there were four substantial shareholders in Prime. The substantial shareholders (based upon the annual report and substantial shareholder notices released to the ASX) were as follows:

<sup>11</sup> Bank bill swap rate of interest (BBSY).

<sup>12</sup> Excluding accumulated losses prior to FY18 (refer note 26 of the FY19 financial statements for further information).

**Prime – substantial shareholders**

Shareholder	Number of shares in which an interest is held	
	million	% interest
Spheria Asset Management Pty Ltd	52.8	14.42
WA Chess Investments Pty Ltd	47.2	12.89
Bruce Gordon and associated entities	42.4	11.59
Deutsche Bank AG	29.7	8.10
<b>Total</b>	<b>172.2</b>	<b>47.00</b>

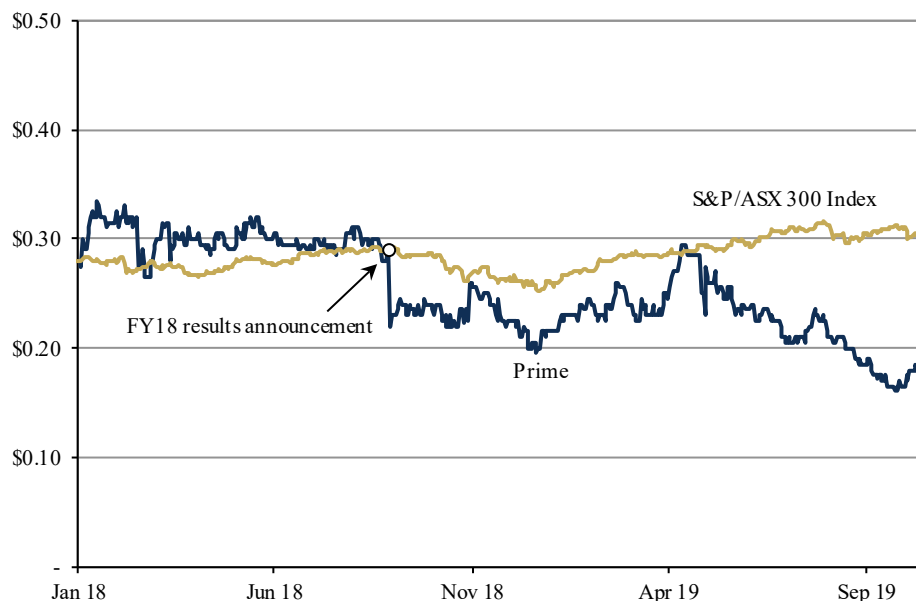
- 86 Prime shareholders should note that on 30 October 2019, WA Chess Investments announced to the ASX that it had acquired 37.6 million Prime shares (representing 10.26% of the shares in Prime) between 9 September 2019 and 29 October 2019 at prices between 18.4 cents per share and 24 cents per share. WA Chess Investments has subsequently acquired a further 9.6 million shares at 20 cents per share, increasing its shareholding to approximately 12.89% of Prime (as at 5 November 2019)<sup>13</sup>.
- 87 Whilst the intentions of WA Chess Investments are unknown at the date of this report, in our view, there is some possibility that WA Chess Investments will put forward an alternative proposal for or in connection with Prime prior to the Scheme meeting.

**Share price performance**

- 88 The following chart illustrates the movement in the share price of Prime from 1 January 2018 to 17 October 2019 (i.e. the last trading day prior to the announcement of the Scheme):

**Prime – share price history<sup>(1)</sup>**

**1 January 2018 to 17 October 2019**



**Note:**

1 The S&P/ASX 300 Index has been rebased to the closing price of Prime on 1 January 2018, being \$0.28.

Source: Bloomberg.

<sup>13</sup> Based on a substantial shareholder notice filed by WA Chess Investments on 6 November 2019.

89 As indicated in the chart above, Prime shares have generally underperformed the S&P/ASX 300 Index since the release of the FY18 results on 28 August 2018.

**Liquidity in Prime shares**

90 The liquidity in Prime shares based on trading on the ASX over the 12 month period prior to 17 October 2019 (i.e. the last trading day prior to the announcement of the Scheme) is set out below:

<b>Prime – liquidity in shares</b>						
<b>Period</b>	<b>Start date</b>	<b>End date</b>	<b>No of shares traded 000</b>	<b>WANOS<sup>(1)</sup> outstanding 000</b>	<b>Implied level of liquidity</b>	
					<b>Period<sup>(2)</sup> %</b>	<b>Annual<sup>(3)</sup> %</b>
1 month	18 Sep 19	17 Oct 19	19,569	366,330	5.3	64.1
3 months	18 Jul 19	17 Oct 19	63,436	366,330	17.3	69.3
6 months	18 Apr 19	17 Oct 19	138,654	366,330	37.8	75.7
1 year	18 Oct 18	17 Oct 19	180,835	366,330	49.4	49.4

**Note:**

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

91 As indicated in the table above, the level of liquidity in Prime shares (as a percentage of the total number of shares on issue) has been relatively high for a company of its size.

## IV Profile of SWM

### Overview

92 SWM is one of Australia’s leading integrated media companies, with a market leading presence in broadcast television and newspaper publishing and online. The Company operates a number of leading media businesses including television brands Seven, 7TWO, 7mate, 7flix, 7food network and publishing brands The West Australian and The Sunday Times. SWM’s registered office is in Perth, WA and it employs over 2,800 staff.

### History

93 A summary of the key historical developments of SWM is set out below:

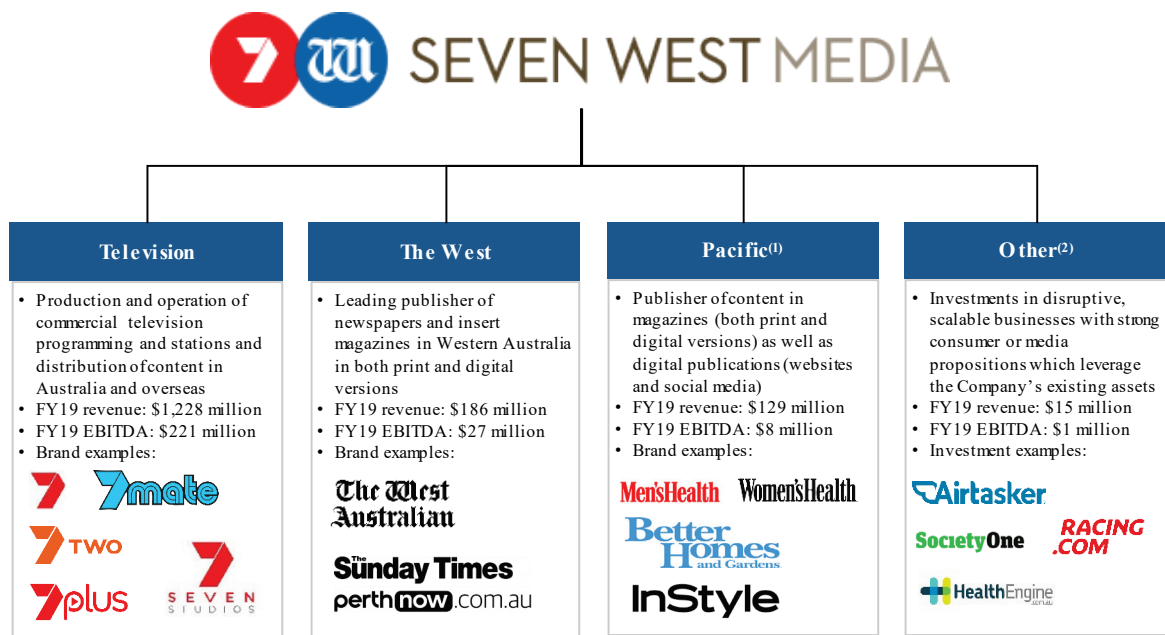
SWM – history	
Date	Key development
1833	<ul style="list-style-type: none"> <li>The West Australian newspaper was first published, which at the time was known as the Perth Gazette and Western Australian Journal</li> </ul>
1956	<ul style="list-style-type: none"> <li>West Australian Newspaper Holdings Ltd (WAN), the publisher of the West Australian newspaper, listed on the ASX</li> </ul>
1991	<ul style="list-style-type: none"> <li>A number of metropolitan television stations were amalgamated to form Seven Network</li> </ul>
1993	<ul style="list-style-type: none"> <li>Seven Network was listed on the ASX</li> </ul>
2002	<ul style="list-style-type: none"> <li>Seven Network acquired all of the shares it did not already own in Pacific Magazines to take its ownership to 100%</li> </ul>
2005	<ul style="list-style-type: none"> <li>Seven Network and Yahoo Inc. (Yahoo) announced a 50:50 joint venture (Yahoo7) to combine their online businesses in Australia and New Zealand</li> </ul>
2006	<ul style="list-style-type: none"> <li>Seven Network and KKR &amp; Co Inc. formed a 50:50 joint venture called the Seven Media Group. Seven Network sold its television, magazine and digital businesses into the Seven Media Group joint venture</li> </ul>
2010	<ul style="list-style-type: none"> <li>Seven Network and WesTrac Group (a privately owned industrial equipment business of Mr Kerry Stokes) merged to form Seven Group Holdings</li> </ul>
2011	<ul style="list-style-type: none"> <li>WAN acquired the Seven Media Group to form a new company, SWM. The transaction resulted in Seven Group Holdings retaining 30% of the ordinary shares in SWM as well as \$250 million worth of convertible preference shares (CPS) in the Company</li> </ul>
2012	<ul style="list-style-type: none"> <li>SWM undertook a \$440 million pro-rata entitlement offering to raise capital to reduce debt</li> </ul>
2015	<ul style="list-style-type: none"> <li>Seven Group Holdings entered into an agreement with SWM to enable the conversion of its CPS in SWM into ordinary shares. SWM also undertook a pro-rata entitlement offer to raise \$150 million. Upon completion of the agreement and pro-rata entitlement offer, Seven Group Holdings held approximately 40.9% of the shares in SWM</li> </ul>
2016	<ul style="list-style-type: none"> <li>SWM signed a contract to acquire The Sunday Times and PerthNow from News Corporation Ltd</li> </ul>
2019	<ul style="list-style-type: none"> <li>In April 2019, SWM finalised the sale of its 50% interest in Yahoo7 to Verizon Media for \$20.7 million</li> <li>In October 2019, SWM announced the sale of its WA regional radio business Redwave Media Ltd (Redwave) to Southern Cross Austereo (SCA) for \$28 million, the sale of Pacific Magazines to Bauer Media for \$40 million and announced the proposed acquisition of Prime (via the Scheme)</li> </ul>



## Current operations

94 SWM has its principal place of business at its Sydney head office and employs approximately 2,800 staff. The Company primarily generates revenue from the broadcast of advertisements on SWM's channels and digital assets, as well as print advertising and circulation from its publishing operations. A diagrammatic overview of SWM's operations (which comprise four reporting divisions) is set out below:

### SWM – operations



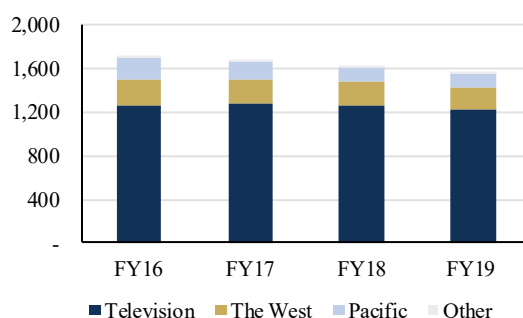
**Note:**

- On 21 October 2019, SWM announced the sale of the Pacific Magazines business to Bauer Media for cash consideration of \$40 million (pre-adjustments and leave provisions).
- On 18 October 2019, SWM announced the sale of its WA radio assets (Redwave) to SCA for cash consideration of \$28 million. The operations of Redwave were not separately reported.

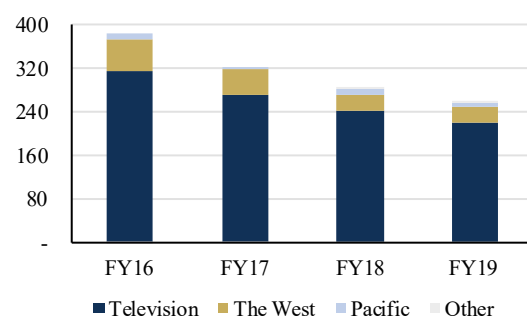
95 A summary of the breakdown of revenue and underlying EBITDA by operating segment for the four years to 29 June 2019 (FY19) is set out below:

### SWM – revenue and underlying EBITDA by segment

Revenue by segment



Underlying EBITDA by segment<sup>(1)</sup>



**Note:**

- Before unallocated corporate costs.

## Television

- 96 Television is SWM's largest operating segment, accounting for approximately 79% of revenue and 86% of underlying EBITDA<sup>14</sup> in FY19. The segment is involved in the production and operation of commercial television programming and stations, as well as distribution of programming content across platforms in Australia and around the world. The division operates across a number of leading media businesses including Seven, 7TWO, 7mate, 7flix, 7food network and is home to some of the biggest content brands including My Kitchen Rules, House Rules, Home and Away, Sunrise and the AFL. In FY19, the Seven Network was the most-watched Australian network for a thirteenth consecutive year, achieving a 40.3% commercial FTA rating share<sup>15</sup>. This was largely driven by the network's leading news and current affairs programming, with 7NEWS, Sunrise and The Morning Show all being the most-watched programs in their respective timeslots.
- 97 SWM's content creation and distribution activities are managed by Seven Studios Pty Limited (Seven Studios), a leader in the production of scripted, entertainment, reality, observational documentaries and children's programming. Seven Studios maintains a production presence in key global territories including Seven Studios Australia (Sydney / Melbourne), Seven Studios UK (London), 7Beyond (Los Angeles), Great Southern Film + Television (New Zealand) and owns a major shareholding in the London based scripted specialists, Slim Film + Television.
- 98 The television division also operates the digital platforms 7plus, a BVOD streaming platform launched in 2018, and 7NEWS.com.au, an online news platform which was launched in March 2019. Combined these digital platforms achieved a record number of 6.1 million monthly unique audience visits during FY19. In April 2019, SWM finalised the sale of its 50% interest in Yahoo7 for \$20.7 million, as the Company focuses on pursuing a strategy to take full control of its direct to consumer products.

## The West

- 99 The West is SWM's second largest operating segment, accounting for approximately 12% of revenue and 10% of underlying EBITDA<sup>16</sup> in FY19. The division is a publisher of digital and print newspapers and insert magazines throughout WA. The print and digital publications produced by the division include The West Australian, The Sunday Times, thewest.com.au and PerthNow.com.au and reach approximately 81% of the WA population each month, with an average of 1.6 million readers across these publications in the 12 months to 30 June 2019.

## Pacific Magazines

- 100 Pacific Magazines is a publisher of magazine content in print and digital form as well as digital publications online and on social media. The division is Australia's leading magazine publisher, commanding approximately 26% of all readership from 12 measured titles and leading in the categories of women's fashion, home and lifestyle, men's lifestyle and teenagers. The publications reach more than 2.5 million Australians per month and include some of Australia's best known brands such as New Idea, Better Homes and Gardens, that's

<sup>14</sup> Before unallocated corporate costs.

<sup>15</sup> Based upon all people from 6.00am to midnight across five city metropolitan regions.

<sup>16</sup> Before unallocated corporate costs.

life!, InStyle, Who, Girlfriend, Marie Claire, Australian Mens Health and Australian Womens Health.

- 101 On 21 October 2019, SWM announced that it had signed a binding agreement to sell the Pacific Magazines business to Bauer Media for cash consideration of \$40 million (prior to any adjustments and leave provisions). The sale is expected to complete by the end of the 2019 calendar year, subject to approval from the ACCC.

### Other businesses and new ventures

- 102 SWM holds a number of growth investments which aim to leverage the Company's core assets to unlock maximum growth and drive long term value creation. The portfolio is focused on disruptive, scalable businesses with a strong consumer or media proposition and includes equity investments in Airtasker Pty Limited (19.6%), SocietyOne Australia Pty Limited (10.8%) and Open Money Group Pty Ltd (8.6%), Starts at 60 Pty Ltd (35.2%) and HealthEngine Pty Limited (16.3%). The division also holds nine radio licenses across regional WA and is a joint venture partner with Racing Victoria in racing.com, a multi-platform horse racing channel across broadcast television and digital platforms. On 18 October 2019, SWM announced the sale of its WA radio assets (Redwave) to SCA for cash consideration of \$28 million (subject to regulatory approvals from the ACMA and the ACCC).

### Financial performance

- 103 The financial performance of SWM for the four years ended 29 June 2019 (FY19), is set out below:

<b>SWM – statement of financial performance<sup>(1)</sup></b>				
<b>Year ending</b>	<b>25 Jun 16</b>	<b>24 Jun 17</b>	<b>30 Jun 18<sup>(2)</sup></b>	<b>29 Jun 19</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Revenue	1,720.5	1,673.6	1,620.6	1,552.8
Other income	(6.7)	5.9	2.2	4.8
<b>Total revenue</b>	<b>1,713.9</b>	<b>1,679.4</b>	<b>1,622.8</b>	<b>1,557.6</b>
Operating expenses	(1,350.4)	(1,372.8)	(1,351.9)	(1,314.0)
<b>EBITDA before significant items<sup>(3)</sup></b>	<b>363.5</b>	<b>306.7</b>	<b>270.9</b>	<b>243.6</b>
Depreciation and amortisation	(45.4)	(45.3)	(35.3)	(31.5)
<b>EBIT before significant items<sup>(3)</sup></b>	<b>318.1</b>	<b>261.4</b>	<b>235.6</b>	<b>212.1</b>
Net finance costs	(37.8)	(38.6)	(38.4)	(34.7)
Significant items <sup>(4)</sup>	(32.9)	(988.8)	(8.5)	(611.0)
<b>Profit / (loss) before tax</b>	<b>247.4</b>	<b>(766.0)</b>	<b>188.8</b>	<b>(433.6)</b>
Income tax expense	(63.1)	21.0	(56.0)	(10.8)
<b>Profit / (loss) after tax</b>	<b>184.3</b>	<b>(745.0)</b>	<b>132.8</b>	<b>(444.4)</b>
<i>Revenue growth</i>	<i>na</i>	<i>(2.0%)</i>	<i>(3.4%)</i>	<i>(4.0%)</i>
<i>Underlying EBITDA margin</i>	<i>21.2%</i>	<i>18.3%</i>	<i>16.7%</i>	<i>15.6%</i>
<i>Underlying EBITDA growth</i>	<i>na</i>	<i>(15.6%)</i>	<i>(11.7%)</i>	<i>(10.1%)</i>

**Note:**

- 1 Rounding differences exist.
- 2 Comprises a 53 week period.
- 3 Includes share of net profit of equity accounted investees.
- 4 Significant items comprise the following:

Redundancy and restructure costs	(32.9)	(6.9)	(11.3)	(22.2)
Impairment of intangible assets	-	(558.8)	-	(478.0)
Impairment of investments and other assets	-	(276.4)	(1.3)	(64.5)
Onerous contracts	-	(139.6)	-	(21.0)
Net gain on disposal of investments	-	(7.1)	7.7	-
Write down of assets held for sale	-	-	(11.9)	-
Net gain / (loss) on disposal of assets	-	-	8.2	(16.8)
Write off of unamortised refinancing costs	-	-	-	(8.6)
<b>Total significant items</b>	<b>(32.9)</b>	<b>(988.8)</b>	<b>(8.5)</b>	<b>(611.0)</b>

na – not available.

- 104 In addition to the above, we set out below a breakdown of revenue and underlying EBITDA by operating segment:

**SWM – revenue and underlying EBITDA by operating segment<sup>(1)</sup>**

<b>Year ending</b>	<b>25 Jun 16</b>	<b>24 Jun 17</b>	<b>30 Jun 18<sup>(2)</sup></b>	<b>29 Jun 19</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue:</b>				
Television	1,259.5	1,281.0	1,265.0	1,227.8
The West	228.5	217.5	204.1	185.8
Pacific Magazines	201.2	168.0	139.5	129.4
Other businesses and new ventures	24.6	12.9	14.3	14.5
<b>Total revenue</b>	<b>1,713.9</b>	<b>1,679.4</b>	<b>1,622.8</b>	<b>1,557.6</b>
<b>Underlying EBITDA:</b>				
Television	313.8	271.1	240.3	221.3
The West	60.5	46.7	31.3	26.9
Pacific Magazines	10.5	6.2	9.9	8.2
Other businesses and new ventures	(5.2)	(1.0)	4.7	1.5
Corporate	(16.1)	(16.3)	(15.3)	(14.4)
<b>Total</b>	<b>363.5</b>	<b>306.7</b>	<b>270.9</b>	<b>243.6</b>
<b>Underlying EBITDA margins:</b>				
<i>Television</i>	<i>24.9%</i>	<i>21.2%</i>	<i>19.0%</i>	<i>18.0%</i>
<i>The West</i>	<i>26.5%</i>	<i>21.5%</i>	<i>15.4%</i>	<i>14.5%</i>
<i>Pacific</i>	<i>5.2%</i>	<i>3.7%</i>	<i>7.1%</i>	<i>6.4%</i>
<i>Other businesses and new ventures</i>	<i>(21.0%)</i>	<i>(7.6%)</i>	<i>32.9%</i>	<i>10.3%</i>

**Note:**

- 1 Rounding differences exist.
- 2 Comprises a 53 week period.

- 105 Over the periods set out above, SWM reported year on year declines in revenue and underlying EBITDA. The financial performance of the business has been negatively impacted by tough industry conditions, with the FTA television and print segments of the advertising industry experiencing continued declines in market share as more expenditure is directed into online and out of home advertising.

- 106 The Television division has generated relatively consistent levels of revenue, with the decline in traditional FTA revenue largely offset by the recent growth in advertising revenue from online catch-up and live television streaming. However, it has experienced declining EBITDA margins associated with (inter alia) higher costs of media content creation.
- 107 SWM's print operations have suffered to a greater extent (than the Television division) from tough industry conditions, with revenue decreasing over the period. EBITDA margins for The West have significantly declined as the business has been unable to reduce its cost base in line with falling revenue, whilst (in contrast) EBITDA margins from Pacific Magazines have generally improved as a result of cost restructuring initiatives and contributions from higher margin digital revenues, which have increased to approximately 30% of advertising revenue.

### **FY20 outlook**

- 108 On 20 August 2019, as part of the FY19 results announcement, SWM provided the following guidance with respect to its FY20 results:
- *Expect EBIT to be between \$190m to \$200m (including impact of AASB16)*
  - *Maintain cost discipline across the group, targeting operating savings where prudent*
  - *Metro TV advertising market expected to decline low single digits*
  - *Expect BVOD market growth of >25%*
  - *Targeting growth in ratings & revenue share in both broadcast and BVOD*
  - *Seven Studios to deliver eighth consecutive year of EBIT growth*
  - *Ongoing focus on improving balance sheet and working down our debt*
- 109 As noted above, SWM management's guidance for FY20 EBIT of between \$190 million to \$200 million includes the impact of the new lease accounting standard (AASB 16<sup>17</sup> – *Leases*). The application of AASB 16 (which replaces rent expense with amortisation charges (of the right to occupy) and interest charges) increased EBIT by around \$10 million.
- 110 However, in our opinion, this EBIT uplift should be ignored for valuation purposes as it is simply an accounting entry which has no cash flow impact or impact on the underlying profits of SWM.
- 111 Further, since the release of the FY20 guidance on 20 August 2019, SWM has announced the sale of Redwave and Pacific Magazines on 18 October 2019 and 21 October 2019 respectively. Whilst these divestments are subject to regulatory approval, FY20 pro-forma EBIT excluding the impact of AASB 16 and the full year EBIT contribution from businesses to be divested (i.e. Redwave<sup>18</sup> and Pacific Magazines<sup>19</sup>) is between \$169 million and \$179 million.

<sup>17</sup> Australian Accounting Standards Board (AASB).

<sup>18</sup> The sale price for Redwave of \$28 million represented an EBITDA multiple of 8.0x FY19 EBITDA.

<sup>19</sup> The sale price for Pacific Magazines of \$40 million represented an EBITDA multiple of 4.9x FY19 EBITDA.

112 However, we note that at SWM's Annual General Meeting on 13 November 2019, SWM indicated that its underlying EBIT guidance for FY20 was now expected to be at the lower end of previous guidance.

## Financial position

113 The financial position of SWM as at 30 June 2018 and 29 June 2019 is set out below:

<b>SWM – statement of financial position<sup>(1)</sup></b>		
	<b>30 Jun 18</b>	<b>29 Jun 19</b>
	<b>\$m</b>	<b>\$m</b>
Debtors and prepayments	286.1	266.4
Current program rights and inventories	205.1	193.3
Creditors, accruals and provisions	(411.6)	(424.3)
<b>Net working capital</b>	<b>79.6</b>	<b>35.4</b>
Property, plant and equipment	141.6	126.6
Non-current program rights	2.2	15.9
Intangible assets	1,034.0	565.5
Equity accounted investees	3.4	12.9
Other financial assets	28.4	60.6
Other assets	49.5	19.6
Deferred tax assets (net)	(11.0)	1.8
Non-current creditors, accruals and provisions	(167.0)	(170.5)
<b>Total funds employed</b>	<b>1,160.7</b>	<b>667.6</b>
Cash and cash equivalents	142.2	90.5
Interest bearing liabilities	(769.9)	(654.9)
<b>Net cash / (borrowings)</b>	<b>(627.7)</b>	<b>(564.4)</b>
<b>Net assets attributable to SWM shareholders</b>	<b>533.0</b>	<b>103.1</b>

**Note:**

1 Rounding differences exist.

## Program rights and inventories

114 The composition of SWM's program rights and inventories is shown below:

<b>SWM – program rights and inventories</b>		
	<b>30 Jun 18</b>	<b>29 Jun 19</b>
	<b>\$m</b>	<b>\$m</b>
Television program rights	186.6	182.0
Newsprint and paper – at cost	11.6	9.0
Work in progress – at cost	3.4	2.2
Other raw materials – at net realisable value	3.4	-
Finished goods – at cost	-	0.1
Total current program rights and inventories	205.1	193.3
Non-current prepaid television program rights	2.2	15.9
<b>Total program rights and inventories</b>	<b>207.2</b>	<b>209.1</b>

- 115 Program rights include both purchased rights and produced programs. Television program rights are carried at the lower of cost less amortisation or net recoverable amount. Other program rights and inventories are carried at cost or net realisable value. Revenue from program rights and inventories is primarily derived from the broadcast of advertisements on SWM's channels and digital assets, net of agency commissions, discounts and rebates.

### Property, plant and equipment

- 116 The carrying value of SWM's property, plant and equipment is shown below:

SWM – property, plant and equipment		
	30 Jun 18	29 Jun 19
	\$m	\$m
Land and buildings	79.2	81.8
Plant and equipment	59.8	32.9
Leasehold improvements	2.5	11.9
<b>Total</b>	141.6	126.6

- 117 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. SWM's property, plant and equipment predominantly relates to property and equipment associated with the television segment's broadcasting studios and equipment in addition to The West's property holdings.

### Intangible assets

- 118 The composition of SWM's intangible assets is shown below:

SWM – intangible assets		
	30 Jun 18	29 Jun 19
	\$m	\$m
Licences	955.7	540.7
Mastheads	37.9	-
Computer software	34.3	23.8
Goodwill	4.5	0.9
Trademark	1.6	0.1
Total intangible assets	1,034.0	565.5

Rounding differences exist.

- 119 SWM's intangible assets primarily relate to television licenses. Goodwill is tested annually for impairment using the value in use method. As at 29 June 2019, a pre-tax discount rate of 15.9%, 12.2% and 14.1% was adopted for the Television, The West (Metropolitan) and The West (Regional) cash generating units respectively.



### Equity accounted investees

120 SWM has a number of investments in associates and jointly controlled entities, the majority of which operate in similar markets to SWM<sup>20</sup>. The carrying value of each investment is based on the fair value of the investment at acquisition date adjusted for equity accounted profits, dividends, impairments and any other movement since acquisition. As at 30 June 2019, the value of a number of these investments (based upon the most recent round of equity financing) was greater than the investments carrying values.

### Other financial assets

121 Other financial assets represent equity investments in unlisted entities comprising of Airtasker Pty Limited (19.6%), SocietyOne Australia Pty Limited (10.8%) and Open Money Group Pty Ltd (8.6%). Other financial assets are carried at fair value based on the equity price established in the most recent round of equity financing and consideration of any other key changes in the investment. Other financial assets did not contribute to the financial performance of SWM over the period FY16 to FY19 as significant influence is not exercised over these investments and accordingly, the investments are not equity accounted.

### Net debt

122 The composition of SWM's net debt is shown below:

SWM – net debt	30 Jun 18	29 Jun 19
	\$m	\$m
Cash and cash equivalents	(142.2)	(90.5)
Third party loan	-	1.0
Unsecured bank loans <sup>(1)</sup>	769.9	653.8
<b>Total</b>	627.7	564.4

**Note:**

1 Net of \$1.160 million unamortised refinancing costs.

123 As at 29 June 2019, SWM had access to unsecured bilateral revolving credit facilities of \$750 million, of which \$95 million remained undrawn. In addition, the Company has access to a \$20 million multi-option facility with Australia and New Zealand Banking Group Limited, of which \$10.5 million was utilised for the provision of bank guarantees. As at 29 June 2019, the weighted average interest rate on SWM's finance facilities was 3.32% per annum.

### Share capital and performance

124 As at 14 November 2019, SWM had 1,508.0 million fully paid ordinary shares on issue. The company has no other equity securities (e.g. employee performance rights or options) on issue.

<sup>20</sup> Details on the principal activities for each of SWM's investments in associates and jointly controlled entities is set out at Note 6.1 of the FY19 financial statements.



### Significant shareholders

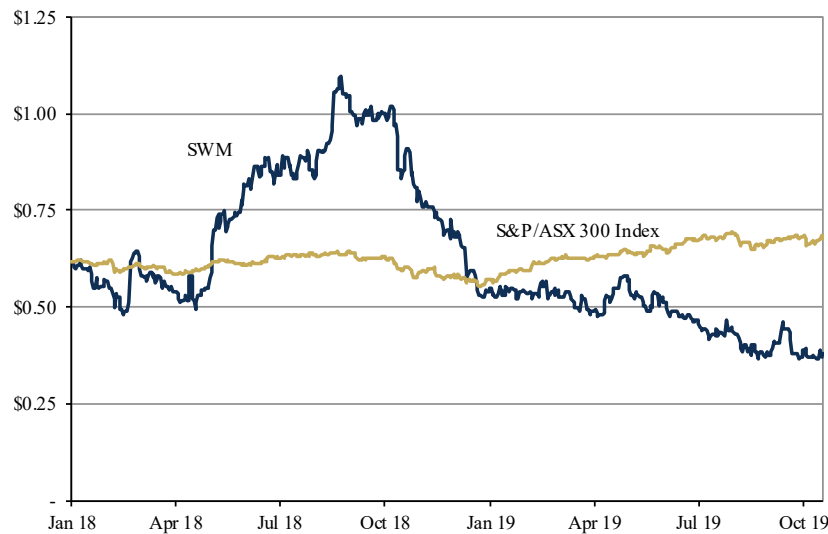
125 As at 14 November 2019, Seven Group Holdings Limited<sup>21</sup> was the only substantial shareholder (i.e. shareholders with an interest in SWM of more than 5%) with a holding of 618.7 million (40.9%) of the shares on issue.

### Share price performance

126 The following chart illustrates the movement in the share price of SWM from 1 January 2018 to 17 October 2019 (i.e. the last trading day prior to the announcement of the Scheme):

#### SWM – share price history<sup>(1)</sup>

1 January 2018 to 17 October 2019



**Note:**

1 The S&P/ASX 300 Index has been rebased to the closing price of SWM on 1 January 2018, being \$0.62.

Source: Bloomberg.

127 Over the period set out above, SWM generally outperformed the S&P / ASX 300 Index during the 2018 calendar year<sup>22</sup> but has since underperformed relative to this Index in the more recent period prior to the announcement of the Scheme.

### Liquidity in SWM shares

128 The liquidity in SWM shares based on trading on the ASX over the 12 month period prior to 17 October 2019 (i.e. the last trading day prior to the announcement of the Scheme) is set out below:

<sup>21</sup> Seven Group Holdings Limited is an ASX listed diversified operating and investment group with market leading businesses and investments in industrial services, oil and gas and media. As at the date of this report, Mr Kerry Stokes held approximately 61% of the shares in Seven Group Holdings Limited.

<sup>22</sup> The market responded favourably following the announcement on 13 April 2018 that SWM had signed a six year agreement with Cricket Australia for the FTA broadcast rights for Big Bash League, international tests and Women's Big Bash League matches from 2018 to 2024.

**SWM – liquidity in shares**

Period	Start date	End date	No of shares	WANOS	Implied level of liquidity	
			traded	outstanding	Period <sup>(1)</sup>	Annual <sup>(2)</sup>
			m	m	%	%
1 month	18 Sep 19	17 Oct 19	88.1	1,508.0	5.8	70.1
3 months	18 Jul 19	17 Oct 19	283.7	1,508.0	18.8	75.3
6 months	18 Apr 19	17 Oct 19	637.8	1,508.0	42.3	84.6
1 year	18 Oct 18	17 Oct 19	1,359.1	1,508.0	90.1	90.1

**Note:**

- 1 Number of shares traded during the period divided by WANOS.
- 2 Implied annualised figure based upon implied level of liquidity for the period.

129 As indicated in the table above, notwithstanding the significant shareholding of Seven Group Holdings Limited, the level of liquidity in SWM shares (as a percentage of the total number of shares on issue) has been relatively high.

## V Industry overview

### Introduction

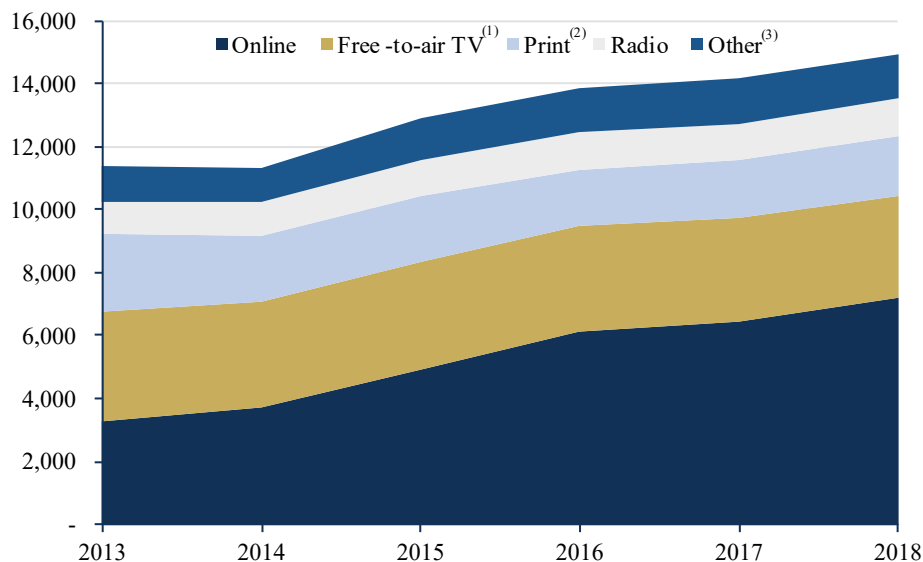
130 Prime operates as an affiliate in the Australian FTA commercial television sector of the media industry, which relies on advertising as its primary source of revenue. This section of our report sets out an overview of the Australian media industry, with a particular focus on the FTA commercial television sector, including key trends and growth drivers.

### Australian media industry

131 The Australian media industry is made up of six primary sectors, being FTA television and subscription television, print, radio, online (including digital online such as mobile and handheld technology), cinema and out-of-home, all of which compete for a share of advertiser budgets. Industry revenue is primarily driven by macroeconomic factors including business and consumer confidence, the domestic and international geo-political environment and the overall state of the economy.

132 Key themes in the advertising industry over the last 10 years have included the continued rise of online advertising at the expense of traditional forms of advertising mediums, in particular print and FTA television. This is illustrated in the chart below, which shows a proportional breakdown of total advertising revenue by media type for the CY13 to CY18 period:

**Australian advertising spend by media**



**Note:**

1 FTA television includes metro and regional from CY13 to CY15 and advertising revenue from video on demand from CY16.

2 Print reporting changed in 2017 to include digital and classifieds advertising revenue which was previously excluded.

3 Other includes out-of-home, cinema, and subscription television advertising.

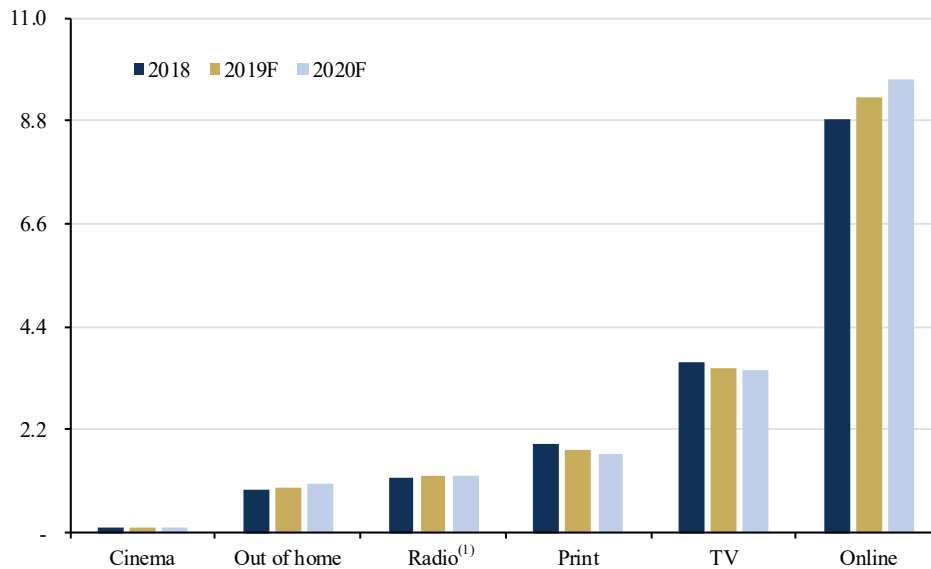
Source: Outdoor Media Association, which sourced its data from the Commercial Economic Advisory Service of Australia.

133 Online advertising represented 28.4% of the total advertising spend in CY13, which had grown to 48.1% by CY18. In CY15, online advertising overtook FTA television to become the largest form of advertising in Australia. Over the period FTA television, which traditionally accounted for the largest proportion of industry advertising, decreased from 30.6% to 21.6% of advertising spend and print decreased from 21.6% to 12.7%.

- 134 Recent trends in advertising spend are expected to continue, with the FTA television and print segments declining in market share, as more expenditure is directed into online and out-of-home advertising. The Australian media industry (in total) experienced slow growth in the first half of CY19 due to decreased consumer and business confidence leading up to the federal election. Media industry expenditure (in total) is expected to grow to \$17.2 billion in CY20, driven by an increase in online spending by 9.5% from CY18 to CY20, as shown below:

#### Australian forecast advertising spend by media

\$bn



Source: GroupM (2019): *This Year Next Year, Worldwide Media Forecasts* report.

## Regulation and outlook

### Television regulation

- 135 The FTA television sector has been undergoing regulatory reform over the past few years in order to level the playing field with the largely unregulated digital advertising platforms. Two major reforms, which have sought to make licence fees payable by commercial television providers more competitive with the media sector globally, and to allow industry consolidation, are summarised below:
- (a) the *Broadcasting Legislation Amendment (Television and Radio Licence Fees) Act 2016* (Cth), was introduced to reduce the licence fees payable by commercial television and radio broadcasters
  - (b) the *Broadcasting Legislation Amendment (Broadcasting Reform) Act 2017* (Cth) changed media ownership laws that had been in place since the *Broadcasting Services Act 1992* (Cth) was introduced. The Federal Government passed these reforms through the Senate in September 2017, removing several regulations that restricted FTA television network operations. These reforms led to:
    - (i) the removal of the 75% audience reach rule, which prevented commercial television networks from broadcasting to more than 75% of the Australian population; and

- (ii) the removal of the “two-out-of-three” rule, which prevented firms from owning or holding controlling interests in more than two companies that operate television broadcasting, radio broadcasting or newspaper publishing in the same market.

136 In addition to introducing a number of reforms, the Federal Government has ensured regulation related to the protection of local media content remains in place, including:

- (a) anti-siphoning rules, designed to prevent pay television broadcasting from gaining monopoly rights to key sporting and cultural events by granting FTA television broadcasters first right to purchase rights to televise the events, and
- (b) the Australian Content Standard, which came into effect in March 2016 and requires all commercial FTA television broadcasters to broadcast a minimum of 55% Australian programming between 6.00am and midnight on their primary channel.

### Media regulation

137 The Australian media sector is heavily regulated with the *Broadcasting Services Act 1992* (Cth) serving as the overarching piece of legislation which broadly covers issues relating to content regulation and media ownership in Australia. This legislation primarily covers the traditional platforms of television, radio and print newspapers, which were the dominant media platforms at the time. Although a number of media control laws were repealed in the 2017 amendment discussed above (see paragraph 135), there are a number of rules that continue to apply to media ownership in Australia, including the:

- (a) “two-to-a-market” rule, which prevents control of more than two commercial radio licenses in the same licence area
- (b) “one-to-a-market” rule, which prevents control of more than one commercial television licence in the same licence area, and
- (c) the “number of voices” rule, which prevents media acquisitions<sup>23</sup> that would result in fewer than five independent media operators in metropolitan areas, or four in regional areas.

138 Historically, legislation only covered the traditional forms of media, and did not provide any guidance on modern forms, such as digital and online media outlets. This was addressed when further amendments were introduced with the *Broadcasting Services Amendment (Online Services) Act 1999* (Cth), which established the legislative framework for online content and digital advertising regulation in Australia.

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<sup>23</sup> Including commercial television, commercial radio, and associated newspapers.

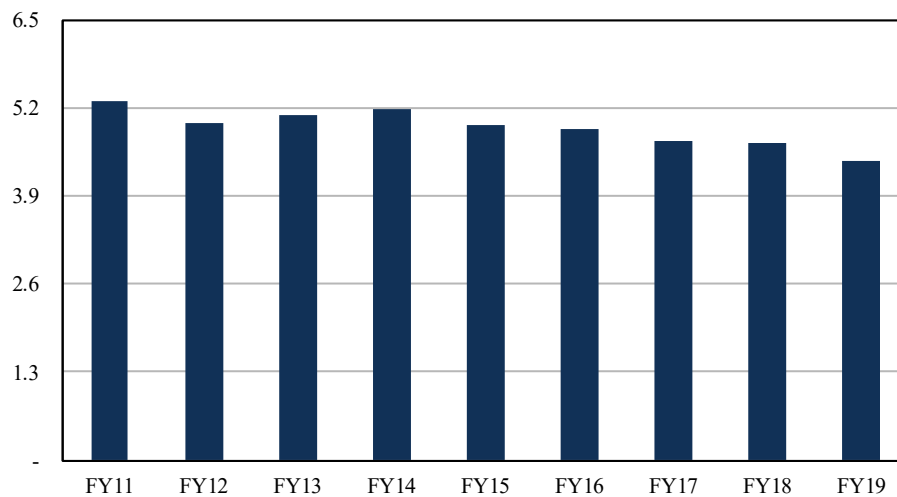
## FTA television industry

### Overview

139 The Australian FTA television broadcasting industry has faced a number challenges over the past five years, as the way customers have been accessing media has changed substantially. Instead of watching FTA television, viewing is now fragmented across a number of platforms and devices, and SVOD services are rapidly increasing in popularity with over half of the Australian population now expected to have access to a Netflix subscription<sup>24</sup>. This has drawn advertising agencies away from FTA television, placing downward pressure on industry revenue, as shown below:

#### Australian FTA television revenue

\$bn



Source: IBISWorld (2019): *Free-to-air TV Broadcasting* report.

140 FTA television broadcasters have responded to the evolving landscape and change in consumer preferences by shifting their strategy and altering the content they show. Rather than focus on traditional sitcoms and dramas, which are now almost entirely available via SVOD subscriptions, television networks are broadcasting time sensitive programs such as news and live sports. Ratings remain strong for live sporting events, evidenced by the high prices attached to broadcasting rights of sporting events observed recently, such as the \$1.2 billion deal between Seven Network, pay television operator Foxtel and Ten Network Holdings Limited (Ten) for the Big Bash League and international test matches for cricket. Live sports also provide networks cross-promotion opportunities for other shows on their network, boosting ratings through in-game advertising.

### Revenue trends in metropolitan and regional markets

141 Over the five years to 30 June 2019, advertising revenues generated by the FTA broadcasting sector have declined at a greater rate in regional areas compared to metropolitan areas (as shown below):

<sup>24</sup> IBISWorld (2019): *Free-to-air TV Broadcasting in Australia* report.

Decline in FTA broadcasting advertising revenues – five year period from to FY19	
	%
<b>Metropolitan</b>	
Sydney	(9.6)
Melbourne	(8.8)
Brisbane	(3.9)
Adelaide	(19.8)
Perth	(14.0)
Total metropolitan markets	<u>(9.6)</u>
<b>Regional</b>	
NSW	(16.7)
Victoria	(22.9)
Queensland	(23.0)
South Australia	(14.3)
WA	(21.4)
Northern Territory / Tasmania	(12.5)
Total regional markets	<u>(20.6)</u>
<b>State / territory</b>	
NSW	(11.4)
Victoria	(10.8)
Queensland	(9.5)
South Australia	(19.0)
WA	(15.0)
Northern Territory / Tasmania	(12.5)
Total	<u>(11.7)</u>

**Source:** Prime.

- 142 Possible reasons for the greater decline in advertising revenue in regional markets compared to metropolitan markets include (inter-alia):
- (a) the larger guaranteed audience in metropolitan markets;
  - (b) the launch of BVOD services by all the major television networks, which enables users in regional areas to stream the live television broadcasts of the major networks as well as catch-up television rather watch their regional broadcaster
  - (c) population migration to metropolitan areas
  - (d) differences in economic growth and prosperity etc.

### Competition

- 143 The Australian television market is characterised by a number of incumbent broadcasters with significant market shares, as well as government-owned stations and regionally focused providers. These operators are set out below:

### Australian television competitors

	Operating status
Seven Media Group Holdings Limited	Metropolitan, FTA
Nine Entertainment	Metropolitan, FTA
Ten	Metropolitan, FTA
Australian Broadcasting Corporation (ABC)	National, Government
Southern Cross Media Group Limited (SXL)	Metropolitan and regional, FTA
Special Broadcasting Service Corporation (SBS)	National, Government
Prime	Regional, FTA
WIN	Regional, FTA
Imparja	Regional, FTA

- 144 The three major networks (Seven Network, Nine Entertainment and Ten) generally operate in the capital cities of each state, with distribution arrangements with regional operators like Prime, WIN and SXL. Programming costs for the regional operators are shared with the major networks by way of program supply or affiliate agreements.
- 145 Domestic television networks are continuing to face increased competition from global SVOD providers that are attracting advertisers due to the capability of advertisements to target consumers based on viewing behaviours. Australian television networks are addressing this increased competition by investing in their own streaming services and targeted market capabilities. All major Australian television networks now offer free online and mobile streaming platforms, where consumers can view content that is broadcast through the network's regular FTA programming.
- 146 In 2015, Nine Entertainment entered the SVOD market through a joint venture with Fairfax Media Limited (Fairfax) in streaming platform Stan, the first major competitor for Netflix in Australia. Since its launch, Stan has secured exclusive rights to provide content from major networks and production companies in Australia and the United States of America (US), in addition to producing its own original content.

### Outlook

- 147 Online media is forecast to continue growing rapidly in popularity and accessibility over the next five years, which is expected to further shift advertising revenue away from the FTA television broadcasting industry. As a result, IBISWorld has forecast that revenue for the FTA television broadcasting industry will decline at an annualised rate of 2.8% over the five years to 30 June 2024.



## VI Valuation methodology

### Valuation approaches

- 148 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 149 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 150 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 151 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation of acquired intangibles (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 152 An asset-based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

## **Methodologies selected**

### **Value of Prime**

- 153 The market value of Prime has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 154 The valuation of the business operations has been made on the basis of market value as a going concern. Our assessed value of Prime has been derived based on the results of the following three methodologies:
- (a) DCF method
  - (b) capitalisation of EBITDA; and
  - (c) the listed market prices of Prime shares on the ASX prior to the announcement of the Scheme, which we have adjusted to reflect a premium for control.

### **Value of Scheme Consideration**

- 155 Our valuation of the shares in SWM post implementation of the Scheme has assessed by reference to recent trading in SWM shares and the capitalisation of EBITDA approach.

## VII Valuation of Prime

156 As stated in Section VI, we have adopted the following methodologies to value Prime:

- (a) DCF method
- (b) capitalisation of EBITDA; and
- (c) listed market price, adjusted for a premium for control.

### DCF valuation

157 Our DCF valuation has been based on the free cash flow projections developed by LEA for the Prime business. These cash flow projections were formulated having regard to, inter-alia, the recent historical results of the business, Prime management's FY20 budget and discussions with management regarding the expected future financial performance and outlook for the business.

158 Whilst LEA believes the assumptions underlying the cash flow projections are reasonable and appropriate, it should be noted that in respect of these projections:

- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions
- (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
- (c) future profits and cash flows are inherently uncertain. As a result, the achievability of these projections is not warranted or guaranteed by LEA or Prime, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Prime management
- (d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which Prime operates; and
- (e) actual results may be significantly more or less favourable.

159 Free cash flow represents the operating cash flows of the business on a geared basis (i.e. after finance costs) less taxation payments, capital expenditure, debt repayments and working capital requirements. We have assumed that Prime will repay all debt during FY20, consistent with management's expectations.

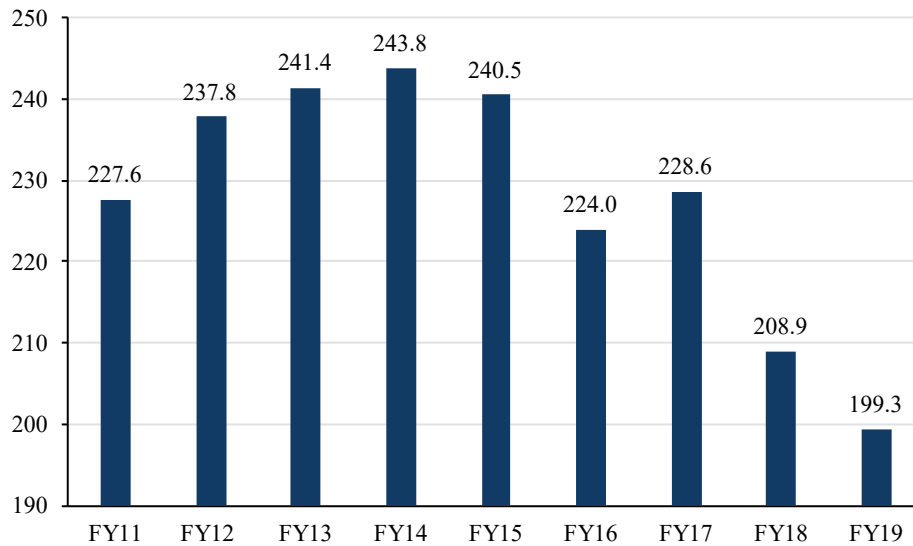
### Cash flow assumptions

160 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, the key assumptions adopted in our base case DCF valuation are set out below.

**Gross television advertising revenues**

161 Prime’s gross television advertising revenues<sup>25</sup> have declined significantly since FY14 as shown below:

**Prime – Gross television advertising revenue**  
\$ millions



Source: Prime.

162 IBISWorld has reported that FTA television broadcasting industry revenue declined by around 3.6% per annum over the five years to 30 June 2019. Growing competition from online media (such as YouTube and SVOD services such as Netflix and Stan) has been the key factor behind this revenue decline, as more viewers have streamed films and television programs online<sup>26</sup>. In response, advertising agencies have moved towards more lucrative online advertising markets, limiting demand for advertising timeslots on FTA television networks.

163 Online media is forecast to continue growing rapidly in popularity and accessibility over the next five years, which is expected to further shift advertising revenue away from the FTA television broadcasting industry. As a result, IBISWorld has forecast that revenue for the FTA television broadcasting industry will decline at an annualised rate of 2.8% over the five years to 30 June 2024 (which we have adopted as our base case assumption)<sup>27</sup>.

**Affiliation fee**

164 Prime extended its PSA with SWM for a further five years from 1 July 2018. For the remaining four years of the current arrangement, the affiliation fee has been fixed at a percentage of gross television advertising revenues. Whilst the affiliation fee percentage is

<sup>25</sup> Inclusive of agency commissions.

<sup>26</sup> For example, Netflix has expanded rapidly since its launch in Australia in March 2015, with over half of Australia’s population now expected to have access to a Netflix subscription.

<sup>27</sup> In comparison, we note that Prime management assumed a 2.6% compound annual decline in regional FTA advertising revenue over five years in its impairment calculations as at 30 June 2019.

confidential, it should be noted that it increases significantly in FY20 based on the terms of the agreement (and is maintained at that higher percentage for the remaining four year term).

- 165 Our cash flow forecast period covers the four years to 30 June 2023, which coincides with the remaining term of the affiliation agreement. Whilst the affiliation fee which will apply from 1 July 2023 is inherently uncertain, given the symbiotic relationship between Prime and SWM we have assumed in our base case valuation scenario that the affiliation fee arrangement which applies from 1 July 2023 and/or cost reductions will allow Prime to achieve (what we would consider to be) a reasonably commercial EBITDA margin equal to 10% of gross television advertising revenue. This margin recognises that, inter-alia:
- (a) Prime is effectively only a “distributor” of SWM programming in its regional markets
  - (b) SWM, as the supplier of programming, has the greater bargaining power in any pricing negotiation.
- 166 In contrast, SWM’s television business achieved EBITDA margins (as a percentage of revenue) in FY19 of 18% (before unallocated corporate costs) and Nine Entertainment’s television business achieved EBITDA margins (as a percentage of revenue) in FY19 of 19.6% (before unallocated corporate costs).
- 167 It should also be noted that our terminal value multiple reflects an assumption that the EBITDA generated by Prime continues to decline (as noted in paragraph 177).
- 168 We have also undertaken a sensitivity analysis on the EBITDA margin assumption to show the impact of different EBITDA margin assumptions on value, as set out in paragraphs 183 to 186 below.

#### ***Program costs***

- 169 In addition to the affiliation fee, Prime also paid SWM \$15.0 million in FY19 for program costs. This covered a five year period, and therefore implied an annual cost of \$3.0 million (which is the amortisation charge over the five year term). As a further payment for program costs is expected to be paid in FY24<sup>28</sup> (which is our terminal value year), for valuation purposes our terminal value calculation has assumed an annual program (cash) cost of \$3.0 million in real terms.

#### ***Synergy benefits***

- 170 In its presentation to the ASX dated 18 October 2019 in respect of the Scheme, SWM stated that it expected to achieve cost synergies of \$11 million per annum (excluding one-off transaction and implementation costs) within 12 to 18 months from completion. These synergies are expected to arise from removing duplicated costs, achieving operational efficiencies by reducing selling, broadcasting and operational costs, removing Prime’s ASX listing costs, and the consolidation of premises.

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<sup>28</sup> And every five years thereafter (subject to the term of each agreement).

- 171 These potential synergies are clearly material when compared to Prime's standalone earnings. However, the large majority of these synergy benefits are unique to a Prime / SWM combination and reflect the longstanding affiliation and programming arrangements between both companies.
- 172 Pursuant to RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. Accordingly, the unique synergy benefits expected to be generated by SWM from the acquisition of Prime and subsequent combination of business operations are excluded from our valuation assessment of Prime.
- 173 However, corporate cost savings (e.g. ASX listing costs, shareholder communication costs and other public company costs such as directors' fees) could be generated by other potential acquirers (particularly those with an existing corporate reporting / management / shared services structure), and some of these costs would not be incurred by a 100% owner.
- 174 Having regard to the level of corporate costs incurred by Prime (around \$10 million per annum), we have assumed corporate cost savings to a 100% owner of \$1.0 million per annum (which principally relates to the elimination of public company costs).

#### ***Capital expenditure***

- 175 Capital expenditure costs (excluding program costs) are assumed to be \$3.5 million in real terms. This is broadly consistent with the level of capital expenditure incurred (excluding program costs) over the FY17 to FY19 period.

#### ***Surplus assets***

- 176 Prime owns a property in Bunbury, WA which it vacated approximately two years ago and is surplus to requirements. A third party agent has been engaged to sell the property. Whilst the carrying value of the asset is \$0.6 million, the highest recent offer for the property was approximately \$0.9 million (which we have incorporated into our DCF analysis).

#### ***Terminal value negative growth rate***

- 177 We have assumed that the free cash flow of the business declines at 3% per annum in our base case valuation scenario. This reflects a moderation in the decline being forecast over the forecast period (to 30 June 2023), and is considered appropriate given the long term outlook for advertising revenue discussed above<sup>29</sup>.

#### ***Discount rate***

- 178 We have applied a base case discount rate of 12% per annum (nominal, after tax) to the forecast free cash flows available to equity holders, which we consider reasonably reflects the required equity return for an investor acquiring the business. The discount rate has been derived using the capital asset pricing model, based on a risk free rate of 3% per annum, a market risk premium (MRP) of 6.5% and a beta of 1.3 to 1.5. We note that when considering the required return on equity there is an inherent inter-relationship between the risk free rate and MRP (which is discussed further below).

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<sup>29</sup> In comparison, we note that Prime management assumed a long term terminal growth rate of negative 3.2% per annum in its impairment calculations as at 30 June 2019.

*Risk free rate*

179 Whilst the risk free rate adopted of 3% significantly exceeds the current yield on long term Commonwealth government bonds (CGB) (28 year CGBs yielded 1.7% on 17 October 2019), this is consistent with market practice which is to apply a normalised risk free rate having regard to a mix of historical averages and current spot rates. We also note that investors have generally required a higher rate of return on CGBs relative to US Government bonds<sup>30</sup> (even though this is not currently the case<sup>31</sup>).

*Market risk premium*

180 Empirical studies on the long term (historical) MRP in Australia generally support a MRP within the range of 5% and 7%. However, the risk free rate of return (which was used to derive the MRP in those studies) was, on average, significantly above both current levels and the 3% risk free rate adopted above. For example, the average 10 year CGB rate over the last 50 years<sup>32</sup> was approximately 7.9% per annum, which when added to the long term MRP based on empirical studies of 6% implies a (long term) total required equity rate of return of around 13.9% per annum.

181 Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk free rates. Accordingly, in our opinion, it is appropriate to adopt a MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk free rate of 3% per annum. This is consistent with the current prevailing total expected equity return (being the sum of the risk free rate and market risk premium) adopted by most investment analysts of around 9% to 10% per annum<sup>33</sup>.

*Beta*

182 The beta adopted reflects the following factors:

- (a) the beta estimates for listed Australian and US FTA television broadcasting companies (which generally exceed 1.0)
- (b) the sensitivity of advertising revenues to economic growth; and
- (c) the risks associated with the Prime business, particularly its dependence on program content from SWM and SWM's greater bargaining power in any pricing negotiation.

<sup>30</sup> Since 17 February 2003, Australia has had an S&P credit rating of AAA, whereas the US' S&P credit rating was downgraded to AA+ on 5 August 2011 (one notch lower than AAA). Despite this, over the period from 5 August 2011 to 30 August 2019 the average yield on 10 year CGBs has been 0.7% per annum higher than the 10 year US Government bond rate. We note that Moody's and Fitch have retained their Aaa (Moody's) and AAA (Fitch) credit ratings for the US, and Fitch upgraded Australia's credit rating to AAA on 28 November 2011.

<sup>31</sup> As at 17 October 2019 the US 30 year Government bond rate was around 2.2% per annum.

<sup>32</sup> Calculated from 1 August 1969 to 31 July 2019.

<sup>33</sup> As noted, prevailing total expected equity rates of return adopted by investment analysts are around 4.4% per annum lower than the rates of return implied by empirical studies on the MRP (when higher risk free rates prevailed).



### Sensitivity analysis and DCF value

- 183 The base case assumptions set out above reflect the base case assumptions adopted in the financial model developed by LEA. As stated above, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 184 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 185 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

<b>Sensitivity analysis – EBITDA margin and change in gross television advertising revenue</b>						
		<b>Change in gross television advertising revenue (per annum up to 30 June 2023)</b>				
		<b>(4.0%)</b>	<b>(3.5%)</b>	<b>(3.0%)</b>	<b>(2.5%)</b>	<b>(2.0%)</b>
<b>EBITDA margin from 1 Jul 23 (post expiry of Affiliation agreement)</b>	<b>13.0%</b>	88.3	91.9	95.5	99.2	102.9
	<b>12.0%</b>	83.1	86.5	90.0	93.5	97.1
	<b>11.0%</b>	77.8	81.1	84.5	87.9	91.3
	<b>10.0%</b>	72.5	75.7	78.9	82.2	85.5
	<b>9.0%</b>	67.3	70.3	73.4	76.5	79.6
	<b>8.0%</b>	62.0	64.9	67.9	70.8	73.8
	<b>7.0%</b>	56.8	59.5	62.3	65.1	68.0

<b>Sensitivity analysis – terminal value growth rate and discount rate</b>						
		<b>Discount rate (per annum)</b>				
		<b>11.0%</b>	<b>11.5%</b>	<b>12.0%</b>	<b>12.5%</b>	<b>13.0%</b>
<b>Terminal value growth rate</b>	<b>(5.0%)</b>	79.5	77.5	75.6	73.9	72.2
	<b>(4.0%)</b>	82.0	79.8	77.8	75.9	74.1
	<b>(3.0%)</b>	84.8	82.4	80.2	78.1	76.2
	<b>(2.0%)</b>	88.1	85.5	83.0	80.7	78.6
	<b>(1.0%)</b>	92.0	89.0	86.2	83.6	81.3

- 186 Having regard to the above, we have assessed the value of the equity in Prime under the DCF method at between \$75 million and \$85 million.

### DCF value per share

- 187 Prime has 366,330,303 fully paid ordinary shares on issue, and no performance rights or other equity securities on issue. Accordingly, the value of Prime shares based on our DCF analysis is as follows:

<b>Prime – DCF value per share</b>		
	<b>Low</b>	<b>High</b>
DCF value of equity (\$m)	75	85
Shares on issue (m)	366.3	366.3
Value per share (cents)	20.5	23.2



## Capitalisation of EBITDA approach

188 Under the capitalisation of EBITDA method, the value of Prime on an ungeared basis is represented by its core underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risks inherent in those earnings. The value of the equity in Prime has then been determined by deducting net debt.

## EBITDA adopted for valuation purposes

189 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and have discussed Prime's financial performance, operating environment and prospects with Prime management.

## Historical EBITDA

190 A summary of Prime's revenue and underlying EBITDA<sup>34</sup> for the four years ended 30 June 2019 (FY19), and management's guidance for the year ending 30 June 2020 (FY20) is summarised below:

Revenue and underlying EBITDA <sup>(1)</sup>					
	FY16	FY17	FY18	FY19	FY20
	Audited	Audited	Audited	Audited	Guidance <sup>(2)</sup>
	\$m	\$m	\$m	\$m	\$m
Net sales revenue <sup>(3)(4)</sup>	215.9	217.8	200.1	190.7	Na
Underlying EBITDA <sup>(5)</sup>	53.4	63.6	47.1	38.5	23.0-25.0
EBITDA margin	24.8%	29.2%	23.5%	20.2%	na
Change in revenue	(7.2%)	0.9%	(8.1%)	(4.7%)	na

### Note:

1 Rounding differences may exist.

2 Prime management provided EBITDA guidance for FY20 on 22 August 2019 contemporaneous with the release of the Company's FY19 results.

3 Net sales revenue represents advertising and other external revenue (net of agency commissions), and excludes interest income, Government grants and other income.

4 Prior to FY19, advertising revenue was shown exclusive of agency commissions (which were included as a cost of sale). However, under AASB 15 – *Revenue from Contracts with Customers*, advertising revenue is required to be shown net of agency commissions. Accordingly, the FY16 to FY18 revenue figures shown above have been restated so that they are net of agency costs. Agency commissions were \$19.2 million in FY16, \$19.6 million in FY17, \$19.9 million in FY18 and \$17.1 million in FY19.

5 Prior to significant items and impairment charges.

na – not disclosed publicly.

191 Prime's revenue and underlying EBITDA has fallen significantly over the period. This was principally due to:

- declining television advertising revenues, which have fallen \$44.5 million (18.3%) over the five years to FY19, as shown in paragraph 161 above
- increased affiliation fees (as a percentage of gross television advertising revenue) pursuant to the long-standing program supply arrangements between SWM and Prime.

<sup>34</sup> Before significant items.

As stated above, these arrangements were extended for a further five years effective 1 July 2018, and further significant increases in the affiliation fee (which is now an agreed percentage of advertising revenues) take effect from FY20.

***FY20 earnings guidance***

192 As set out in Section III, Prime management provided the following earnings guidance for FY20 on 22 August 2019 in its FY19 results announcement:

*“Overall, the regional television advertising market is subdued. Revenue pace for July and August was behind that of the prior period(s), throughout September however Prime typically experiences a late run for placement within the AFL Finals series.*

*We have limited visibility into the second quarter. Gains in certain national advertiser categories were softened by reduction in others, reflecting the current retail environment and soft consumer sentiment. However, discussions with advertisers point to an improvement in demand for Prime’s major markets throughout the latter months of this calendar year.*

*At local level, TV ad markets are soft and look challenged going forward with consumer confidence impacted by prolonged drought conditions and the arrival of tech giants Google and Facebook in what have traditionally been ‘local media’ advertising markets.*

*Prime expects trading conditions to improve in the second half in the lead up to the 2020 Tokyo Olympics. However, as a result of the continued decline in regional markets and increased affiliation fees, Prime’s earnings before interest tax depreciation & amortisation (EBITDA) for the 2020 financial year is forecast to be \$23.0M to \$25.0M, while core net profit after tax is forecast to be \$8.0M to \$10.0M.”*

193 In the three months to 30 September 2019, Prime’s gross television advertising revenues fell 1.6%<sup>35</sup> compared to the quarter ended 30 September 2018.

194 Underlying EBITDA in the three months to 30 September 2019 was approximately \$6.0 million<sup>36</sup>, and Prime management have advised that there have been no matters of significance since 22 August 2019 which would cause them to change the earnings guidance provided on that date.

195 Prime management have also confirmed that the EBITDA guidance for FY20 of \$23.0 million to \$25.0 million does not take into account the impact of changes required under AASB 16. In summary, the application of AASB 16 is expected to increase EBITDA in FY20 by approximately \$1 million, because rent expenses will be replaced by amortisation charges (of the right to occupy) and interest expenses. However, in our view this EBITDA uplift should be ignored as it is simply an accounting entry which has no cash flow impact or impact on the underlying profitability of Prime.

<sup>35</sup> Based on unaudited results in management accounts.

<sup>36</sup> Ibid.

***EBITDA adopted for valuation purposes***

196 Having regard to the above, we have adopted EBITDA for valuation purposes of \$24.0 million (consistent with the mid-point of management’s guidance for FY20, which importantly reflects the full year impact of the increased affiliation fees payable by the business).

**EBITDA multiple**

197 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• The stability and quality of earnings</li> <li>• The quality of the management and the likely continuity of management</li> <li>• The nature and size of the business</li> <li>• The spread and financial standing of customers</li> <li>• The financial structure of the company and gearing level</li> <li>• The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors</li> <li>• The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors</li> </ul> | <ul style="list-style-type: none"> <li>• The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.</li> <li>• The cyclical nature of the industry</li> <li>• Expected changes in interest rates</li> <li>• The asset backing of the underlying business of the company and the quality of the assets</li> <li>• The extent to which a premium for control is appropriate</li> <li>• Whether the assessment is consistent with historical and prospective earnings</li> </ul> |
|---|---|

198 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Prime.

***Listed company multiples***

199 The EBITDA multiples for selected listed companies involved in FTA television broadcasting are set out below. Due to the absence of any ASX listed companies (other than Prime and SWM) which focus primarily on the ownership and operation of FTA television stations, we have also considered the EBITDA multiples for FTA television broadcasters in the US (notwithstanding that these companies are significantly larger than Prime).

200 As the level of EBITDA adopted for valuation purposes is consistent with management’s EBITDA guidance for FY20, we have had more regard to the EBITDA multiples based on each listed company’s average broker forecasts for FY20.

Listed company trading multiples<sup>(1)</sup>

	Currency	Enterprise value <sup>(2)</sup> \$m	EBITDA multiples		Forecast CAGR growth <sup>(4)</sup> (%)
			FY19 <sup>(3)</sup> X	FY20 X	
<b>Australian companies</b>					
Prime	A\$	68	1.8	2.8	na
Nine Entertainment	A\$	3,477	8.2	7.1	11.1
SWM	A\$	1,077	4.4	4.7	(5.7)
SXL	A\$	942	5.9	6.2	0.7
<b>US companies</b>					
Nexstar Media Group	US\$	8,193	8.7	5.3	nm <sup>(5)</sup>
Sinclair Broadcast Group	US\$	6,747	7.4	4.8	nm <sup>(5)</sup>
TEGNA Inc.	US\$	6,327	9.4	6.5	3.4
Gray Television Inc.	US\$	5,337	8.3	6.2	5.8
E.W. Scripps	US\$	2,570	14.0	6.3	nm <sup>(5)</sup>

**Note:**

- 1 Enterprise value, earnings multiples and forecast compound annual growth rate (CAGR) in EBITDA calculated as at 17 October 2019.
- 2 Enterprise value calculated as net debt plus market capitalisation and outside equity interests, less value of surplus assets.
- 3 Earnings are based on average analyst forecasts (excluding outliers and outdated forecasts) sourced from Bloomberg for the year ending 31 December 2019 (CY19) with the exception of Prime, SWM and SXL, which are based on actual earnings for FY19. The EBITDA multiple for Nine Entertainment for FY19 is based on its pro-forma results (which assumes the merger with Fairfax took place at the beginning of the financial year).
- 4 CAGR in EBITDA forecast by analysts over the two year period from FY19 to FY21.
- 5 Not meaningful as impacted by acquisitions.

na – not available.

**Source:** Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

201 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

202 In relation to the above listed EBITDA multiples it should be noted that:

- (a) in addition to its television business, Nine Entertainment owns newspaper publishing businesses (The Sydney Morning Herald, The Age and The Australian Financial Review), digital only publishing assets (such as nine.com.au, 9Honey and Pedestrian.TV) and investments in Domain, Stan, CarAdvice and Macquarie Media. As a result its television broadcasting business only accounted for approximately 54% of pro-forma EBITDA (before corporate costs) in FY19. Further, the higher expected earnings growth (based on analyst forecasts) is likely to be a key reason for its higher trading multiples compared to the other Australian listed media companies

- (b) in addition to its ownership of the Seven Network, SWM owns newspaper publishing businesses (The West Australian and The Sunday Times) and radio licenses<sup>37</sup>. However, SWM's television business accounted for approximately 79% of revenues and 86% of underlying EBITDA (prior to corporate costs) in FY19
- (c) whilst SXL's television business operates a number of regional television stations, the large majority of its revenue and earnings are generated from its national metropolitan and regional commercial radio business (with SXL's television business only accounting for around 30% of revenues and 15% of EBITDA in FY19). SXL shares fell sharply on 15 October 2019 following its announcement that media markets had been weak in the first quarter, with SXL's revenue falling 8.5% compared to the prior corresponding quarter ended 30 September 2018 (with declines in both radio and television segments)
- (d) over the five years to 30 June 2019, advertising revenues generated by the FTA broadcasting sector declined at a greater rate in regional areas compared to metropolitan areas (as shown at paragraph 141), which (all other variables held constant) would translate into lower EBITDA multiples for regional broadcasters such as Prime compared to Nine Entertainment and SWM
- (e) we do not consider that the US listed companies shown above provide any reasonable valuation reference point for Prime for the following reasons:
  - (i) the US television broadcasting companies are substantially larger than Prime (due, in part, to the large size of the US market and the high level of mergers and acquisition activity over many years in that market)
  - (ii) due to their size and diversification (all the US listed companies above own a large number of television stations), the above US television broadcasting companies are able to achieve significant economies of scale benefits (which Prime is unable to achieve due to the much smaller size of its operation)
  - (iii) the US companies operate in a different market and regulatory environment to Prime. For example, earnings are often averaged over a two-year period when considering the value of US television broadcasting companies in order to smooth out the impact of the US bi-annual election year cycle on earnings
  - (iv) the FY19 EBITDA multiples for the US companies do not reflect the full year earnings impact (and related synergy benefits) of recent acquisitions. Accordingly, the FY20 EBITDA multiples should be referenced (as appropriate) for the US companies rather than the FY19 EBITDA multiples (which are overstated).

203 Of the above listed companies, in our opinion, only SWM provides a relevant valuation benchmark for the purposes of assessing the appropriate EBITDA multiple for Prime. This is principally because:

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<sup>37</sup> On 18 October 2019, SWM announced the divestment of its WA radio assets (Redwave) for cash consideration of \$28 million, and on 21 October 2019, SWM announced a binding agreement to sell its magazine business (Pacific Magazines) for cash consideration of \$40 million.

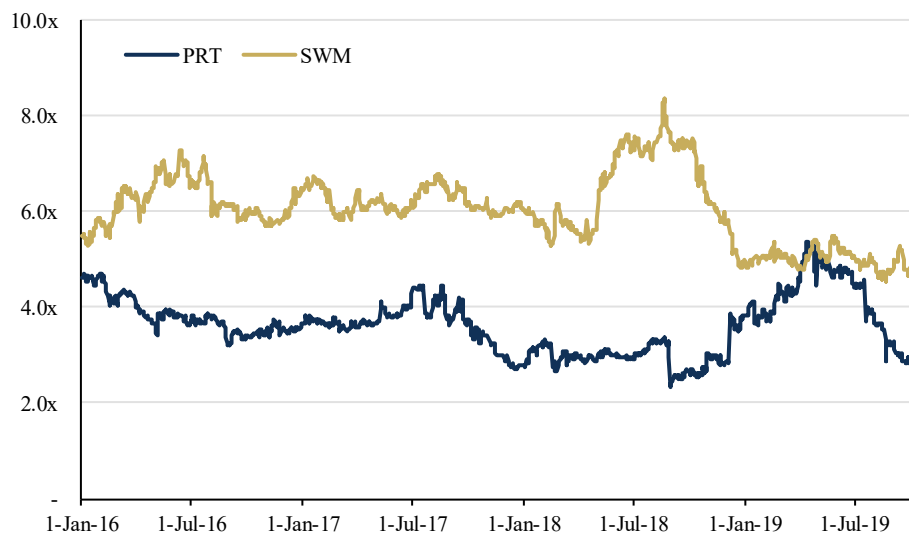
- (a) Prime is an affiliate of the Seven Network and is reliant on SWM for programming
- (b) approximately 86% of SWM's underlying EBITDA (prior to corporate costs) is generated from its television business.

204 However, it is clear that Prime should trade on significantly lower multiples than SWM due to (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth and SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. In addition, we note that Prime holds no digital rights to SWM's content, and that SWM is now streaming and providing BVOD services in Prime's licence areas through the 7plus streaming service (which enables users to access the Seven Network's live television broadcast as well as catch-up television without needing to watch Prime's broadcast). This is a significant risk to Prime's future advertising revenues.

**EBITDA multiples over time**

205 The graph below sets out the one year forecast EBITDA multiples<sup>38</sup> (based on consensus broker forecasts) for Prime and SWM from 1 January 2016 to 17 October 2019<sup>39</sup>:

**1 year forward EBITDA multiples**



Source: Bloomberg, LEA analysis.

206 Over the period set out above, Prime has generally traded on significantly lower EBITDA multiples than SWM with the exception of the period around April 2019 (the reason for which is unclear). The average forward EBITDA multiple discount of Prime relative to SWM over the above period was approximately 40%. We note that in the more recent period prior to the announcement of the Scheme, Prime shares were trading at an EBITDA multiple discount which was broadly consistent with the long term average.

<sup>38</sup> Being the enterprise value divided by EBITDA forecast for the subsequent 12 months.

<sup>39</sup> Being the last trading day prior to the announcement of the Scheme.

## Transaction evidence

207 We set out below a summary of the EBITDA multiples implied by recent transactions in the Australian and US FTA television broadcasting markets. As indicated below there have not been many transactions in the Australian FTA television broadcasting market in recent years<sup>40</sup>. Accordingly, we have also set out recent transaction evidence in the US market. However, for the reasons stated above, we do not consider that these US transactions are particularly relevant when assessing the appropriate EBITDA multiple for Prime:

Transaction evidence						
Date <sup>(1)</sup>	Target	Acquirer	Vendor	Consideration \$m	EBITDA multiple	
					Pre synergies	Post synergies
<b>Australian transactions</b>						
19 May 17	NNSW television assets	WIN	SXL	A\$55	5.5	na F
21 Feb 11	Seven Media Group	West Australian Newspapers	na	A\$1,981	9.4	9.1 F
<b>US transactions</b>						
11 Jun 19	2 local television stations and 2 radio stations	TEGNA	Dispatch Broadcast Group	US\$535	na	7.9 F
20 Mar 19	8 television stations	E.W. Scripps Company	Nexstar Media Group	US\$580	10.4	8.1 H
20 Mar 19	11 local television stations	TEGNA	Nexstar Media Group	US\$740	7.7	6.7 F
02 Jan 19	2 television stations	TEGNA	Gray Television Inc.	US\$105	5.9	5.0 H
03 Dec 18	Tribune Media Company	Nexstar Media Group	na	US\$6,400	8.5	7.0 F
25 Jun 18	Raycom Media	Gray Television	na	US\$3,647	na	7.5 F
29 Oct 18	15 television stations	E.W. Scripps	Cordillera Communications	US\$521	8.3	7.2 F
18 Dec 17	Television and radio broadcast stations in San Diego	TEGNA	Midwest Television Inc	US\$325	na	6.6 F
Jan 16	Shaw Media	Corus Ent.	na	C\$2,659	8.6	7.5 H

**Note:**

1 Date of announcement.  
H = Historical EBITDA multiple.  
F = Forecast EBITDA multiple.  
na – not publicly disclosed.

<sup>40</sup> We note that CBS Corporation acquired Ten in October 2017 for approximately \$170 million. However, no meaningful earnings multiple could be calculated as Ten was loss making at the time and was in voluntary administration prior to the acquisition.



208 In our opinion, the only relevant transaction to Prime shown above is the Australian acquisition by WIN of the Northern NSW (NNSW) television assets of SXL in May 2017. These television assets broadcast Ten programming in the NNSW licence area under an affiliation agreement with Ten<sup>41</sup>. However, since the date of this transaction, we note that:

- (a) the earnings of the FTA broadcasting sector in Australia have continued to decline
- (b) the listed market value of SWM (being the most relevant listed company) has declined significantly.

209 Other relevant transaction evidence includes:

- (a) the recent sale by Nine Entertainment on 30 June 2019<sup>42</sup> of Australian Community Media (ACM).

ACM is an Australian rural, regional and agricultural newspaper and digital media business with more than 160 regional publications and community based websites. Whilst ACM does not own or operate any FTA television broadcasting businesses, its regional newspaper assets are subject to similar industry trends (e.g. declining advertising revenues). Further, like Prime, ACM has suffered significant declines in revenues and earnings over the last four years, as shown below:

ACM					
	FY15	FY16	FY17	FY18	FY19
	\$m	\$m	\$m	\$m	\$m
Revenue	539.1	485.1	428.2	400.2	365.9
EBITDA	100.9	90.4	73.0	57.2	34.4
EBITDA margin	18.7%	18.6%	17.0%	14.3%	9.4%

ACM was acquired for a headline price of around \$115 million, which appears to have represented an EBITDA multiple of around 3.3 times FY19 actual EBITDA

- (b) the sale by SWM on 21 October 2019 of its magazine publishing business (Pacific Magazines) for \$40 million in cash<sup>43</sup>, which represented an EBITDA multiple of 4.9 times FY19 EBITDA. As shown below, the revenue of the Pacific Magazines business has also declined significantly over recent years:

Pacific Magazines				
	FY16	FY17	FY18	FY19
	\$m	\$m	\$m	\$m
Revenue	201.2	168.0	139.5	129.4
EBITDA <sup>(1)</sup>	10.5	6.2	9.9	8.2
EBITDA margin <sup>(1)</sup>	5.2%	3.7%	7.1%	6.4%

**Note:**

- 1 Prior to significant items.

<sup>41</sup> The affiliation agreement had a five year term to 30 June 2021.

<sup>42</sup> Completion date.

<sup>43</sup> The sale price was stated to be “pre-adjustments and leave provisions”. Completion of the transaction is subject to ACCC approval.



### Potential synergies

210 As stated in paragraph 170 above, SWM expects to realise significant synergies from the acquisition of Prime.

211 However:

- (a) pursuant to RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair
- (b) the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company. Accordingly, in our opinion, it is inappropriate (in the circumstances of Prime) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

### Conclusion on appropriate EBITDA multiples

212 As stated above, it is clear that Prime should trade on significantly lower multiples than SWM due to (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth, SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs, and the risk to advertising revenues from BVOD services.

213 Prior to the announcement of the Scheme, SWM was trading on a FY20 EBITDA multiple of around 4.7. Adjusting this multiple for the average multiple discount at which Prime has traded relative to SWM from 1 January 2016 to 17 October 2019 of around 40% results in an implied trading multiple for Prime of around 2.8 times FY20 EBITDA.

214 After incorporating a control premium we have applied an EBITDA multiple of 3.25 to 3.75 for valuation purposes.

### Value per share under capitalisation of EBITDA approach

215 Based on the above the value of Prime shares under the capitalisation of EBITDA method is as follows:

Prime – value per share		
	Low	High
	\$m	\$m
EBITDA	24.0	24.0
EBITDA multiple	3.25	3.75
Enterprise value	78.0	90.0
Add surplus property <sup>(1)</sup>	0.9	0.9
Less net debt <sup>(2)</sup>	(2.7)	(2.7)
Equity value	76.2	88.2
Shares on issue (m)	366.3	366.3
Value per share (cents)	20.8	24.1

**Note:**

1 Refer paragraph 176.

2 As at 30 September 2019.

### Valuation based on recent share price trading range

216 We set below the trading range of Prime shares since 22 August 2019 (being the date the Company announced its results for FY19 and provided materially lower earnings guidance for FY20) up to the last day prior to the announcement of the Scheme:

Prime – share trading				
Period	Low (cents)	High (cents)	VWAP (cents)	Value traded \$m
23 Aug 19 to 17 Oct 19	16.0	20.0	17.6	9.6

217 We note that the trading during the above period included the sale of 11.9 million Prime shares by Mr Bruce Gordon and associated entities between 29 August 2019 and 11 September 2019 at 18.5 cents per share<sup>44</sup>.

218 The above share trading involves minority or portfolio interests in Prime. It is therefore appropriate to apply a control premium in order to estimate the controlling interest value of Prime shares.

219 After adding a control premium of between 30% and 35%, the value of Prime shares implied by recent share trading is as follows:

Value based on recent share trading		
	Low (cents)	High (cents)
Share trading <sup>(1)(2)</sup>	17.6	18.5
Add control premium	30.0%	35.0%
Theoretical controlling interest value	22.9	25.0

**Note:**

- 1 Low range reflects VWAP for the period 23 August 2019 to 17 October 2019.
- 2 High range reflects the price at which Mr Bruce Gordon and associated entities sold 11.9 million shares between 29 August 2019 and 11 September 2019.

### Summary of valuations

220 Based on the above, we set out below the valuations of Prime shares under each valuation approach and our adopted valuation range:

Prime – valuation		
	Cents per share	
	Low	High
DCF	20.5	23.2
Capitalisation of EBITDA	20.8	24.1
Share price, adjusted for a control premium	22.9	25.0
Adopted range	21.0	24.0

221 As indicated above, there is a high degree of consistency regarding the equity value of Prime under all three methodologies.

<sup>44</sup> We also note that Mitsubishi UFJ Financial Group, Inc. became a substantial holder in Prime on 4 October 2019 (disclosing a stake of 5.17%). The average cost paid for this holding was not disclosed.

## VIII Value of Scheme Consideration

### Approach

- 222 As set out in Section I, if Prime shareholders approve the Scheme and all conditions are satisfied, then Prime shareholders will receive 0.4582 SWM shares for each Prime share.
- 223 As stated in Section VI, it is customary in transactions where scrip is offered as consideration to rely upon the listed market price of the bidder's shares<sup>45</sup> as the primary reference point for estimating the realisable value of the consideration offered. This is principally because:
- (a) the listed market prices of SWM shares are likely to represent a reasonable proxy for the amount that Prime shareholders could expect to realise if they sold any SWM shares received as consideration either immediately, or in the short term
  - (b) any decision to continue to hold SWM shares beyond the immediate to short term is a separate investment decision which should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. It is also not possible to accurately predict future share price movements
  - (c) whilst there may be a future opportunity for Prime shareholders to share in a control premium in the event SWM was subsequently acquired, this is not a scenario that we consider likely in the short term.
- 224 Accordingly, in our opinion, the recent market prices of SWM shares are the appropriate reference point for estimating the realisable value of the consideration offered. However, in doing so, we have also considered the depth of the market for those securities and the volatility of the share price.
- 225 We have also cross-checked the reasonableness of our assessed value of SWM shares being offered as consideration by reference to implied earnings multiples.

### Recent share prices

#### Recent share trading history (pre Scheme announcement)

- 226 The historical share prices for SWM are set out in Section IV. More recent trading in SWM shares prior to the announcement of the Scheme on 18 October 2019 is shown below. In this regard, we note that:
- (a) on 21 May 2019, SWM provided a trading update and provided revised EBIT guidance for FY19
  - (b) on 16 August 2019, Mr James Warburton was appointed Chief Executive Officer and Managing Director of SWM
  - (c) SWM announced its FY19 results on 20 August 2019 (before ASX trading began) and provided EBIT guidance for FY20 on that date

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<sup>45</sup> Provided there is sufficient market liquidity in the bidder's shares.

- (d) it was widely reported in the Australian Financial Review on 2 October 2019 that Mr Warburton had written to staff regarding restructuring initiatives at SWM, which included “plans to slash the number of divisions, cut staff and hire three new executives”<sup>46</sup>. Based on discussions with SWM management we understand that the impact of these restructuring initiatives was reflected in the EBIT guidance for FY20 provided on 20 August 2019.

227 Given the material nature of the above announcements and financial press reporting, when considering the historical trading in SWM shares prior to the announcement of the Scheme, in our opinion the share trading from and including 20 August 2019 and 2 October 2019 is more relevant:

<b>SWM– share price history (pre announcement)</b>					
<b>Time periods up to and including 17 October 2019</b>	<b>Low (cents)</b>	<b>High (cents)</b>	<b>VWAP (cents)</b>	<b>Number traded (m)</b>	<b>Value traded \$m</b>
1 month (18 Sep 19 to 17 Oct 19)	36.5	45.0	38.6	88.1	34.0
3 months (18 Jul 19 to 17 Oct 19)	35.0	46.5	40.2	283.7	114.0
6 months (18 Apr 19 to 17 Oct 19)	35.0	59.5	45.3	637.8	288.6
Post FY19 results announcement (20 Aug 19 to 17 Oct 19)	35.0	46.0	39.4	188.8	74.4
Post AFR article (2 Oct 19 to 17 Oct 19)	36.5	39.8	37.8	36.9	13.9

#### **Recent share trading history (post Scheme announcement)**

228 For the purpose of assessing the value of the SWM shares offered as consideration, however we believe more regard should be given to the price of SWM shares since the Scheme was announced on 18 October 2019. This is because we consider the SWM share price subsequent to and including 18 October 2019 to be more representative of the share price assuming the Scheme is approved than the prices prior to 18 October 2019.

229 In this regard, it should also be noted that:

- (a) on 18 October 2019, SWM also announced that it had entered into an agreement with SCA to sell its WA radio assets (Redwave) for cash consideration of \$28 million (subject to regulatory approvals from the ACMA and the ACCC)
- (b) on 21 October 2019, SWM announced a binding agreement to sell its magazine publishing business (Pacific Magazines) for cash consideration of \$40 million (subject to ACCC approval). We note that the SWM share price initially reacted positively to this announcement, rising 11.7% to 43 cents per share on the date of the announcement
- (c) on 13 November 2019 (at SWM’s AGM), SWM advised that its FY20 underlying EBIT guidance was now expected to be at the lower end of previous guidance.

230 The following table sets out the prices at which SWM shares have traded:

- (a) in the period subsequent to the announcement of the Scheme up to 14 November 2019

<sup>46</sup> Source: Australian Financial Review “James Warburton shakes up Seven with major restructure”, 2 October 2019.

- (b) from 21 October 2019 (being the period subsequent to the announcement of the sale of Pacific Magazines) to 14 November 2019
- (c) from 1 November 2019 to 14 November 2019 (being the most recent trading at the date of this report)
- (d) for 13 November 2019 to 14 November 2019 (being the period subsequent to SWM's revised earnings guidance):

SWM – share price history (post announcement)					
Time period	Low (cents)	High (cents)	VWAP (cents)	Number traded (m)	Value traded \$m
18 Oct 19 to 14 Nov 19	37.5	48.0	42.4	91.9	39.0
21 Oct 19 to 14 Nov 19	38.0	48.0	42.8	83.3	35.7
1 Nov 19 to 14 Nov 19	39.5	48.0	44.4	49.2	21.8
13 Nov 19 to 14 Nov 19	41.0	45.3	42.6	6.6	2.8

### Share trading restrictions and liquidity

- 231 We are not aware of any significant shareholding restrictions on trading in SWM which would prevent sufficient trading (on a day-to-day basis) to produce an unbiased share price.
- 232 Further, whilst the trading period post the announcement of the Scheme has been relatively short, trading volumes in this period have been high (consistent with share trading volumes in SWM generally). Given the level of share trading, we consider that the SWM share price post the announcement of the Scheme is a reasonably reliable reference point for assessing the value of the Scheme Consideration.

### Information disclosures

- 233 SWM has a market capitalisation of around \$633 million<sup>47</sup> and is well researched and analysed by share broking analysts<sup>48</sup> and institutional investors.
- 234 Significant information in relation to the operations of SWM has also been disclosed in its financial reports and ASX announcements. Further, SWM has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning SWM which a reasonable person would expect to have a material effect on the price or value of SWM shares.

### Number of SWM shares to be issued as consideration

- 235 As at the date of the Scheme Implementation Deed, SWM had 1,508.0 million ordinary shares on issue<sup>49</sup>. The number of shares to be issued by SWM as consideration under the Scheme will therefore represent approximately 10% of the enlarged capital base of SWM, calculated as follows:

<sup>47</sup> As at 14 November 2019. 1.508 billion shares multiplied by the closing market price of 42 cents per share.

<sup>48</sup> As at 14 November 2019 there were nine investment analysts which provided EBITDA forecasts for SWM on Bloomberg.

<sup>49</sup> SWM has no other securities and no employee performance rights or options on issue.

Scrip consideration as a % of enlarged capital base		
		<b>million</b>
Number of existing SWM shares on issue		1,508.0
Number of shares to be issued pursuant to the Scheme <sup>(1)</sup>	(A)	167.9
Total issued shares in SWM post transaction	(B)	<u>1,675.9</u>
Prime shareholders' interest <sup>(2)</sup> in SWM post transaction	(A) / (B)	10.0%

**Note:**

- 1 Being an estimated 366.33 million shares in Prime converted to SWM shares at the Scheme ratio of 0.4582 SWM shares for every one Prime share.
- 2 Representing the collective interest of Prime shareholders.

236 Given the number of new SWM shares to be issued pursuant to the Scheme, if (in the event that the Scheme is approved) a significant number of Prime shareholders elect not to retain the shares in SWM received as consideration there may be an oversupply of SWM shares, which may have an adverse impact on the SWM share price in the short term.

**Synergies**

237 In the absence of significant synergies, it is common for the acquirer's share price to fall following the announcement of a material acquisition if the acquisition is priced at a premium to the listed market price of the target company. This is because the listed market price of the acquirer's shares will reflect a portfolio rather than a controlling interest in the enlarged group.

238 However, in the current circumstances the identified synergies from a combination of the business operations of SWM and Prime are expected to be significantly value accretive. In this regard, in the ASX announcement dated 18 October 2019 in respect of the Scheme, SWM and Prime stated that it expects to realise annual synergy benefits of approximately \$11 million within 12 to 18 months from implementation of the Scheme. This is very significant in comparison with Prime management's standalone EBITDA guidance for Prime in FY20 of \$23 million to \$25 million.

239 Given the size of expected synergies and the proposed acquisition terms under the Scheme, in our view, it is reasonable to expect that (other things being equal) investors in SWM would react positively to the proposed Scheme and that the SWM share price would increase over the short to medium term<sup>50</sup>.

**Conclusion**

240 In summary, in assessing the value of the SWM shares offered as consideration under the Scheme, we have had regard to:

- (a) the volatility of the SWM share price since the announcement of the Scheme (as set out in paragraph 230)
- (b) the number of shares to be issued by SWM pursuant to the Scheme compared to both the existing and enlarged capital base of SWM subsequent to the Scheme

<sup>50</sup> In this regard the relative sizes of SWM and Prime will clearly impact the extent of any SWM price increase in percentage terms.

- (c) the likely level of on-market trading in SWM shares subsequent to implementation of the Scheme, having regard to factors including:
- (i) any potential oversupply of SWM shares from those shareholders in Prime not wishing to retain the SWM shares received as consideration
  - (ii) the identified synergies from a combination of the business operations of SWM and Prime which are expected to be significantly value accretive
- (d) recent stock market conditions; and
- (e) the earnings multiples for SWM implied by our adopted range (see below).

241 Based on the above we have assessed the value of the SWM shares offered as consideration pursuant to the Scheme at between 40 cents and 45 cents per share. This range reflects the more recent trading range in SWM shares, and the VWAP of SWM shares since the announcement of the Scheme up to 14 November 2019 being 42.4 cents per share.

### Implied EBITDA multiple

242 As stated above, we have cross-checked our assessment of the realisable value of SWM shares by considering the EBITDA multiple implied for the enlarged entity post completion of the Scheme, subsequent to a combination of the respective business operations.

### Market capitalisation

243 The market capitalisation of SWM based on our assessed value of SWM shares post completion of the Scheme is shown below:

SWM – estimated market capitalisation of enlarged entity <sup>(1)</sup>		
	Low	High
Shares on issue post completion of Scheme (million)	1,675.9	1,675.9
Adopted share price <sup>(2)</sup> (cents per share)	40.0	45.0
<b>Market capitalisation post completion of Scheme (\$m)</b>	<b>670.4</b>	<b>754.2</b>

**Note:**

- 1 Based on assessed share value post completion of the Scheme.
- 2 Assessed realisable value of SWM shares.

### Net debt

244 The net debt of the merged entity (after taking into account the expected proceeds from the sale by SWM of Redwave and Pacific Magazines) is as follows:

Net debt of merged entity			
	Prime \$m	SWM \$m	Total \$m
Latest net debt	2.7 <sup>(1)</sup>	565.6 <sup>(2)</sup>	568.3
Less expected proceeds from:			
Sale of Redwave	-	(28.0)	(28.0)
Sale of Pacific Magazines	-	(40.0)	(40.0)
<b>Pro-forma net debt</b>	<b>2.7</b>	<b>497.6</b>	<b>500.3</b>



**Note:**

- 1 As at 30 September 2019. The net debt position of \$564.4 million shown in Section IV is net of unamortised refinancing costs of \$1.16 million.
- 2 As at 29 June 2019.

**Surplus assets**

245 As noted in Sections III and IV:

- (a) Prime has a property in Bunbury, WA which is surplus to requirements (which we valued in Section VI at \$0.9 million)
- (b) SWM owns equity stakes in a number of businesses (e.g. Airtasker, SocietyOne, Open Money Group, Health Engine and TX Australia) which have significant value but do not contribute in any material way to SWM's profitability. These investments have an estimated market value of approximately \$95 million based on the most recent funding round in each company<sup>51</sup>.

246 For the purposes of calculating the EBITDA multiple implied by our valuation of the Scheme Consideration we have therefore adopted surplus assets of \$95.9 million.

**Enterprise value of core business**

247 Based on the above, the enterprise value implied by our assessed value of SWM post completion of the Scheme is as follows:

Enterprise value – post completion of Scheme		
	Low \$m	High \$m
Market capitalisation	670.4	754.2
Net debt	500.3	500.3
Surplus asset	(95.9)	(95.9)
Scheme transaction costs and implementation costs <sup>(1)(2)</sup>	7.0	9.0
Enterprise value	1,081.8	1,167.6

**Note:**

- 1 Associated with the realisation of expected synergies.
- 2 Transaction and implementation cost estimate provided by SWM management.

**Implied EBITDA multiple**

248 For the purpose of calculating the EBITDA multiple implied by the above enterprise value we have adopted forecast EBITDA for FY20 of \$228 million. This reflects:

- (a) EBITDA (before significant items) of \$193 million for SWM for FY20 (on a standalone basis). This is consistent with the lower end of SWM's earnings guidance provided on

<sup>51</sup> We note that SWM has significant tax losses carried forward which could be utilised to offset any capital gain on these investments.



20 August 2019<sup>52</sup>, which we have adjusted to exclude the advised impact of AASB 16<sup>53</sup> and the full year EBITDA contribution from Redwave and Pacific Magazines (which SWM has agreed to divest, subject to regulatory approvals)

- (b) the level of underlying EBITDA for Prime adopted by us for valuation purposes in Section VII of \$24 million<sup>54</sup>; plus
- (c) the expected annual synergy benefits from a SWM / Prime combination of approximately \$11 million<sup>55</sup>.

249 On this basis, the EBITDA multiple including the benefit of expected synergies is as follows:

SWM – implied EBITDA multiple post completion of the Scheme (including synergies)		
	Low \$m	High \$m
Enterprise value (post completion of Scheme)	1,081.8	1,167.6
EBITDA (including expected synergies)	228.0	228.0
<b>Implied EBITDA multiple (post completion of Scheme)</b>	<b>4.7</b>	<b>5.1</b>

250 The above EBITDA multiple range is considered reasonable and appropriate, and is broadly consistent with the EBITDA multiple for SWM prior to the announcement of the Scheme as set out in paragraph 199.

251 Based on the above, in the circumstances prevailing at the date of our report, we consider our assessed range of realisable values for SWM shares to be reasonable and appropriate.

### Assessed value of the Scheme Consideration

252 We have therefore assessed the value of the Scheme Consideration to be received by Prime shareholders in the event that the Scheme is implemented as follows:

Value of Scheme Consideration per Prime share		
	Low \$ per share	High \$ per share
Assessed realisable value of SWM shares <sup>(1)</sup> (cents per SWM share)	40.0	45.0
Scheme ratio	0.4582	0.4582
Assessed value of the Scheme Consideration (cents per Prime share)	<b>18.3</b>	<b>20.6</b>

**Note:**

- 1 Our assessed realisable value of SWM shares is based on trading subsequent to the announcement of the Scheme.

<sup>52</sup> At SWM’s Annual General Meeting (AGM) on 13 November 2019, SWM indicated that its underlying EBIT guidance for FY20 was now expected to be at the lower end of previous guidance.

<sup>53</sup> Under the new lease accounting standard (AASB 16), rent expenses will be replaced by amortisation charges (of the right to occupy) and interest expenses which increases EBITDA. In our view this EBITDA uplift should be ignored for valuation purposes as it is simply an accounting entry which has no cash flow impact or impact on underlying profitability.

<sup>54</sup> Being the mid-point of Prime management’s EBITDA guidance for FY20.

<sup>55</sup> We have been provided with a detailed paper which identifies the composition of expected synergies, which represent approximately 16% of Prime’s operating costs.

### **Other considerations**

- 253 Prime shareholders should note that the listed market price of SWM shares is subject to daily fluctuation. The price at which SWM shares may be sold may therefore be greater or less than our assessed realisable value of SWM shares of 40 cents to 45 cents per share.
- 254 Prime shareholders should also note that any decision to hold SWM shares beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold SWM shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

## IX Evaluation of the Scheme

255 In our opinion, the Scheme is not fair but is reasonable and in the best interests of Prime shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

### Assessment of the Scheme

#### Value of Prime

256 As set out in Section VI we have assessed the value of Prime between 21 cents per share and 24 cents per share.

#### Value of Scheme Consideration

257 If the Scheme is approved and implemented, Prime shareholders will receive the Scheme Consideration, comprising 0.4582 SWM shares for each Prime share they hold on the Scheme Record Date.

258 As set out in Section VIII we have assessed the value of the Scheme Consideration between 18.3 and 20.6 cents per Prime share.

#### Fairness

259 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of Prime			
	Low cents per share	High cents per share	Mid-point cents per share
Value of Scheme Consideration	18.3	20.6	19.5
Value of 100% of Prime	21.0	24.0	22.5
<b>Extent to which the Scheme Consideration is less than the value of Prime</b>	<b>(2.7)</b>	<b>(3.4)</b>	<b>(3.0)</b>

260 As the Scheme Consideration is less than our assessed valuation range for Prime shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is not fair to Prime shareholders when assessed based on the Guidelines set out in RG 111.

#### Other qualitative factors

261 Pursuant to RG 111, the Scheme may be “reasonable” if, despite not being “fair” but after considering other significant factors, in the opinion of the expert there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.

262 There is no legal definition of the expression “in the best interests”. However, RG 111 also states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a superior proposal.

263 In assessing whether the Scheme is reasonable and in the best interests of Prime shareholders LEA has also considered, in particular:

- (a) the extent to which a control premium is being paid to Prime shareholders
- (b) the extent to which Prime shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
- (c) the listed market price of the shares in Prime, both prior to and subsequent to the announcement of the proposed Scheme
- (d) the likely market price of Prime securities if the proposed Scheme is not approved
- (e) the value of Prime to an alternative offeror and the likelihood of a higher alternative offer being made for Prime prior to the date of the Scheme meeting
- (f) the advantages and disadvantages of the Scheme from the perspective of Prime shareholders
- (g) other qualitative and strategic issues associated with the Scheme.

264 These issues are discussed in detail below.

### **Extent to which a control premium is being paid**

265 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares<sup>56</sup> three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

266 We have calculated the premium implied by the (mid-point of our assessed value of the) Scheme Consideration by reference to:

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<sup>56</sup> After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

- (a) the VWAP of Prime shares from 23 August 2019 (being the first trading date after the Company announced its results for FY19 and provided materially lower earnings guidance for FY20<sup>57</sup>) up to 17 October 2019 (being the last trading day prior to the announcement of the Scheme); and
- (b) the price at which Mr Bruce Gordon (and associated entities) sold 11.9 million shares in Prime between 29 August 2019 and 11 September 2019 of 18.5 cents per share:

Implied offer premium relative to recent Prime share prices		
	Prime share price Cents	Implied offer premium (discount) <sup>(1)</sup> %
VWAP from 23 Aug 19 to 17 Oct 19 (inclusive)	17.6	10.8
Sale price by Mr Bruce Gordon and associated entities between 29 Aug 19 and 11 Sep 19	18.5	5.4

**Note:**

- 1 Based on the mid-point of our assessed value of the Scheme Consideration.

267 As noted above, the mid-point of our assessed value of the Scheme Consideration implies a control premium which is significantly less than that observed in other change of control transactions generally.

**Extent to which Prime shareholders are being paid a share of synergies**

268 SWM have estimated the synergies arising from the acquisition of Prime at approximately \$11.0 million on an annualised basis<sup>58</sup>. These are expected to be realised within 12 to 18 months from completion, and are material in relation to the standalone earnings of Prime.

269 As the value of the Scheme Consideration is below our assessed valuation range for Prime shares on a 100% controlling interest basis, in our opinion, Prime shareholders are not being offered an appropriate share of the synergy benefits expected to arise from combining the respective businesses.

270 However, as Prime shareholders will own approximately 10% of SWM shares on issue following implementation of the Scheme, Prime shareholders who retain their SWM shares received as consideration will share in the realisation of the synergy benefits from combining the businesses over time.

271 In addition, as noted in Section VII, Prime shares have historically traded on significantly lower EBITDA multiples than SWM. We believe this discount reflects (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth and SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. However, as a result of the Scheme, Prime will be acquired by SWM and prima facie this discount should no longer apply. Consequently, we believe the value of Prime will be greater under SWM ownership and accordingly Prime

<sup>57</sup> In our opinion, it is inappropriate to calculate the premium implied by the Scheme Consideration based on trading in Prime shares prior to 23 August 2019 as such share trading would not reflect knowledge of the material reduction in EBITDA forecast for FY20.

<sup>58</sup> These annual synergy benefits exclude one-off transaction and integration costs.

shareholders should benefit from this value uplift over the medium term by virtue of their 10% collective ownership interest in SWM post implementation of the Scheme.

## Relative value

- 272 Whilst the basis upon which we have assessed the “fairness” of the Scheme is consistent with the requirements of RG 111 for “change of control” transactions, it should be noted that:
- (a) the consideration under the Scheme comprises scrip only
  - (b) both Prime and SWM are complementary businesses
  - (c) due to the size of expected synergies and the discount at which Prime shares have traded relative to SWM (which should no longer apply post the Scheme), the value of the merged company is likely to exceed the combined value of both companies on a standalone basis.
- 273 Given the above, in our view, a key consideration for Prime shareholders should be whether the exchange ratio (i.e. 0.4582 shares in SWM for every share in Prime) appropriately reflects the value contributed by both companies to the merged entity.
- 274 Accordingly, we have also considered the relative value of both companies based on share market trading.
- 275 The relative value of both companies’ shares based on share market trading from 1 January 2016 to 17 October 2019 (being the last trading day prior to the announcement of the Scheme) in comparison with the exchange ratio of 0.4582 is shown below:

Relative share prices (SWM / Prime) compared to exchange ratio



- 276 The average relative share prices of both companies over selected periods in comparison with the exchange ratio prior to the announcement of the Scheme is also shown below:

Period	Period start	Period end	Average
Entire period	1 Jan 16	17 Oct 19	0.4330
3 months prior to Scheme announcement	18 Jul 19	17 Oct 19	0.4788
Post FY20 guidance announcement	23 Aug 19	17 Oct 19	0.4545
1 month prior to Scheme announcement	18 Sep 19	17 Oct 19	0.4601

277 When assessing the relative values above, in our opinion, more regard should be had to the periods which commence on or after 23 August 2019 (as Prime provided materially lower earnings guidance for FY20 after market closed on 22 August 2019 relative to its historical results). In this regard we note that the average relative value of both companies' share prices since 23 August 2019, and in the one month period prior to the announcement of the Scheme (commencing 18 September 2019), are consistent with the exchange ratio under the Scheme.

278 This analysis therefore indicates that the exchange ratio (i.e. 0.4582 shares in SWM for every Prime share) is reasonable and appropriate if considered as a merger/combination of the two businesses rather than a change in control transaction.

### Interest in a larger and more diversified entity

279 If the Scheme is implemented, Prime shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The merged entity will also have enhanced financial scale (relative to Prime on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities.

280 In contrast, we consider that Prime's current lack of scale and diversification and limited growth prospects is one of the key reasons why Prime shares trade on significantly lower implied EBITDA multiples than SWM. This view is consistent with that expressed by Mr Ian Audsley (the Chief Executive Officer of Prime) who stated the following in the ASX announcement regarding the Scheme:

*"Only scaled media companies have the capacity to compete with the international tech giants now changing the game in Australian media. Small regional media companies like Prime are unable to achieve scale independently. The proposed merger with Seven provides Prime shareholders with opportunity to invest in a scaled media company".*

### Likelihood of an alternative proposal

281 Prime shareholders should note that on 30 October 2019, WA Chess Investments announced to the ASX that it had acquired 37.6 million Prime shares (representing 10.26% of the shares in Prime) between 9 September 2019 and 29 October 2019 at prices between 18.4 cents per share and 24 cents per share. WA Chess Investments has subsequently acquired a further 9.6 million shares at 20 cents per share, increasing its shareholding to approximately 12.89% of Prime (as at 5 November 2019)<sup>59</sup>.

<sup>59</sup> Based on a substantial shareholder notice filed by WA Chess Investments on 6 November 2019.

282 Whilst the intentions of WA Chess Investments are unknown at the date of this report, in our view, there is some possibility that WA Chess Investments will put forward an alternative proposal for or in connection with Prime prior to the Scheme meeting.

283 Prime shareholders should also be aware that:

- (a) the PSA between Prime and SWM contains change of control clauses which may allow SWM to terminate the PSA if the acquirer of Prime is a competitor of SWM or, where the acquirer is not a competitor if SWM is otherwise entitled to withhold its consent (noting it must act reasonably in determining whether to give consent)
- (b) the position of Mr Bruce Gordon (and associated entities), who is currently a substantial shareholder in Prime and owns other regional FTA television broadcasters, in relation to Scheme and Prime is unknown.

### Net debt position

284 We set out below a summary of the net debt position of Prime, SWM (prior to implementation of the Scheme) and SWM (after implementation of the Scheme):

Net debt of merged entity			
	Prime \$m	SWM (prior to Scheme) \$m	SWM (after Scheme) \$m
Latest net debt	2.7 <sup>(1)</sup>	565.6 <sup>(2)</sup>	568.3
Less expected proceeds from:			
Sale of Redwave	-	(28.0)	(28.0)
Sale of Pacific Magazines	-	(40.0)	(40.0)
Pro-forma net debt	2.7	497.6	500.3
 FY20 EBITDA	 24.0 <sup>(3)</sup>	 197.0 <sup>(4)</sup>	 221.0 <sup>(5)</sup>
Net debt / EBITDA	0.1x	2.5x	2.3x

**Note:**

- 1 As at 30 September 2019.
- 2 As at 29 June 2019. The net debt position of \$564.4 million shown in Section IV is net of unamortised refinancing costs of \$1.16 million.
- 3 Mid-point of Prime management guidance of \$23 million to \$25 million.
- 4 This is consistent with the mid-point of SWM's earnings guidance provided on 20 August 2019, which we have adjusted to exclude the advised impact of AASB 16 and the full year EBITDA contribution from Redwave and Pacific Magazines (which SWM has agreed to divest, subject to regulatory approvals).
- 5 This equals \$24 million for Prime and \$197 million for SWM and excludes expected synergies of \$11 million (which SWM management expect to realise within 12 to 18 months of completion).

285 As indicated above, SWM has significantly higher debt levels than Prime. This higher debt level means that any significant decline in the merged group's profitability could have significant adverse consequences for the value of SWM shares. In contrast, Prime is expected to repay all its debt during FY20.



286 SWM's higher debt level also means that SWM is unlikely to reinstate dividend payments anytime soon, as free cash flow is more likely to be directed towards debt repayments. In contrast, Prime is more likely to be in a position to reinstate dividends, although management may be reluctant to do so given the impact of declining television advertising revenues on profitability.

## Summary

287 We summarise below the likely advantages and disadvantages for Prime shareholders if the Scheme proceeds.

## Advantages

288 The Scheme has the following benefits for Prime shareholders:

- (a) Prime shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The merged entity will also have enhanced financial scale (relative to Prime on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities
- (b) as Prime shareholders will collectively hold approximately 10% of the shares in the merged entity if the Scheme is implemented, Prime shareholders who retain their SWM shares received as consideration should benefit from the realisation of expected synergies from a combination of the businesses over time
- (c) as noted in Section VII, Prime shares have historically traded on significantly lower EBITDA multiples than SWM. We believe this discount reflects (inter-alia) Prime's lack of scale and diversification, reliance on SWM for programming, lower opportunity for earnings growth and SWM's greater bargaining power in pricing negotiations regarding ongoing affiliation fees and program costs. However, as a result of the Scheme, Prime will be acquired by SWM and prima facie this discount should no longer apply. Consequently, we believe the value of Prime will be greater under SWM ownership and accordingly Prime shareholders should benefit from this value uplift over the medium term by virtue of their 10% collective ownership interest in SWM post implementation of the Scheme
- (d) the average relative value of both companies' share prices since 23 August 2019<sup>60</sup>, and in the one month period prior to the announcement of the Scheme (commencing 18 September 2019), are consistent with the exchange ratio under the Scheme. This analysis therefore indicates that the exchange ratio (i.e. 0.4582 shares in SWM for every Prime share) is reasonable and appropriate if considered as a merger / combination of the two businesses rather than a change in control transaction.

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<sup>60</sup> Prime provided materially lower earnings guidance for FY20 after the market closed on 22 August 2019.

## Disadvantages

289 The Scheme has the following disadvantages for Prime shareholders:

- (a) our assessed value of the Scheme Consideration is less than our assessed value range for Prime shares on a 100% controlling interest basis. As a result the Scheme Consideration is not fair under RG 111
- (b) whilst the value of the Scheme Consideration provides Prime shareholders with a modest premium above the listed market price of Prime shares immediately before the announcement of the Scheme, the premium is significantly below those observed in other change of control transactions
- (c) SWM has significantly higher debt levels than Prime. This higher debt level means that any significant decline in the merged group's profitability could have significant adverse consequences for the value of SWM shares. In contrast, Prime is expected to repay all its debt during FY20
- (d) SWM's higher debt level also means that SWM is unlikely to reinstate dividend payments anytime soon, as free cash flow is more likely to be directed towards debt repayments. In contrast, Prime is more likely to be in a position to reinstate dividends, although management may be reluctant to do so given the impact of declining television advertising revenues on profitability.

## Conclusion

290 As indicated above there are significant advantages and disadvantages associated with the Scheme. Whilst our assessed value of the Scheme Consideration only provides Prime shareholders with a modest premium above recent trading prices prior to the announcement of the Scheme (and is not fair under RG 111), on balance we have concluded that the Scheme is reasonable to, and in the best interests of, Prime shareholders in the absence of a superior proposal because:

- (a) the exchange ratio (i.e. 0.4582 shares in SWM for every Prime share) is reasonable and appropriate if considered as a merger / combination of the two businesses rather than a change in control transaction
- (b) if the Scheme is implemented, Prime shareholders will acquire an interest in a much larger, more diversified business which is better placed to deal with the current challenges being faced by participants in the traditional media sector.

291 Accordingly, we consider the Scheme to be:

- (a) not fair but reasonable to Prime shareholders in the absence of a superior proposal; and
- (b) in the best interests of Prime shareholders in the absence of a superior proposal.

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

#### Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Prime shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$150,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

## Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 25 years and 33 years experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of Prime to accompany the Scheme Booklet to be sent to Prime shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Prime shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the proposed Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Prime agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Prime which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

## Glossary

Term	Meaning
AASB	Australian Accounting Standards Board
ACCC	Australian Competition and Consumer Commission
ACM	Australian Community Media
ACMA	Australian Communications and Media Authority
ACT	Australian Capital Territory
AFCA	Australian Financial Complaints Authority
AFL	Australian Football League
Agreement	Scheme Implementation Deed dated 17 October 2019
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BBSY	Bank bill swap rate of interest
Brand Developers	Brand Developers Australia Pty Ltd
BVOD	Broadcast video on demand
CAGR	Compound annual growth rate
CGB	Commonwealth Government Bonds
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i>
CPS	Convertible preference shares
CY	Calendar year
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
Fairfax	Fairfax Media Limited
FSG	Financial Services Guide
FTA	Free-to-air
FY	Financial year ending 30 June
GWN	Golden West Network
GWN7	Prime FTA television network operating in regional Australia
IER	Independent expert's report
LEA	LonerGAN EDWARDS & ASSOCIATES LIMITED
MRP	Market risk premium
Nine Network	Nine Entertainment Co. Holdings Limited
NNSW	Northern NSW
NPV	Net present value
NSW	New South Wales
PBL	Publishing and Broadcasting Limited
Prime / Company	Prime Media Group Limited
PRIME7	Prime FTA television network operating in regional Australia
Proposed Transaction	Acquisition by SWM of all of the issued shares in Prime
PSA	Program supply agreement
Redwave	Redwave Media Ltd
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
SCA	Southern Cross Austereo
Scheme	Scheme of arrangement between Prime and its shareholders
Scheme Consideration	0.4582 SWM shares for every Prime share held
Seven Network	Television network owned and operated by SWM
Seven Studios	Seven Studios Pty Limited
SVOD	Subscription video on demand

## Appendix C

<b>Term</b>	<b>Meaning</b>
SWM	Seven West Media Limited
Ten	Ten Network Holdings Limited
US	United States of America
VWAP	Volume weighted average price
WA	Western Australia
WA Chess Investments	WA Chess Investments Pty Limited
WAN	West Australian Newspaper Holdings Ltd
WANOS	Weighted average number of shares outstanding
Yahoo	Yahoo Inc.

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**Appendix 2 – Independent Limited Assurance Report**

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working world**

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

15 November 2019

The Board of Directors  
Prime Media Group Limited  
Suite 132, Jones Bay Wharf  
26-32 Pirrama Road  
Pyrmont, NSW, 2009

Dear Directors

## **INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION**

### **1. Introduction**

We have been engaged by Prime Media Group Limited (“Prime” or the “Company”) to report on the historical financial information of Prime, the historical financial information of Seven West Media Limited (“Seven”) and the pro-forma historical financial information of Prime and Seven (the “Combined Group”) for inclusion in the Scheme Booklet to be dated on or about 15 November 2019, and to be issued by Prime, in respect of the acquisition of Prime Media Group Limited by Seven West Media Limited by way of a scheme of arrangement (“the Scheme”).

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

### **2. Scope**

#### ***Prime Historical Financial Information***

You have requested Ernst & Young to review the following historical financial information of Prime:

- ▶ the historical consolidated statements of profit and loss for the years ended 30 June 2018 and 30 June 2019 as set out in Section 9.8.3 of the Scheme Booklet;
- ▶ the historical consolidated statements of financial position as at 30 June 2018 and 30 June 2019 as set out in Section 9.8.4 of the Scheme Booklet; and
- ▶ the historical consolidated statements of cash flows for the years ended 30 June 2018 and 30 June 2019 as set out in Section 9.8.5 of the Scheme Booklet.

(Hereafter the “Prime Historical Financial Information”).

The Prime Historical Financial Information has been derived from the consolidated financial statements of Prime for the year ended 30 June 2019, which was audited by Ernst & Young



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in accordance with Australian Auditing Standards. Ernst and Young issued unqualified audit opinions on these consolidated financial statements.

The Prime Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (“AAS”) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board.

### ***Seven Historical Financial Information***

You have requested Ernst & Young to review the following historical financial information of Seven:

- ▶ the historical consolidated statements of profit and loss for the years ended 30 June 2018 and 29 June 2019 as set out in section 10.3.3 of the Scheme Booklet;
- ▶ the historical consolidated statements of financial position as at 30 June 2018 and 29 June 2019 as set out in section 10.3.4 of the Scheme Booklet; and
- ▶ the historical consolidated statements of cash flows for the years ended 30 June 2018 and 29 June 2019 as set out in section 10.3.5 of the Scheme Booklet.

(Hereafter the “Seven Historical Financial Information”).

The Seven Historical Financial Information has been derived from the financial statements of Seven for the year ended 29 June 2019, which was audited by KPMG in accordance with Australian Auditing Standards. KPMG issued unqualified audit opinions on these financial statements.

The Seven Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (“AAS”) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board.

### ***Combined Group Pro Forma Historical Financial Information***

You have requested Ernst & Young to review the following pro forma historical financial information of the Combined Group:

- ▶ the pro forma historical statement of profit and loss for the year ended 29 June 2019 (Combined Group Pro-Forma Historical Statement of Profit and Loss) as set out in Section 11.5.3 of the Scheme Booklet;
- ▶ the pro forma historical statement of financial position as at 29 June 2019 (Combined Group Pro-Forma Historical Statement of Financial Position) as set out in Section 11.5.6 of the Scheme Booklet; and
- ▶ the pro forma historical statement of cash flows for the year ended 29 June 2019 (Combined Group Pro-Forma Historical Cash Flows) as set out in Section 11.5.9 of the Scheme Booklet.



(Hereafter the “Combined Group Pro Forma Historical Financial Information”).

(the Prime Historical Financial Information, the Seven Historical Financial Information and the Combined Group Pro Forma Historical Financial Information is collectively referred to as the “Financial Information”)

The Combined Group Pro Forma Historical Financial Information has been derived from the Prime Historical Financial Information as at and for the year ended 30 June 2019, the Seven Historical Financial Information as at and for the year ended 29 June 2019 and adjusted for the effects of pro forma adjustments described in Sections 11.5.4, 11.5.7 and 11.5.10 of the Scheme Booklet.

The Combined Group Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards (AAS), which are consistent with IFRS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 29 June 2019 in the Combined Group Pro-Forma Historical Statement of Financial Position and from 1 July 2018 in the Combined Group Pro-Forma Historical Statement of Profit and Loss and the Combined Group Pro-Forma Historical Cash Flows.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position, financial performance, or cash flows.

The Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

### **3. Directors’ Responsibility**

The directors of Prime are responsible for the preparation and presentation of the Prime Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Prime Historical Financial Information and included in the Combined Group Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Prime Historical Financial Information that are free from material misstatement, whether due to fraud or error.

The directors of Seven are responsible for the preparation and presentation of the Seven Historical Financial Information and the Combined Group Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Seven Historical Financial Information and included in the



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Combined Group Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Seven Historical Financial Information and the Combined Group Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

#### **4. Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Prime Historical Financial Information, the Seven Historical Financial Information and the Combined Group Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

#### **5. Conclusions**

##### ***Prime Historical Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Prime Historical Financial Information comprising:

- ▶ the historical consolidated statements of profit and loss for the years ended 30 June 2018 and 30 June 2019 as set out in Section 9.8.3 of the Scheme Booklet;
- ▶ the historical consolidated statements of financial position as at 30 June 2018 and 30 June 2019 as set out in Section 9.8.4 of the Scheme Booklet; and
- ▶ the historical consolidated statements of cash flows for the years ended 30 June 2018 and 30 June 2019 as set out in Section 9.8.5 of the Scheme Booklet.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 9.8.1 of the Scheme Booklet.

##### ***Seven Historical Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Seven Historical Financial Information comprising:



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- ▶ the historical consolidated statements of profit and loss for the years ended 30 June 2018 and 29 June 2019 as set out in Section 10.3.3 of the Scheme Booklet;
- ▶ the historical consolidated statements of financial position as at 30 June 2018 and 29 June 2019 as set out in Section 10.3.4 of the Scheme Booklet; and
- ▶ the historical consolidated statements of cash flows for the years ended 30 June 2018 and 29 June 2019 as set out in Section 10.3.5 of the Scheme Booklet.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 10.3.1 of the Scheme Booklet.

### ***Combined Group Pro Forma Historical Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Combined Group Pro Forma Historical Financial Information comprising:

- ▶ the pro forma historical statement of profit and loss for the year ended 29 June 2019 as set out in Section 11.5.3 of the Scheme Booklet;
- ▶ the pro forma historical statement of financial position as at 29 June 2019 as set out in Section 11.5.6 of the Scheme Booklet; and
- ▶ the pro forma historical statement of cash flows for the year ended 29 June 2019 as set out in Section 11.5.9 of the Scheme Booklet.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 11.5.2 of the Scheme Booklet.

### **6. Restriction on Use**

Without modifying our conclusions, we draw attention to Section 11.5.2 of the Scheme Booklet, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

### **7. Consent**

Ernst & Young has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

### **8. Independence or Disclosure of Interest**

Ernst & Young does not have any interests in the outcome of this Scheme other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

**Appendix 3 – Seven Deed Poll**

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HERBERT  
SMITH  
FREEHILLS

EXECUTION VERSION

# Share scheme deed poll

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Seven West Media Limited



## Share scheme deed poll

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Date ▶ 14 November 2019

This deed poll is made

---

By **Seven West Media Limited**  
ACN 053 480 845 of 8 Central Avenue, Eveleigh NSW 2015  
(Seven)

in favour of each person registered as a holder of fully paid ordinary shares in Prime in the Share Register as at the Scheme Record Date.

Recitals

- 1 Prime and Seven entered into the Implementation Deed.
- 2 In the Implementation Deed, Seven agreed to make this deed poll.
- 3 Seven is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

---

This deed poll provides as follows:

---

## 1 Definitions and interpretation

---

### 1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
<b>First Court Date</b>	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
<b>Implementation Deed</b>	the scheme implementation deed entered into between Prime and Seven dated 17 October 2019.

---





<b>Term</b>	<b>Meaning</b>
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between Prime and the Scheme Shareholders, the form of which is set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Seven and Prime.
<b>Prime</b>	Prime Media Group Limited ACN 000 764 867.
(b)	Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

## 1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

## 1.3 Nature of deed poll

Seven acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Prime and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Seven.

## 2 Conditions to obligations

---

### 2.1 Conditions

This deed poll and the obligations of Seven under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

The obligations of Seven under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,

unless Seven and Prime otherwise agree in writing.



### 2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Seven is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against Seven in respect of any breach of this deed poll which occurred before it was terminated.

## 3 Scheme obligations

---

### 3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, Seven undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the provisions of the Scheme.

### 3.2 Shares to rank equally

Seven covenants in favour of each Scheme Shareholder that the New Seven Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Seven Shares; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

## 4 Warranties

---

Seven represents and warrants in favour of each Scheme Shareholder that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.



## 5 Continuing obligations

---

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Seven has fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

## 6 Notices

---

### 6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Seven in accordance with the details set out below (or any alternative details nominated by Seven by Notice).

<b>Attention</b>	Company Secretary
------------------	-------------------

---

<b>Address</b>	8 Central Avenue, Eveleigh NSW 2015
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<b>Email address</b>	<a href="mailto:wcoatsworth@seven.com.au">wcoatsworth@seven.com.au</a>
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---

### 6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

<b>Method of giving Notice</b>	<b>When Notice is regarded as given and received</b>
--------------------------------	--

---

By hand to the nominated address	When delivered to the nominated address
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By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
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<b>Method of giving Notice</b>	<b>When Notice is regarded as given and received</b>
By email to the nominated email address	The first to occur of: 1 the sender receiving an automated message confirming delivery; or 2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.

### **6.3 Notice must not be given by electronic communication**

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

## **7 General**

### **7.1 Stamp duty**

Seven:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

### **7.2 Governing law and jurisdiction**

- (a) This deed poll is governed by the law in force in New South Wales.
- (b) Seven irrevocably submits to the exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Seven irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

### **7.3 Waiver**

- (a) Seven may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Seven as a waiver of any right unless the waiver is in writing and signed by the Seven, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.



<b>Term</b>	<b>Meaning</b>
<b>conduct</b>	includes a failure or delay in the exercise of a right.
<b>right</b>	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
<b>waiver</b>	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

#### **7.4 Variation**

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Prime; or
- (b) if on or after the First Court Date, the variation is agreed to by Prime and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Seven will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

#### **7.5 Cumulative rights**

The rights, powers and remedies of Seven and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

#### **7.6 Assignment**

- (a) The rights created by this deed poll are personal to the Seven and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Seven.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

#### **7.7 Further action**

Seven must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



## Signing page

Executed as a deed poll

---

Signed sealed and delivered by  
**Seven West Media Limited**

by

sign here ▶

Company Secretary/Director

print name

**Warren Coatsworth**

sign here ▶

Director

print name

**James Warburton**

**Appendix 4 – Scheme of Arrangement**

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HERBERT  
SMITH  
FREEHILLS

EXECUTION VERSION

# Scheme of arrangement

---

**Prime Media Group Limited**

Scheme Shareholders





# Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

**Prime** Prime Media Group Limited ACN 000 764 867 of 363 Antill Street  
Watson ACT 2602

and The Scheme Shareholders

## 1 Definitions, interpretation and scheme components

---

### 1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

### 1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

### 1.3 Scheme components

This Scheme includes any schedule to it.

## 2 Preliminary matters

---

- (a) Prime is a public company limited by shares, registered in New South Wales, and has been admitted to the official list of the ASX. Prime Shares are quoted for trading on the ASX.
- (b) As at 14 November 2019, 366,330,303 Prime Shares were on issue.
- (c) Seven is a listed public company limited by shares registered in Western Australia.
- (d) If this Scheme becomes Effective:
  - (1) Seven must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
  - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Seven



and Prime must enter the name of Seven in the Share Register in respect of the Scheme Shares.

- (e) Prime and Seven have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Seven but does not itself impose an obligation on it to perform those actions. Seven has agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

## 3 Conditions

---

### 3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Seven and Prime;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Seven and Prime having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Prime and Seven agree in writing).

### 3.2 Certificate

- (a) Prime and Seven will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

### 3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or

- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Prime and Seven otherwise agree in writing.

## 4 Implementation of this Scheme

---

### 4.1 Lodgement of Court orders with ASIC

Prime must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.1(a), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Seven, without the need for any further act by any Scheme Shareholder (other than acts performed by Prime as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) Prime delivering to Seven a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Prime; and
  - (2) Seven duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Prime for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Prime must enter, or procure the entry of, the name of Seven in the Share Register in respect of all the Scheme Shares transferred to Seven in accordance with this Scheme.

## 5 Scheme Consideration

---

### 5.1 Provision of Scheme Consideration

Seven must, subject to clauses 5.2, 5.3, 5.4 and 5.6:

- (a) on or before the Implementation Date, issue to each Scheme Shareholder such number of New Seven Shares as that Scheme Shareholder is entitled to be issued as Scheme Consideration and procure that the name and address of the Scheme Shareholder is entered in the Seven Register in respect of those New Seven Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder

representing the number of New Seven Shares issued to the Scheme Shareholder pursuant to this Scheme.

## 5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New Seven Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Prime, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme will be forwarded to either, at the sole discretion of Prime, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

## 5.3 Ineligible Foreign Shareholders

- (a) Seven will be under no obligation to issue any New Seven Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
  - (1) subject to clauses 5.4 and 5.6, Seven must, on or before the Implementation Date, issue the New Seven Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
  - (2) Seven must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent, in consultation with Seven, sells or procures the sale of all the New Seven Shares issued to the Sale Agent and remits to Prime the proceeds of the sale (after deduction of any applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges) (**Proceeds**);
  - (3) promptly after receiving the Proceeds in respect of the sale of all of the New Seven Shares referred to in clause 5.3(a)(1), Prime must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:  
$$A = (B \div C) \times D$$
where  
B = the number of New Seven Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;  
C = the total number of New Seven Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and  
D = the Proceeds (as defined in clause 5.3(a)(2)).
- (b) The Ineligible Foreign Shareholders acknowledge that none of Seven, Prime or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Seven Shares described in clause 5.3(a).



- (c) Prime must make or procure the making of payments to Ineligible Foreign Shareholders under clause 5.3(a) by (in the absolute discretion of Prime):
- (1) where an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Prime Registry to receive dividend payments from Prime by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
  - (2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to Prime; or
  - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If Prime receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, Prime is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(3)). Prime must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints Prime as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.
- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.
- (g) If there is any surplus Proceeds, that surplus may be retained by Seven following the satisfaction of Prime's obligations under this clause 5.3(a). Any interest on the Proceeds (less bank fees and other charges) will be to Seven's account.
- (h) Where the issue of New Seven Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law or of a provision of the constitution of Seven:
- (1) Seven will issue the maximum possible number of New Seven Shares to the Scheme Shareholder without giving rise to such a breach; and
  - (2) any further New Seven Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in this clause 5.3, as if a

reference to Ineligible Foreign Shareholders also included that Scheme Shareholder and references to that person's New Seven Shares in that clause were limited to the New Seven Shares issued to the Sale Agent under this clause.

#### 5.4 Fractional entitlements and splitting

- (a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or of a New Seven Share, the fractional entitlement will be rounded down to the nearest whole cent or number of New Seven Shares, as applicable.
- (b) If Seven is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Prime Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Seven may direct Prime to give notice to those Scheme Shareholders:
  - (1) setting out the names and Registered Addresses of all of them;
  - (2) stating that opinion; and
  - (3) attributing to one of them specifically identified in the notice the Prime Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those Prime Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no Prime Shares.

#### 5.5 Unclaimed monies

- (a) Prime may cancel a cheque issued under this clause 5 if the cheque:
  - (1) is returned to Prime; or
  - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Prime (or the Prime Registry) (which request may not be made until the date which is 60 Business Days after the Implementation Date), Prime must reissue a cheque that was previously cancelled under this clause 5.5.
- (c) The *Unclaimed Money Act 1950 (ACT)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 6 of the *Unclaimed Money Act 1950 (ACT)*).

#### 5.6 Orders of a court or Government Agency

If written notice is given to Prime (or the Prime Registry) or Seven (or the Seven Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:



- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Prime or Seven in accordance with this clause 5, then Prime or Seven (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Prime or Seven from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Prime or Seven shall be entitled to (as applicable):
  - (1) retain an amount, in Australian dollars, calculated pursuant to clause 5.3(a) in respect of that Scheme Shareholder; or
  - (2) not to issue (or direct Seven not to issue), or to issue to a trustee or nominee, such number of New Seven Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

## 5.7 Status of New Seven Shares

Subject to this Scheme becoming Effective, Seven must:

- (a) issue the New Seven Shares required to be issued by it under this Scheme on terms such that each such New Seven Share will rank equally in all respects with each existing Seven Share;
- (b) ensure that each such New Seven Share is duly and validly issued in accordance with all applicable laws and Seven's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Seven's constitution); and
- (c) use all reasonable endeavours to ensure that such New Seven Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

## 6 Dealings in Prime Shares

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### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Prime Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Prime Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,





and Prime must not accept for registration, nor recognise for any purpose (except a transfer to Seven pursuant to this Scheme and any subsequent transfer by Seven or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

## 6.2 Register

- (a) Prime must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Prime to register a transfer that would result in a Prime Shareholder holding a parcel of Prime Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Prime shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Prime must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Prime Shares (other than statements of holding in favour of Seven) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Seven) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Prime Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Prime will ensure that details of the names, Registered Addresses and holdings of Prime Shares for each Scheme Shareholder as shown in the Share Register are available to Seven in the form Seven reasonably requires.

## 7 Quotation of Prime Shares

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- (a) Prime must apply to ASX to suspend trading on the ASX in Prime Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Seven, Prime must apply:
  - (1) for termination of the official quotation of Prime Shares on the ASX; and
  - (2) to have itself removed from the official list of the ASX.



## 8 General Scheme provisions

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### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Prime may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Seven has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Prime has consented to.

### 8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
  - (1) agrees to the transfer of their Prime Shares together with all rights and entitlements attaching to those Prime Shares in accordance with this Scheme;
  - (2) agrees to the variation, cancellation or modification of the rights attached to their Prime Shares constituted by or resulting from this Scheme;
  - (3) who holds their Prime Shares in a CHESS Holding agrees to the conversion of those Prime Shares to an Issuer Sponsored Holding and irrevocably authorises Prime to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;
  - (4) agrees to, on the direction of Seven, destroy any holding statements or share certificates relating to their Prime Shares;
  - (5) agrees to become a member of Seven and to be bound by the terms of the constitution of Seven; and
  - (6) acknowledges and agrees that this Scheme binds Prime and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Prime and Seven on the Implementation Date, and appointed and authorised Prime as its attorney and agent to warrant to Seven on the Implementation Date, that all their Prime Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Prime Shares to Seven together with any rights and entitlements attaching to those shares. Prime undertakes that it will provide such warranty to Seven as agent and attorney of each Scheme Shareholder.

### 8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to



Seven will, at the time of transfer of them to Seven vest in Seven free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

- (b) Immediately after the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 (other than clause 5.1(b)), Seven will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Prime of Seven in the Share Register as the holder of the Scheme Shares.

#### **8.4 Appointment of sole proxy**

Immediately after the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5.1(a), and until Prime registers Seven as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Seven as attorney and agent (and directed Seven in each such capacity) to appoint any director, officer, secretary or agent nominated by Seven as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Seven reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Seven and any director, officer, secretary or agent nominated by Seven under clause 8.4(a) may act in the best interests of Seven as the intended registered holder of the Scheme Shares.

#### **8.5 Authority given to Prime**

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Prime and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Seven, and Prime undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Seven on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Prime and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Prime accepts each such appointment. Prime as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).



## 8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Prime which are binding or deemed binding between the Scheme Shareholder and Prime relating to Prime or Prime Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Prime Shares; and
- (c) notices or other communications from Prime (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Seven in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Seven and to be a binding instruction, notification or election to, and accepted by, Seven in respect of the New Seven Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Seven at its registry.

## 8.7 Binding effect of Scheme

This Scheme binds Prime and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Prime.

# 9 General

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## 9.1 Stamp duty

Seven will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

## 9.2 Consent

Each of the Scheme Shareholders consents to Prime doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Prime or otherwise.

## 9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Prime, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Prime's registered office or at the office of the Prime Registry.



- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Prime Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

#### **9.4 Governing law**

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

#### **9.5 Further action**

Prime must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

#### **9.6 No liability when acting in good faith**

Each Scheme Shareholder agrees that none of Prime, Seven or any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.



## Schedule 1

### Definitions and interpretation

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#### 1 Definitions

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The meanings of the terms used in this Scheme are set out below.

<b>Term</b>	<b>Meaning</b>
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Business Day</b>	a day that is not a Saturday, Sunday or public holiday or bank holiday in Sydney, New South Wales.
<b>CHESS</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>CHESS Holding</b>	has the meaning given in the Settlement Rules
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Seven and Prime.
<b>Deed Poll</b>	the deed poll dated 14 November 2019 executed by Seven in favour of the Scheme Shareholders.
<b>Effective</b>	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.



<b>Term</b>	<b>Meaning</b>
<b>Effective Date</b>	the date on which this Scheme becomes Effective.
<b>End Date</b>	8 months after the date of the Implementation Deed, or such other later date as agreed in writing by Seven and Prime.
<b>Government Agency</b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Prime and Seven.
<b>Implementation Deed</b>	the scheme implementation deed dated 17 October 2019 between Prime and Seven relating to the implementation of this Scheme.
<b>Ineligible Foreign Shareholder</b>	a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside Australia and its external territories or outside New Zealand, unless Seven and Prime agree that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Seven Shares when this Scheme becomes Effective.
<b>Issuer Sponsored Holding</b>	has the meaning given in the Settlement Rules
<b>New Seven Share</b>	a Seven Share to be issued to Scheme Shareholders under this Scheme.
<b>Operating Rules</b>	the official operating rules of ASX.
<b>Prime</b>	Prime Media Group Limited ACN 000 764 867 of 363 Antill Street Watson ACT 2602
<b>Prime Registry</b>	Link Market Services Limited ACN 083 214 537.
<b>Prime Share</b>	a fully paid ordinary share in the capital of Prime.



<b>Term</b>	<b>Meaning</b>
<b>Prime Shareholder</b>	each person who is registered as the holder of a Prime Share in the Share Register.
<b>Registered Address</b>	in relation to a Prime Shareholder, the address shown in the Share Register as at the Scheme Record Date.
<b>Sale Agent</b>	the sale agent appointed to sell the New Seven Shares that are to be issued under clause 5.3(a)(1) of this Scheme (and where appropriate in relation to holdings by it of securities, includes a nominee or custodian holding for it).
<b>Scheme</b>	this scheme of arrangement under Part 5.1 of the Corporations Act between Prime and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Prime and Seven.
<b>Scheme Consideration</b>	for each Prime Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of 0.4582 New Seven Shares, subject to the terms of this Scheme.
<b>Scheme Meeting</b>	the meeting of the Prime Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Record Date</b>	7.00pm on the third Business Day after the Effective Date or such other time and date as agreed in writing by Prime and Seven.
<b>Scheme Shareholder</b>	a holder of Prime Shares recorded in the Share Register as at the Scheme Record Date.
<b>Scheme Shares</b>	all Prime Shares held by the Scheme Shareholders as at the Scheme Record Date.
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Seven as transferee, which may be a master transfer of all or part of the Scheme Shares.
<b>Second Court Date</b>	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this



<b>Term</b>	<b>Meaning</b>
	Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
<b>Settlement Rules</b>	the official operating rules of ASX Settlement Pty Ltd.
<b>Seven Register</b>	the register of shareholders maintained by Seven or its agent.
<b>Seven Registry</b>	Boardroom Pty Limited ACN 003 209 836.
<b>Seven Share</b>	a fully paid ordinary share in the capital of Seven.
<b>Share Register</b>	the register of members of Prime maintained by Prime or the Prime Registry in accordance with the Corporations Act.
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

## 2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;





- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, New South Wales;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
  - (1) which ceases to exist; or
  - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (q) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (r) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (s) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (t) a reference to the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party..

### 3 Interpretation of inclusive expressions

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Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

### 4 Business Day

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Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

## Appendix 5 – Notice of Scheme Meeting

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**Prime Media Group Limited (ACN 000 764 867) (Prime)**

**(ASX Code: PRT)**

### **Notice of Meeting of Shareholders of Prime in respect of the Scheme (the Scheme Meeting)**

Notice is hereby given that, by order of the Supreme Court of New South Wales on Friday, 15 November 2019 pursuant to section 411(1) of the Corporations Act, a meeting of shareholders of Prime will be held at 10.00am (Sydney time) on Thursday, 19 December 2019 at Conference Centre, Level 1, Rooms 5 & 6, Hilton Sydney, 488 George Street, Sydney NSW 2000.

The Court has directed that John Hartigan, or, failing him, Peter Macourt, act as the chair of the Scheme Meeting (**Chair**).

Unless the context requires otherwise, terms used in this Notice of Scheme Meeting and in the Notes to the Notice of Scheme Meeting have the same meaning as set out in section 16 (Glossary and interpretation) of the Scheme Booklet.

### **Business of the Scheme Meeting**

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a proposed scheme of arrangement (with or without modification or any alterations or conditions required by the Court to which Prime and Seven agree) to be made between Prime and Prime Shareholders as at the Scheme Record Date, pursuant to Part 5.1 of the Corporations Act (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet (of which this Notice of Scheme Meeting forms part).

### **Scheme Resolution**

The Scheme Meeting will be asked to consider, and, if thought fit, pass the following resolution:

*That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Prime Media Group Limited and the holders of ordinary shares of Prime Media Group Limited (the terms of which are contained in and more particularly described in the Scheme Booklet of which the Notice of Scheme Meeting forms part) is agreed to (with or without alterations or conditions as approved by the Court) and, subject to approval of the Scheme by the Court, the Prime Board is authorised to implement the Scheme with any such alterations or conditions.*

There are no relevant voting exclusions that apply to this Scheme Meeting.



**John Palisi**  
**Company Secretary**  
**Prime Media Group Limited**  
15 November 2019

## **NOTES TO THE NOTICE OF SCHEME MEETING**

These notes should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet (of which the Notice of Scheme Meeting forms part).

### **Majorities required**

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- more than 50% in number (unless the Court orders otherwise) of Prime Shareholders who are present and voting, either in person or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative, at the Scheme Meeting; and
- at least 75% of the total number of votes cast by Prime Shareholders on the Scheme Resolution.

### **Entitlement to vote**

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 10.00am (Sydney time) on Tuesday, 17 December 2019.

### **Voting at the Scheme Meeting**

You may vote in person at the Scheme Meeting, or appoint a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote on your behalf.

Voting will be conducted by poll.

### **Jointly held securities**

If you hold Prime Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Prime Share Register will be counted.

### **Proxies**

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf. If you wish to appoint a proxy, please complete the enclosed proxy form.

Shareholders are notified that:

- a member who is entitled to attend and cast a vote at the meeting may appoint a proxy to attend and vote for the member;
- the appointment may specify the proportion or number of votes that the proxy may exercise;
- a member who is entitled to cast two or more votes at the meeting may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes; and
- a proxy may be an individual or a body corporate and need not be a member of Prime. If a Shareholder appoints a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of that appointment.

You can direct your proxy how to vote by following the instructions on the proxy form.

If the Chair of the meeting is appointed as your proxy (or is appointed your proxy by default), he can be directed how to vote by ticking the relevant boxes next to the Scheme Resolution on the proxy form (i.e. 'for', 'against' or 'abstain'). The Chair of the meeting intends to vote all undirected proxies in favour of the Scheme Resolution.

Any directed proxies that are not voted on a poll at the meeting by a Shareholder's appointed proxy will automatically default to the Chair of the meeting, who is required to vote proxies as directed on a poll.

If you hold Prime Shares jointly with one or more other persons, in order for your proxy appointment to be valid, all of the Shareholders should sign the proxy form.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the Scheme Meeting.

### **Lodgement of proxies**

The proxy form must be received by Prime at its registered office or the Prime Share Registry, Link Market Services Pty Limited, by 10.00am (Sydney time) on Tuesday, 17 December 2019.

Proxy forms must be returned using one of the following methods:

- By fax: Prime Media Group Limited  
C/- Link Market Services Limited  
+61 2 9287 0309
  
- By mail: Prime Media Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia
  
- By hand, during business hours (Monday to Friday (excluding public holidays in Sydney NSW), 9:00am – 5:00pm) and on the proxy close day, Tuesday, 17 December 2019, between 9.00am and 10.00am:  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138  
Australia

Further details in respect of the Scheme Resolution to be put to the meeting are set out in the Scheme Booklet of which the Notice of Scheme Meeting forms part.

### **Voting by attorney**

Powers of attorney must be received by the Prime Share Registry by no later than by 10.00am (Sydney time) on Tuesday, 17 December 2019.

Your appointment of an attorney does not preclude you from attending in person and voting at the Scheme Meeting.

Persons attending the Scheme Meeting as an attorney should bring to the Scheme Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

### **Voting by corporate representative**

If you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

If a representative of a corporate shareholder or proxy is to attend the meeting, then you will need to provide the appropriate 'Certificate of Appointment of Corporate Representative' prior to admission. A form of the certificate may be obtained from Link or online at [https://www.linkmarketservices.com.au/corporate/forms/holding-management/App\\_Corp\\_Rep\\_140312.pdf](https://www.linkmarketservices.com.au/corporate/forms/holding-management/App_Corp_Rep_140312.pdf).

### **Court approval**

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this Scheme Meeting is passed by the requisite majority and the other conditions to the Scheme are satisfied or waived (if applicable) by the time required under the Scheme, Prime intends to apply to the Court for the necessary orders to approve the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

## Corporate Directory

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<b>Registered office and principal place of business</b>	363 Antill Street Watson ACT 2602
<b>Stock exchange listing</b>	Prime Media Group Limited shares are listed on the Australian Securities Exchange (ASX ticket symbol: PRT)
<b>Company website</b>	<a href="http://www.primemedia.com.au">www.primemedia.com.au</a>
<b>Legal adviser</b>	Allens Deutsche Bank Place Corner Hunter and Phillip Streets Sydney NSW 2000
<b>Taxation adviser</b>	Allens Deutsche Bank Place Corner Hunter and Phillip Streets Sydney NSW 2000
<b>Share registry</b>	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000
<b>Shareholder Information Line</b>	1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia), Monday to Friday (excluding national public holidays in Australia) between 9.00am and 5.00pm (Sydney time)