This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Resolutions. If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

SEVEN WEST MEDIA

Notice of Meeting and Explanatory Memorandum

Seven West Media Limited

ACN 053 480 845

Contents

Explanatory Memorandum Letter from Chairman of Independent Board Committee

29 April 2015

Dear Shareholder,

Seven West Media (the **Company**) is inviting you to attend a general meeting (**Meeting**) to be held on 2 June 2015 to consider and vote on a proposal for the early resolution of the Convertible Preference Shares (CPS) that the Company has on issue (the **Proposed Transaction**).

The Proposed Transaction consists of two components:

- the conversion of all of the CPS on issue, which are held by Seven Group Holdings (SGH) into Ordinary Shares (the **CPS Conversion**) at an issue price of $1.28 per share; and
- a 2.27 for 3 conditional, accelerated, non-renounceable entitlement offer to all eligible Seven West Media Shareholders (in which **SGH** will not participate) to subscribe for new Ordinary Shares at an issue price of $1.25 per share (the **Pro-rata Offer**). The Company has entered into an underwriting agreement with respect to $150 million of the Pro-rata Offer.

As SGH is a major Shareholder in Seven West Media, an Independent Board Committee (**IBC**) has been formed to assess the Proposed Transaction, comprising myself as the Chairman of the IBC, Mr John Alexander and Dr Michelle Deaker.

The Proposed Transaction, if implemented, has the following benefits:

- early resolution of the CPS approximately 12 months ahead of its Redemption Date and removal of the current uncertainty with respect to how the Company will resolve the CPS;
- an opportunity for all eligible Shareholders to subscribe for new Ordinary Shares at an equivalent ratio and at a lower price than the CPS Conversion;
- agreement from SGH not to participate in the Pro-rata Offer and therefore, all eligible Shareholders who participate in the Pro-rata Offer will retain at least their current percentage shareholding in the Company following completion of the Proposed Transaction; and
- Seven West Media will have a strengthened balance sheet with reduced gearing and a simplified capital structure, providing flexibility for the business to pursue growth initiatives.

The CPS were issued as consideration to SGH in 2011 when the Company acquired Seven Media Group Pty Limited, which owned the assets which now comprise the Company's television, magazine and digital businesses. That transaction was approved by non-SGH Shareholders at the time.

Under its terms, if the CPS remain on issue beyond the stated Redemption Date (April 2016) (i) the Adjusted Issue Price of the CPS will accrue at an increased rate of approximately 9.1% per annum compared to its current rate of approximately 7.1%, and (ii) the Company will face certain restrictions on its ability to pay ordinary dividends to Shareholders. In or at 6 monthly intervals after April 2016, the Company may repay the CPS in cash or convert the CPS based on 95% of the average of the daily VWAP for a 5 business day period commencing on the date of service of the relevant Redemption Notice. The Company has no discretionary right to redeem the CPS prior to its Redemption Date in April 2016 without the agreement of SGH.

The Company has reached an agreement with SGH to permit the early resolution of the CPS whereby all the CPS held by SGH will be converted into Seven West Media Ordinary Shares almost 12 months prior to the Redemption Date, based on 95% of the average of the daily VWAP over the period from 22-28 April 2015.

In addition to the CPS Conversion, the Company is making a Pro-rata Offer in order to provide eligible non-SGH Shareholders with an opportunity to subscribe for new Ordinary Shares at the same entitlement ratio and a lower price than Ordinary Shares being issued to SGH under the CPS Conversion. The price under the Pro-rata Offer is $1.25, based on 93% of the average of the daily VWAP over the period from 22-28 April 2015. SGH has agreed not to exercise its rights in the Pro-rata Offer and therefore, the Proposed Transaction effectively provides an opportunity for all eligible Shareholders to subscribe for new Ordinary Shares at lower pricing than the CPS Conversion.

SGH currently has a shareholding of approximately 35% in Seven West Media and following completion of the CPS Conversion and the Pro-rata Offer, if all Shareholders were eligible and elected to take up their full entitlement under the Pro-rata Offer, SGH will retain its current 35% interest. If non-SGH Shareholders do not participate fully, SGH could increase its shareholding to a maximum of approximately 45% (depending on the final take-up under the Pro-rata Offer). Given the possibility of SGH increasing its interest in the Company by more than its 3% "creep capacity", shareholder approval is required under section 611 (item 7) of the Corporations Act to approve such an increase in SGH's voting power by virtue of the CPS Conversion.

We have considered a range of alternatives available to the Company having regard to the interests of all Shareholders, the Company's financial position, our rights under the CPS and optimising the Company's cost of capital. Based on this assessment, we believe that the Proposed Transaction is the most suitable option available and provides all eligible Shareholders with an opportunity to subscribe for new Ordinary Shares at an equivalent ratio and at a lower price than SGH, as well as delivering enhanced balance sheet strength to the Company.

Deloitte Corporate Finance has been appointed as an Independent Expert and has expressed its opinion that the Proposed Transaction:

- is not fair but reasonable and in the best interests of Non-Associated Shareholders; and
- despite the Proposed Transaction being assessed not fair, considered the reasonableness factors to be sufficiently compelling for the Proposed Transaction to be reasonable. Furthermore, the Independent Expert considered the reasonableness factors when compared to the fairness assessment to also be sufficient in nature for the Proposed Transaction to be in the best interests of Non-Associated Shareholders.

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

The IBC considers that the Proposed Transaction is the best way to resolve the CPS, taking into account the interests of non-SGH Shareholders and the interests of the Company. The IBC unanimously recommends that you vote in favour of the Resolutions at the Meeting.

Further information, including the time and location of the Meeting is contained in this Explanatory Memorandum and Shareholders are encouraged to read and consider all of the information provided before making a decision on whether to vote in favour of the Proposed Transaction.

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

The Company will keep Shareholders informed of any material developments in relation to the proposal through releases to ASX (which will also be published on SWM's website).

If you have any questions in relation to the proposal, please contact the Shareholder Information Line on 1800 000 639 (for callers within Australia) or +61 3 9415 4000 (for callers outside Australia) or visit www.sevenwestmedia.com.au.

Yours faithfully

Mr David Evans

Chairman, Independent Board Committee
Seven West Media Limited

Important information

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the Shareholders in connection with the general meeting to be held on 2 June 2015. The purpose of this Explanatory Memorandum is to provide the Shareholders of SWM with important explanatory information that SWM believes to be material to deciding whether or not to approve the Resolutions detailed in the Notice of Meeting.

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

Independent Board Committee

In considering whether to vote in favour of the Resolution, the Independent Board Committee of SWM encourages you to:

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

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

Not an offer

This Explanatory Memorandum is not an offer of securities. The Seven West Media shares to be offered and sold in the Pro-rata Offer have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration except in transactions exempt from or not subject to the registration requirements of the Securities Act.

Definitions

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

1 Important Information on the Proposed Transaction

1.1 Convertible Preference Shares

The Company has on issue 2,500 CPS, all of which are held by SGH. The CPS were issued to SGH in 2011 as part of the Company's acquisition of Seven Media Group Pty Limited in a transaction that was opined on by an independent expert at the time of the acquisition as being fair and reasonable to the non-associated Shareholders of the Company. The terms of the CPS were also approved by shareholders as part of the Shareholder approval of the acquisition.

As at 27 December 2014, the accrued Issue Price of the CPS was $324.0 million. The CPS have a "Redemption Date" of 21 April 2016 (being 5 years from the date they were issued). The CPS continue to accrue at a rate of approximately 7.1% until the Redemption Date. On the CPS Redemption Date, SWM has the ability to convert or Redeem the CPS. However, it does not have a discretionary right to redeem the CPS prior to the Redemption Date without the agreement of SGH.

Under its terms of issue, if the CPS remain on issue beyond the Redemption Date, (i) the Adjusted Issue Price of the CPS will accrue at an increased rate of approximately 9.1% per annum compared to its current rate of approximately 7.1%, and (ii) the Company will face certain restrictions on its ability to pay ordinary dividends to Shareholders. See section 2.5 for details of those restrictions.

1.2 Independent Board Committee

SGH is a major Shareholder of Seven West Media and a number of directors and executives of SWM are also connected with SGH. Therefore, the Company established an Independent Board Committee comprising three independent directors of SWM to consider the alternatives available to the Company which resulted in the Proposed Transaction.

The members of the IBC are Mr David Evans (Chairman), Mr John Alexander and Dr Michelle Deaker. The IBC consists only of independent directors and the IBC has been given the authority to make decisions on behalf of SWM. None of the SWM directors who are also directors of SGH have participated in SWM deliberations regarding the Proposed Transaction.

The IBC has sought to resolve the CPS whilst also looking after the interests of the non-SGH Shareholders. The IBC has put forward, for your consideration, a proposal to convert the CPS held by SGH for Ordinary Shares, thus dealing with the CPS prior to the CPS Redemption Date, and at the same time, providing eligible non-SGH Shareholders with the opportunity to subscribe for additional Ordinary Shares at an equivalent ratio and at a lower price than the CPS Conversion.

The IBC considers that the Proposed Transaction incorporating a CPS Conversion and Pro-rata Offer to be in the best interests of the non-SGH Shareholders. The IBC unanimously recommends that you vote in favour of the Resolutions. In making their recommendation, the IBC has considered:

(a) The advantages of the Proposed Transaction as set out in section 2;
(b) The disadvantages as set out in section 3;
(c) The other relevant considerations set out in this Explanatory Memorandum;
(d) The expression of opinion of the Independent Expert as set out in Annexure C.

1.3 Independent Expert's Report

SWM commissioned Deloitte Corporate Finance Pty Limited as an independent expert to prepare a report expressing its opinion as to whether the Proposed Transaction is fair and reasonable to, and in the best interests of, the non-associated Shareholders of SWM as a whole.

The Independent Expert's Report contained in Annexure C, expresses the opinion that:

- assessed on a control basis as if the Proposed Transaction were a takeover bid as prescribed by ASIC's Regulatory Guide 111, the Proposed Transaction is "not fair but reasonable". The Independent Expert noted that this approach "whilst in line with the requirements of the regulator, may not necessarily be the only approach a shareholder considers when evaluating the Proposed Transaction"; and
- that the reasonableness factors considered by the Independent Expert's Report when compared to the fairness factors are sufficient in nature for the Proposed Transaction to be in the best interests of the non-SGH Shareholders. The IBC encourages you to read the Independent Expert's Report in full before deciding whether to vote in favour of the Resolutions.

1.4 Material terms of the Proposed Transaction

The Proposed Transaction consists of two components:

- The conversion of all of the CPS on issue into Ordinary Shares in SWM (the **CPS Conversion**); and
- a 2.27 for 3 conditional, accelerated, non-renounceable entitlement offer to all eligible Shareholders to subscribe for new Ordinary Shares (the **Pro-rata Offer**).

1.4.1 CPS Conversion

All of the CPS on issue will be converted into Ordinary Shares at an issue price of $1.28 per share. The principal value based on which the CPS will be converted is $340 million (**Conversion Value**). This was calculated by discounting the $355 million accrued Issue Price which would apply at the Redemption Date, at 5.05% to the completion date of the Proposed Transaction reflecting the early conversion of the CPS. The Conversion Value has been determined with reference to the fixed rate nature of the CPS and the changes to interest rates since the CPS were issued in 2011.

As part of the CPS Conversion, the Company will convert the CPS into 265,749,570 Seven West Media Ordinary Shares and the CPS will no longer exist on completion of the Proposed Transaction.

Further details on the terms of the Conversion Agreement which has been entered into by the Company and SGH are described at paragraph 5.1 below.

1.4.2 Pro-rata Offer

In conjunction with, and conditional upon, the CPS Conversion, the Company is conducting a pro-rata offer to enable eligible non-SGH Shareholders to subscribe for new Ordinary Shares at an equivalent ratio to the CPS Conversion.

The Pro-rata Offer comprises a 2.27 for 3 conditional, accelerated, non-renounceable entitlement offer to all eligible Seven West Media shareholders to subscribe for new Ordinary Shares at $1.25 per share. This is a lower price than the CPS Conversion Price, since it is based on 93%, rather than 95%, of the average daily VWAP over the period from 22-28 April 2015.

SGH has agreed not to participate in the Pro-rata Offer and therefore, all eligible Shareholders who participate in the Pro-rata Offer will retain at least their current percentage shareholding in the Company upon completion of the Proposed Transaction.

The Company has entered into an underwriting agreement in respect to $150 million of the Pro-rata Offer and therefore, gross proceeds from the Pro-rata Offer will be between $150 million and $612 million depending on the take-up by eligible Shareholders.

In considering what pricing to propose for the CPS Conversion and the Pro-rata Offer, the IBC considered a number of factors, including how best to minimise dilution of those Shareholders who elect not to, or are not in a position to, take up their rights under the Pro-rata Offer. The IBC was conscious that the CPS terms, which were approved by Shareholders and subject to review by an Independent Expert at the time of the Seven West Media transaction, sets a conversion price based on 95% of the average of the daily VWAP of the Company's Ordinary Shares applied to the accrued Issue Price as at the Redemption Date.

On balance, the judgement of the IBC was that setting the Conversion Price at $1.28 per share, based on 95% of the average of the daily VWAP over the period from 22-28 April 2015, and setting the Pro-rata Offer Price lower at $1.25 per share, based on 93% of the average of the daily VWAP over that period, appropriately balances the interests of the Company and all non-SGH Shareholders.

If you are an eligible shareholder on the register on the Record Date (7pm on 4 May 2015), you will receive an offer to subscribe for 2.27 additional Ordinary Shares for every 3 Ordinary Shares you currently hold at $1.25 per share. This will allow you to maintain your pro-rata percentage holding. If you take up your full offer entitlement, your voting power will not be diluted by virtue of the CPS Conversion.

Eligible Shareholders are those persons who are registered as a holder of Shares as at the Record Date, being 7.00pm (Sydney time) on Monday, 4 May 2015; and have a registered address on the SWM share register in Australia or New Zealand, are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds SWM ordinary shares for the account or benefit of such person in the United States) and are eligible under all applicable securities laws to receive an offer under the Pro-rata Offer; or are institutional investors in certain other jurisdictions who are eligible under all applicable securities law to receive an offer under the Pro-rata Offer. Shareholders who are not eligible Shareholders are ineligible shareholders. SWM reserves the right to determine whether a shareholder is an eligible Shareholder or an ineligible Shareholder.

1.4.3 Impact of the Proposed Transaction

SGH currently holds a relevant interest of approximately 35% in Seven West Media. SGH's voting power would not increase upon the CPS Conversion if there was a 100% take-up of the Pro-rata Offer. However, since not all shareholders are eligible and it is likely that less than 100% of eligible non-SGH Shareholders would take up their rights, SGH's voting power will increase. It is proposed that $150 million of the Pro-rata Offer will be underwritten by UBS AG Australia Branch meaning that a minimum of $150 million will be guaranteed to be taken-up (subject to the terms of the underwriting agreement which is summarised at section 5.4).

Indications of how SGH's voting power would be affected depending on the level of take-up of the Pro-rata Offer are set out in the table below. As noted, the maximum increase in the voting power of SGH (and its associates which have been disclosed to ASX in substantial holder notices) is approximately 9%. If Shareholders take up more of the Pro-rata Offer than the underwritten component of $150 million, the increase will be less than 9%.

Shareholder take-up of entitlements (excl. SGH)	**Assuming underwritten component only ($150 million)**	**50%**	**100%**
SGH (approximate) shareholding in SWM post-implementation of the Proposed Transaction	45%	41%	35%

The Company announced the conditional Pro-rata Offer on 29 April 2015. If you hold Ordinary Shares in the Company on the Record Date (4 May 2015), you will soon receive an offer booklet which contains full details of the Pro-rata Offer.

1.5 Use of proceeds

The Company intends to pay-down debt with the proceeds from the Pro-rata Offer. Depending on the gross proceeds raised under the Pro-rata Offer, the Company's net debt : EBITDA will be between 0.9x and 2.0x on a pro forma basis as at December 2014.

1.6 Shareholder approval

Resolution 1

Since SGH currently holds more than 20% of the voting power of SWM and could increase its voting power by as much as 9% as a result of the Proposed Transaction, the Company may need shareholder approval under section 611 (item 7) of the Corporations Act to approve the potential increase in SGH's voting power by virtue of the CPS Conversion. Further details about the requirement for shareholder approval and Resolution 1 are in part 4.

Resolution 2

SGH is a Related Party to SWM. The IBC considers that the terms of the Conversion Agreement are reasonable in the circumstances and are reflective of a dealing at arms' length. However, the IBC considers that it would be prudent to obtain shareholder approval under section 208 of the Corporations Act . Accordingly, the Company is asking you to vote on Resolution 2 in the Notice of Meeting.

Settlement and completion of the Pro-rata Offer will be conditional on both of the Resolutions being passed. The IBC recommends that you vote in favour of the Resolutions.

If the Resolutions are passed, the CPS will be converted shortly after the Meeting and if you have taken up the Pro-rata Offer, you will be issued your new Ordinary Shares either at the same time or very shortly after the CPS Conversion.

Further details about the requirement for shareholder approval and the Resolutions are in part 4.

1.7 Timing of the Proposed Transaction

Event	Date
Announcement of Pro-rata Offer	29 April 2015
Institutional Pro-rata Offer opened	29 April 2015
Institutional Pro-rata Offer closed	29 April 2015
Shares recommence trading on ASX on an “ex-entitlement” basis	30 April 2015
Despatch of Notice of Meeting	1 May 2015
Record Date for determining entitlement to subscribe for new Ordinary Shares (7.00pm)	4 May 2015
Retail Pro-rata Offer opens	8 May 2015
Retail Offer Booklet despatched	8 May 2015
Retail Entitlement Offer closes (5.00pm)	28 May 2015
Shareholder meeting/vote	2 June 2015
Settlement of new Ordinary Shares issued under the Pro-rata Offer	3 June 2015
Allotment of new Ordinary Shares under the retail Pro-rata Offer and the institutional Pro-rata Offer	4 June 2015
Conversion of CPS	4 June 2015
Normal trading of new Ordinary Shares issued under the Pro-rata Offer quotation of institutional allotment and quotation of retail allotment	5 June 2015
Despatch of confirmation statements	5 June 2015

2 Key reasons to vote in favour of the Resolutions

2.1 SWM Independent Board Committee recommendation

The IBC unanimously recommends that you vote in favour of the Resolutions. In reaching their recommendation, the IBC has evaluated the Proposed Transaction with the benefit of external financial advisers.

2.2 Independent Expert conclusion

The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable and in the best interests of the non-SGH Shareholders.

2.3 Resolve uncertainty relating to the CPS

While the CPS Redemption Date is approximately a year away, the IBC believes that uncertainty with respect to whether the CPS will be converted, Redeemed (and the resultant funding implications) or remain outstanding (and the resultant activation of dividend stopper provisions and step-up in the interest rate) is already having a negative market impact on the perceived prospects of SWM and its Ordinary Share price.

The IBC considers that there is a risk that this market focus on the CPS outcome may act as a negative overhang on the SWM Ordinary Share price until this uncertainty is resolved, and that this focus may intensify as the CPS Redemption Date draws closer. Therefore, the IBC has decided to take steps now to resolve the CPS position.

The CPS Conversion on 4 June 2015, which is only possible by virtue of having reached a commercial agreement with SGH, will resolve that uncertainty. In contrast, if the CPS outcome is not resolved at this time, the market uncertainty may continue and intensify as the CPS Redemption Date gets closer, which may limit the options available to the IBC or be disadvantageous to Shareholders.

2.4 Higher CPS interest rate if the CPS are not converted

If the CPS are not converted, or otherwise dealt with, by the CPS Redemption Date, they will remain on issue and SWM will be subject to a 2.00% increase in the CPS interest rate from the current rate of approximately 7.1% to approximately 9.1% with effect from the CPS Redemption Date.

Typical market yields on similar preference shares have reduced since the CPS were issued and the increased CPS interest rate is not viewed by the IBC to be commercially attractive to SWM. For those reasons, the IBC considers that it would be in the best interests of SWM, and the non-SGH Shareholders, to deal with the CPS prior to the CPS Redemption Date and avoid the increased CPS interest rate.

2.5 Dividend stopper if the CPS are not converted

If the CPS are not converted or otherwise dealt with by the CPS Redemption Date, SGH's consent will be required for the Company to pay a dividend on the Ordinary Shares. SGH would have the power to veto a dividend until the CPS were no longer on issue (for example, through redemption, conversion or being bought back). The IBC considers that the dividend stopper is not attractive from the perspective of Shareholders and for this reasons considers that it would be in the interests of Shareholders to deal with the CPS prior to the CPS Redemption Date.

2.6 Avoiding dilution

The IBC considers that it is in the best interests of Shareholders and the best interests of SWM to reach a resolution with respect to the CPS prior to the CPS Redemption Date in a manner that offers you the opportunity to avoid being diluted. The IBC considers that this can be achieved by combining a conditional pro-rata entitlement offer, that SGH has agreed not to participate in, with a conversion of the CPS. The underwriting of the pro-rata entitlement offer to $150 million will provide SWM with a stronger balance sheet that delivers greater financial flexibility to SWM.

2.7 Reduced gearing and improved financial flexibility

The Company intends to pay down debt and reduce gearing with the proceeds of the Pro-rata Offer. With reduced gearing, the Company will have improved financial flexibility to pursue growth opportunities as they arise.

2.8 Immediate redemption or buyback not feasible

SWM does not have the cash or borrowing capacity within its target leverage levels to Redeem the CPS without raising equity. Undertaking an equity raising at this time and not effecting the redemption of the CPS until the CPS Redemption Date would give rise to a material negative carry cost to SWM.

2.9 Offer at higher price

Under the terms of the CPS, the Conversion Price is set at a lower discount than what would normally be expected in an entitlement offer of equivalent size. This higher issue price benefits Shareholders that are not in a position to participate in the Pro-rata Offer. See the Material Terms of the Proposal section under paragraph 1.4.2 above for an explanation of the reasoning behind this pricing.

3 Reasons why you may consider voting against the Resolutions

3.1 Disagree with the recommendation of the IBC

Despite the unanimous recommendation of the IBC to vote in favour of the Resolutions, you may believe that the Proposed Transaction is not in your best interests.

3.2 Disagree with the conclusion or reasoning of the Independent Expert

Despite the expression of opinion of the Independent Expert that the Proposed Transaction is in the best interests of the non-SGH Shareholders, you may believe that the proposal is not in your best interests. You may disagree with the Independent Expert that to evaluate the Proposed Transaction as a takeover as prescribed by the ASIC regulatory guidance may not necessarily be the only approach to consider when evaluating the Proposed Transaction. You may consider the fact that the Independent Expert, applying that ASIC regulatory guidance, concluded that the Proposed Transaction is not "fair" is a reason to vote against the Resolutions even though the Independent Expert concluded that the Proposed Transaction was reasonable and in the best interests of the non-SGH Shareholders.

3.3 SGH's potential increase in voting power

If the proposal is implemented, SGH's voting power in SWM may increase from its current level of 35% to up to an amount which could be as high as 45%. You may consider that this potential increase in SGH's voting power is unacceptable or undesirable, and that you would prefer SWM to incur the increased CPS interest and have the dividend stopper in place as from April 2016 rather than have this increase in SGH's voting power. However it should be noted that if all Shareholders take up their entitlements rights there will be no change to the percentage ownership of any Shareholders, including that of SGH.

3.4 You may not be in a position to take up the Pro-rata Offer

Your individual circumstances may mean that you are not in a position to take up the Pro-rata Offer, including because you may not be eligible to participate. In that case, your percentage holding will be diluted by the conversion of the CPS and the issue of Ordinary Shares under the Pro-rata Offer. You may prefer SWM to incur the increased CPS interest and have the dividend stopper in place as from April 2016 rather than have this dilution occur.

3.5 You may believe there is a preferable solution to deal with the CPS

You may believe that there is potential for an alternative option for dealing with the CPS which is preferable to any solution which SWM or the IBC and its external advisers have been able to identify.

4 Shareholder approval

4.1 Resolutions

As detailed in the Notice of Meeting, SWM is asking you to consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution 1

"That, for the purposes of section 611, item 7, of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to the Company for the acquisition by Seven Group Holdings Limited of a Relevant Interest in the ordinary shares of the Company to be issued to SGH upon conversion of the CPS."

Resolution 2

"That, for the purposes of section 208 of the Corporations Act and all other purposes, approval is given to the Company for the conversion of the CPS on the terms of the Conversion Agreement as outlined in the Explanatory Memorandum accompanying this Notice of Meeting."

4.2 Approval of increase in SGH voting power

Resolution 1 is required because SGH already has a Relevant Interest in more than 20% of Ordinary Shares and the conversion of the CPS will potentially result in SGH increasing that interest by more than 3%.

Section 606 of the Corporations Act prohibits SGH from acquiring a Relevant Interest in SWM if it will result in SGH's voting power in SWM increasing above 20%. There is an exception which is contained in section 611 (item 7) of the Corporations Act. This exception to the prohibition applies if the acquisition is approved by an ordinary resolution passed at a general meeting of the company provided that:

(a) no votes are cast in favour of Resolution 1 by SGH or its associates; and

(b) the members of the company were given all information known to SGH and its associates, or known to SWM, that is material to the decision on how to vote on Resolution 1.

In order to exercise the exception contained in section 611 (item 7) to enable the conversion of the CPS, SWM is seeking your approval to increase the voting power of SGH in SWM under Resolution 1 set out in the Notice of Meeting.

The IBC recommends that you vote in favour of Resolution 1.

4.3 Approval of the conversion as a Related Party transaction

The conversion is a Related Party transaction as the Conversion Agreement is between SWM and a Related Party SGH and SGH will obtain financial benefits under the terms of the Conversion Agreement, in return for the consideration provided under that agreement by SGH. SGH is a Related Party because entities under the control of Mr Kerry Matthew Stokes (which have been disclosed to ASX in substantial holder notices) hold approximately 69.97% of the Ordinary Shares in SGH, and Mr Stokes is a Non-Executive Director and the Non-Executive Chairman of SWM. SGH and Mr Stokes also hold a Relevant Interest in SWM of 35.27%.

Section 208 of the Corporations Act prohibits a public company from giving financial benefit to a Related Party without shareholder approval, unless one of the exceptions set out in Chapter 2E of the Corporations Act applies. There is an exception where any financial benefit is given on terms that would be reasonable in the circumstances if SWM and the Related Party were dealing at arms' length. While the IBC believe that the exception would apply in relation to the conversion of the CPS on the terms of the Conversion Agreement, the IBC is of the view that it is prudent to obtain shareholder approval for the financial benefits to be given to SGH as described in this Explanatory Memorandum.

SWM has adopted the Protocols to manage the conflicts of interest or duty raised by common directorships and executive roles across SWM and SGH to facilitate negotiation on an arm's length basis. These are summarised in 5.5.

The IBC recommends that you vote in favour of Resolution 2.

4.4 Requirements for explanatory statements to members

Section 219 of the Corporations Act sets out specific information that must be set out in this Explanatory Memorandum for the purposes of an approval under Chapter 2E, and the following information is set out for that purpose.

Related parties to whom the financial benefits are proposed to be given

SGH entities under the control of Mr Stokes hold approximately 69.97% of the Ordinary Shares in SGH, and Mr Stokes is chairman of SGH, a Non-Executive Director and the Non-Executive Chairman of SWM. Mr Stokes also holds a Relevant Interest in SWM of 35.27%.

Nature of the financial benefits

Any financial benefits given under the Conversion Agreement described in 5.1.

Directors' Recommendations to members and reason

The recommendation of the independent directors of SWM is that Shareholders should vote in favour of the Resolutions for the reasons set out in part 2. This recommendation is made by only those members of the board of SWM who are independent directors. In particular, Mr Kerry Stokes AC, Mr Donald Rudolph Voelte , Mr Ryan Kerry Stokes and Mr Peter Gammell abstain from making any recommendation because of their current and past connections with SGH.

Directors' interests in the outcome of the Resolutions

The following directors of SWM have an interest in the outcome of the CPS Conversion and the Pro-rata Offer:

Mr Kerry Matthew Stokes AC is a Non-Executive Director and the Non-Executive Chairman of SWM and holds a Relevant Interest in SWM of 35.27%. He is also the Executive Chairman of SGH and holds a Relevant Interest in SGH of 69.97%.

Mr Donald Rudolph Voelte is the Non-Executive Deputy Chairman of the Board of SWM. He is also the Chief Executive Officer and Managing Director of SGH.

Mr Ryan Kerry Stokes is a Non-Executive Director of SWM and is a member of the Remuneration and Nominations Committee of SWM. He is also an Executive Director and the Chief Operating Officer of SGH.

Mr Peter Gammell is a Non-Executive Director of SWM and is a member of the Audit & Risk Committee. He was also the Group Chief Executive Officer of SGH until 28 June 2013.

5 Additional information

5.1 Conversion Agreement between SWM and SGH

Under the Conversion Agreement entered into by SWM, SGH and Seven (WAN) Pty Limited (the wholly owned subsidiary of SGH that holds the CPS) on 29 April 2015, the parties agree that, subject to the Resolutions being passed:

- The CPS will be converted early (ahead of their Redemption Date under the CPS Terms of Issue), on the date 2 business days after the Resolutions are passed, which will be taken to be a "Variable Rate Conversion Date" under the CPS Terms of Issue.
- The adjusted Issue Price for the purposes of the CPS Conversion will be taken to be $340 million, being the $355 million accrued Issue Price which would apply at the Redemption Date, discounted at 5.05% to the date of the CPS Conversion.
- In determining the Redemption Conversion Price for the purpose of clause 3.5 of the CPS Terms of Issue, the VWAP will be calculated over the 5 Business Day Period before the Conversion Agreement was entered into (being 22 to 28 April 2015), rather than by reference to the date of a Redemption Notice.
- SGH agrees to ensure that there is no take up of the entitlement under the Pro-rata Offer in respect of any Ordinary Shares in which SGH has a relevant interest.

5.2 Any intention to significantly change the financial or dividend distribution approach of SWM

Taking into account the impact of the Proposed Transaction, which results in an increased number of ordinary shares from the CPS Conversion and the issue of New Shares to shareholders under the Pro-rata Offer, Seven West Media now intends the final dividend for FY15, payable in October 2015, to be the greater of 4 cents per share or the equivalent total cash dividend of $60 million divided by the total number of shares post transaction. This is in line with the level of cash dividend guided in February 2015.

SWM has historically paid dividends in the order of 50% of underlying net profit after tax (NPAT) on an annual basis. Future dividends are subject to the Board's determination having regard to SWM's financial position, performance and capital requirements at the time.

5.3 ASX waiver

ASX has agreed in principle to grant a waiver of listing rule 7.15 to permit the record date for the Pro-rata Offer to be before the shareholder meeting in accordance with the timetable for the Proposed Transaction.

5.4 Underwriting Agreement

SWM and UBS AG Australia Branch (UBS) have entered into an Underwriting Agreement dated 29 April 2015, under which UBS has agreed to manage and underwrite the Pro-rata Offer on the terms and conditions of the Underwriting Agreement.

The following is a summary of the principal provisions of the Underwriting Agreement.

5.4.1 Fees, Costs and Expenses

If the Proposed Transaction reaches completion, UBS will receive the following fees under the Underwriting Agreement:

- 1.75% underwriting fee on the net underwritten amount (excluding GST); and
- $260,000.00 offer managing fee (excluding GST).

SWM also agrees to reimburse UBS for all expenses incurred in connection with the Pro-rata Offer up to a cap, including but not limited to expenses in relation to travel, document production and legal costs and out of pocket expenses.

UBS will be responsible for payment of any fees or commissions payable to a sub-underwriter.

5.4.2 SWM's Representations, Warranties and Undertakings

Under the Underwriting Agreement, SWM makes various customary representations and warranties in relation to the Pro-Rata Offer documents, the Pro-rata Offer, its compliance with applicable laws and the information provided by SWM to UBS.

Under the Underwriting Agreement, SWM also provides various customary undertakings to UBS, including an undertaking that, other than in connection with the Proposed Transaction and except as disclosed in the Pro-rata Offer documents, it will carry on its business and procure that each Group Member carries on its business, until 30 days after the settlement date in the ordinary course. SWM also undertakes that it will not, without UBS' prior written consent, allot or agree to allot shares or other securities convertible to equity of SWM or a member of the Group otherwise than in accordance with the Pro-rata Offer and CPS Conversion from the date of the Underwriting Agreement until 60 days after completion.

UBS' obligations to underwrite the Pro-rata Offer are subject to a number of conditions precedent, including satisfying the conditions precedent to the Proposed Transaction.

5.4.3 Conditions precedent

The Underwriting Agreement obligations of UBS are subject to conditions precedent including the Resolutions being passed.

5.4.4 Termination Events

UBS may terminate the Underwriting Agreement at any time if any of a number of specified events occurs on or before completion:

- (Market fall) the S&P/ASX 200 Index closes on any 3 consecutive trading days during the period from the Offer announcement date until the day of the settlement date at a level that is 15% or more below the level of that index as at market close on the last trading day immediately prior to the Offer announcement date; or
- (ASX approval) unconditional approval (or conditional approval, provided such condition would not, in the opinion of the Underwriter, have a material adverse effect on the success or settlement of the Pro-rata Offer) by ASX for official quotation of the Pro-rata Offer Ordinary Shares is refused or is not granted or, if granted, is modified (in a manner which would have a material adverse effect on the success or settlement of the Pro-rata Offer) or withdrawn; or
- (Listing) the Company ceases to be admitted to the official list of ASX or the Ordinary Shares are suspended, from trading on, or cease to be quoted on ASX ; or
- (Insolvency) the Company or a material group member is insolvent or is likely to become Insolvent; or
- (Certificate) a certificate which is required to be given by the Issuer under this agreement is not given when required; or
- (Withdrawal) the Company withdraws all or any part of the Pro-rata Offer; or
- (ASX Waivers and ASIC Modifications) ASX withdraws, revokes, qualifies or amends (other than immaterially) the ASX Waiver, or ASIC withdraws, revokes, qualifies or amends (other than immaterially) the ASIC Modification required in connection with the Pro-rata Offer; or
- (Supplementary disclosure)
  - An obligation arises on the Company to give ASX a notice in accordance with section 708AA(12) of the Corporations Act (as modified by Class Order 08/35); or
  - any events or circumstances occur or become known that would have required the Company to give ASX a notice in accordance with section 708AA(12) of the Corporations Act (as modified by Class Order 08/35) had the cleansing notice been lodged on the Pro-rata Offer announcement date on the basis of information known at that time; or
- (Timetable) any event specified in the timetable is delayed for 2 or more Business Days (or 1 or more Business Day at any time in the period up to and including the settlement date) without the prior written approval of the Underwriter; or
- (Information Documents) an Information Document omits any information required by the Corporations Act or any other applicable law, contains a statement which is or becomes misleading or deceptive or is likely to mislead or deceive or otherwise fails to comply with the Corporations Act or any other applicable law; or
- (Misleading or deceptive conduct) civil or criminal proceedings are brought against the Company or any officer of the Company in relation to any fraudulent, misleading or deceptive conduct relating to the Company whether or not in connection with the Pro-rata Offer except for any Claim with no prospects of success; or
- (Illegality) there is an event or occurrence which makes it illegal for the Underwriter to satisfy an obligation under the Underwriting Agreement; or
- (ASIC) ASIC:
  - makes an application for an order under Part 9.5 of the Corporations Act in relation to the Pro-rata Offer or the Information Documents;
  - holds, or gives notice of an intention to hold, a hearing or investigation in relation to the Pro-rata Offer, the Information Documents or the Company; or
  - prosecutes or gives notice of an intention to prosecute or commences proceedings against, or gives notice of an intention to commence proceedings against, the Company or any of its directors, officers, employees or agents in relation to the Pro-rata Offer; or
- (Adverse change) there is a material adverse change, or an event occurs which is likely to give rise to an adverse change, in the business, assets, liabilities, financial position or performance, operations or prospects of the Company or the Group; or
- *(Disqualification) a director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- *(Prosecution) a director, the Chief Executive Officer or the Chief Financial Officer of the Company commits an act of fraud or is charged with an indictable offence relating to any financial or corporate matter; or
- *(Certificate) a certificate which is required to be given by the Company under this agreement is untrue or misleading or deceptive; or
- *(Compliance with regulatory requirements) the Company fails to comply with the ASX Listing Rules, the Corporations Act, applicable laws, or a requirement, order or request, made by or on behalf of ASIC, ASX or any Governmental Agency; or

- *(Suspension or limitation on trading) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited for one or substantially all of a day on which that exchange is open for trading; or
- *(Moratorium) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
- *(Hostilities) the outbreak of hostilities not presently existing (whether war has been declared or not), or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, United States of America, Japan, United Kingdom or any other member state of the European Union, or a major terrorist act is perpetrated in any of those countries; or
- *(Breach) the Company breaches or fails to perform or observe any of its obligations or undertakings under this agreement; or
- *(Warranties) a representation or warranty made or given by the Company under this agreement is breached or proves to be, or has been, or becomes, untrue or incorrect or misleading or deceptive; or
- *(Change in management) there is a change (or a change is announced) in the directors, the Chief Executive Officer or the Chief Financial Officer of the Company, other than one which has already been disclosed to ASX before the date of this agreement; or
- *(Prescribed Occurrence) a prescribed occurrence (being an event specified in paragraphs (a) to (h) of subsection 652C(1) of the Corporations Act), in respect of the Company occurs during the Pro-rata Offer period, other than:
  - as contemplated by this agreement; or
  - an issue of shares which is excluded from the undertaking; or
  - as permitted with UBS's written consent, which consent may not be unreasonably withheld or delayed; or
- *(Change in law or policy) there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made, or a Government Agency adopts a major change in monetary or fiscal policy, which does or is likely to prohibit or adversely affect the regulation of the Company or the Proposed Transaction, capital issues or stock markets or adversely affect the taxation treatment of the Pro-rata Offer Ordinary Shares; or
- *(Debt Facilities)
  - A Group Member breaches, or defaults under, any provision, undertaking covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party; or
  - an event of default or review event has resulted in a lender or financier exercising its rights to accelerate or require repayment of the debt or financing or other similar event occurs under or in respect to any such debt or financing arrangement or related documentation.

No event marked above with an asterisk (*) entitles UBS to exercise its rights to terminate its obligations under the Underwriting Agreement unless UBS has reasonable grounds to believe that, and does reasonably believe that the event:

- has or is likely to have a material adverse effect on the outcome, success or settlement of the Proposed Transaction; or
- could give rise to a liability of UBS under any law or regulation.

5.4.5 Indemnity

SWM indemnifies UBS and its affiliates, related bodies corporate and its directors, officers, partners and employees (each an **Indemnified Party**) against, and holds each Indemnified Party harmless from, all losses suffered or incurred directly or indirectly, or claims made against them, arising out of or in connection with the Proposed Transaction, the Information Documents or the appointment of UBS pursuant to the Underwriting Agreement, including as a result of:

- any statement in the Information Documents or the Public Information being misleading or deceptive or likely to mislead or deceive or any omission from the Information Documents or Public Information of required information;
- SWM failing to perform or observe any of its obligations under the Underwriting Agreement, the Corporations Act or any other applicable law in relation to the Pro-rata Offer or any of the representations and warranties by the Company contained in this agreement not being true and correct or being misleading or deceptive;
- the distribution of the Information Documents and the making of the Pro-rata Offer;
- any review, inquiry or investigation undertaken by ASIC or ASX, the Australian Taxation Office, any state or territory regulatory office or any other regulatory or Governmental Agency in relation to the Pro-rata Offer or the Information Documents;
- any claims that an Indemnified Party has any liability under the Corporations Act (including as a result of a contravention of section 1041H) and any other applicable law in relation to the Pro-rata Offer; and
- the allotment and issue of the Pro-rata Offer Ordinary Shares.

5.5 Related Party Protocols

The Independent Board Committee Management Protocols (**Protocols**) outline the method by which the board of directors of SWM including the directors who are common to SGH and SWM (**Common Directors**) will address conflicts, real or perceived, in considering, developing and, if SWM so decides, implementing, the conversion of all of the CPS and the proposed Pro-rata Offer.

As well as the SWM directors, managers of SWM (or its group companies) who have been provided with the Protocols are required to comply with the Protocols.

Under the Protocols:

- the IBC is to make commercial decisions in relation to the Proposed Transaction on behalf of SWM;
- the IBC is to consider all aspects of the Proposed Transaction separately from SWM's non-IBC directors, except to the extent that such participation is legally required for the director to discharge his or her duties or obligations and for SWM to comply with its legal and governance obligations;
- directors and managers of SWM are not permitted to communicate with any SGH member in relation to the CPS or the Proposed Transaction except:
  - in the ordinary course of business;
  - where an SGH director is entitled to have access to that information in his capacity as a SWM director;
  - where such disclosure or access is consistent with the SWM Conflict of Interest Protocol; or
  - with the IBC's approval;
- the IBC may obtain independent advice from financial, legal, accounting and other advisers regarding the administration of the Protocols and the Proposed Transaction;
- the standing agenda items of the IBC meetings require the IBC to consider whether Protocols have been complied with and whether participation of any IBC member with respect to the Proposed Transaction needs to be reconsidered;
- the IBC must seek to ensure that SGH does not have an advantage over shareholders in relation to material information about SWM; and
- all SWM dealings with SGH are to be conducted in the ordinary course and on arm's length terms.

6 General Meeting and how to vote

6.1 General Meeting

SWM is holding a general meeting on 2 June 2015. At the meeting, non-SGH Shareholders will be asked to approve the Resolutions. The terms of the Resolutions to be considered at the Meeting are contained in the Notice of Meeting.

6.2 Am I able to vote at the Meeting?

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

Voting is not compulsory. However, the IBC unanimously recommends that Shareholders vote in favour of the Resolutions.

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

6.3 Resolution approval requirements

Each Resolution requires approval by a majority in total number of votes cast on the Resolution (more than 50%) by Shareholders (other than excluded Shareholders) present and voting at the Meeting (either in person or by proxy).

The CPS Conversion and Pro-rata Offer will only be implemented if the Resolutions are approved at the Meeting.

Annexure A
Notice of General Meeting

Seven West Media Limited (SWM) (Company)
ACN 053 480 845

Notice is given to the members of the Company that a general meeting of the Company will be held at Doltone House, Jones Bay Wharf, Piers 19-21 Upper Deck, 26 – 32 Pirrama Road, Pyrmont, New South Wales 2009 on Tuesday, 2 June 2015 at 2.00pm.

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

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

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

Resolution 1:	To consider, and if thought fit, to pass the following resolution as an ordinary resolution: *"That, for the purposes of section 611, item 7, of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to the Company for the acquisition by Seven Group Holdings Limited of a Relevant Interest in the ordinary shares of the Company to be issued to SGH upon conversion of the CPS"* **Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by SGH or any associate of SGH. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or, it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
Resolution 2	To consider, and if thought fit, to pass the following resolution as an ordinary resolution: *"That, for the purposes of section 208 of the Corporations Act 2001 (Cth) and all other purposes, approval is given to the Company for the conversion of the CPS on the terms of the Conversion Agreement as outlined in the Explanatory Memorandum accompanying this Notice of Meeting."* **Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by SGH or any associate of SGH. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or, it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
Entitlement to vote:	The Board has determined that a person's entitlement to vote at the general meeting will be taken to be the entitlement of that person shown in the Register of Members at 2.00pm on Sunday 31 May 2015. Voting members can vote in one of two ways: 1 by attending the meeting and voting, either in person (or by attorney), or in the case of corporate members, by corporate representative; or 2 by appointing a proxy to attend the meeting and vote on their behalf, using the proxy form enclosed with this Notice of Meeting.
Proxies:	A Shareholder entitled to attend and vote at the meeting has a right to appoint a proxy to attend and vote at the meeting on their behalf. A Shareholder entitled to cast 2 or more votes may appoint not more than 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes

Proxy Forms:

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

- by mail to Seven West Media Limited, c/- the Company's share registry, Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001;
- by fax to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- online at www.investorvote.com.au.

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

Proxy forms must be received by Computershare Investor Services Pty Limited by 2.00pm on Sunday 31 May 2015 (being 48 hours before the commencement of the meeting).

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

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

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

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

Default to the Chairman

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

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

By order of the Board

sign here ▶

Secretary

print name Warren Coatsworth

date 29 April 2015

Annexure B
Glossary and interpretation

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

Term	Meaning
$	Australian dollar.
ASX	as the context requires, ASX Limited (ACN 008 624 691) or the securities market conducted by it.
Board	the board of directors of SWM from time to time.
Company or SWM	Seven West Media Limited (ACN 053 480 845)
Conversion Agreement	the agreement between SWM and SGH in relation to the early conversion of the CPS.
Conversion price	means $1.28 per share, being a 5% discount to the volume weighted average price over the period from 22 to 28 April.
Corporations Act	the *Corporations Act 2001* (Cth).
CPS or Convertible Preference Shares	the 2,500 convertible preference shares which had an initial face value of $100,000 per preference share issued to SGH on the Convertible Preference Share Terms on 29 April 2011.
Excluded Shareholder	SGH and its associates.
Explanatory Memorandum	this document, including the annexures to it.
Financial Adviser	any financial adviser retained by SWM in relation to the Proposed Transaction from time to time.
IBC or Independent Board Committee	the independent committee of the SWM Board comprising Mr David Evans (Chairman). Mr John Alexander and Dr Michelle Deaker.
Independent Expert	Deloitte Corporate Finance Pty Limited, the independent expert in respect of the Proposed Transaction.
Independent Expert's Report	the independent expert's report and financial services guide issued by the Independent Expert in connection with the proposal and attached at Annexure c.
Information Document	the materials issued in connection with the Pro-rata Offer up to and including completion by or on behalf of SWM.
Listing Rules	the official listing rules of ASX.
Meeting	the meeting of Shareholders to be held at 2.00pm on Tuesday 2 June 2015 at Doltone House, Jones Bay Wharf, Piers 19-21 Upper Deck, 26 – 32 Pirrama Road, Pyrmont, New South Wales 2009 convened by SWM pursuant to its constitution at which Shareholders (other than Excluded Shareholders) will vote on the Resolutions.
non-SGH Shareholders	Shareholders other than SGH and its associates.
Notice of Meeting	the notice of meeting relating to the Meeting which is contained in Annexure A of this Explanatory Memorandum.
Ordinary Share	a fully paid ordinary share in the capital of SWM.
Proposed Transaction	the proposal to convert the CPS and the conditional Pro-rata Offer, as detailed in this Explanatory Memorandum.
Pro-rata Offer	the offer to all Shareholders (as at the Record Date) to subscribe for additional Ordinary Shares in SWM at $1.25 per share
Protocols	the related party protocols summarised at 5.5.

Proxy Form	the form attached in Annexure D.
Record Date	4 May 2015 or such other date as determined by the Independent Board Committee.
Register of Members	the register of members of SWM maintained in accordance with the Corporations Act.
Redeem	redeem, buy back or otherwise cancel the CPS in return for cash in accordance with the terms of the CPS.
Redemption Date	21 April 2016.
Related Party	has the meaning given in section 228 of the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Resolution 1	resolution 1 set out in the Notice of Meeting approving the increase in voting power of SGH in SWM.
Resolution 2	resolution 2 set out in the Notice of Meeting approving the conversion of the CPS on the terms of the Conversion Agreement as a Related Party transaction.
Resolutions	the resolutions set out in the Notice of Meeting.
SGH	Seven Group Holdings Limited (ACN 142 003 469)
Shareholder	each person who is registered on the Company's share register as the holder of Ordinary Shares.
SWM or Company	Seven West Media Limited (ACN 053 480 845)
Sydney time	the local time in Sydney, New South Wales, Australia.
VWAP	volume weighted average price.

1.2 Interpretation

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

(a) Other words and phrases not in the glossary have the same meaning (if any) given to them in the Corporations Act.
(b) Words of any gender include all genders.
(c) Words importing the singular include the plural and vice versa.
(d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
(e) A reference to a Section or Annexure is a reference to a section or annexure of this Explanatory Memorandum as relevant.
(f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
(g) Headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum.
(h) A reference to time is a reference to Sydney time.
(i) A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Deloitte.

Annexure C
Independent Expert's Report

Seven West Media Limited

Independent expert's report and Financial Services Guide

29 April 2015

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited, which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e., carbon) to retail and wholesale clients. We are also authorised to provide general financial product advice relating to derivatives to retail clients and personal financial product advice relating to derivatives to wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately $300,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the Proposed Transaction.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu provides other services to Seven West Media Limited. These services are not related to the Proposed Transaction.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au Fax: +61 2 9255 8434	Financial Ombudsman Services GPO Box 3 Melbourne VIC 3001 info@fos.org.au www.fos.org.au Tel: 1300 780 808 Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

29 April 2015

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte.

Deloitte Corporate Finance Pty Limited
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The Independent Directors
Seven West Media Limited
Newspaper House
50 Hasler Road
Osborne Park WA 6017

29 April 2015

Dear Directors

Independent expert's report

Introduction

On 29 April 2015, Seven West Media Limited (SWM) announced that subject to SWM Non-Associated Shareholder approval, the Independent Board Committee (IBC) of SWM and Seven Group Holdings (SGH) had agreed that SGH would convert 100% of the Convertible Preference Shares (CPS) into ordinary shares in SWM (the Proposed Conversion).

Concurrently, SWM has announced a pro-rata offer of ordinary shares to all shareholders[1] which, if all Non-Associated Shareholders accept, would lead to no increase in SGH's current shareholding percentage in SWM as a result of the Proposed Conversion (the Pro-rata Offer). The Pro-rata Offer is conditional on Non-Associated Shareholder approval of the Proposed Conversion.

The Proposed Conversion and the Pro-rata Offer are collectively referred to in this document as the Proposed Transaction.

Purpose of the report

The Proposed Conversion requires the approval of SWM Non-Associated Shareholders in accordance with Item 7 of Section 611 of the Corporations Act.

Section 606 of the Corporations Act effectively prohibits a person from acquiring a relevant interest in a public company where that person already has voting power in excess of 20%, their voting power would increase further. Item 7 of Section 611 allows non associated shareholders to waive the Section 606 prohibition by passing a resolution in a general meeting. As set out in Section 1.4, the Proposed Conversion will result in SGH, which already owns 35.2% of SWM's shares, being issued with additional SWM shares which could result in an increase in SGH's interest of up to 9.4% in SWM (depending on the extent to which Non-Associated Shareholders participate in the Pro-rata Offer). As such, SWM is seeking shareholder approval for the issue of shares to SGH under the Proposed Conversion.

[1] Whilst the Pro-rata Offer is being made to all shareholders, SGH has agreed not to participate in the Pro-rata Offer.

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The directors of SWM that are unrelated to SGH (the Independent Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to, and in the best interests of, shareholders who are not associated with SGH (the Non-Associated Shareholders).

This report is to be included in the Explanatory Memorandum to be sent to Non-Associated Shareholders and has been prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and SWM, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

We have prepared this report having regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (Regulatory Guide 111) (which deals with the content of expert reports) and ASIC Regulatory Guide 112 (Regulatory Guide 112) (which deals with the independence of experts).

Regulatory Guide 111 provides guidance in relation to a range of transactions. It notes that an expert should focus on the substance of a related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

In considering the Proposed Conversion we have had regard to the economic substance of the Proposed Conversion and the fact that the Proposed Conversion and Pro-rata Offer are interconditional. As such, the Proposed Conversion and the Pro-rata Offer (collectively referred to as the Proposed Transaction) must be considered together as it is not possible for one to occur without the other. To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in Regulatory Guide 111.

ASIC's interpretation of Regulatory Guide 111 requires us to consider the Proposed Transaction in the following manner:

- The Proposed Transaction is fair, if the value of a share in the entity prior to the Proposed Transaction (on a control basis) is equal to or less than the value of a share in the entity following the Proposed Transaction (on a minority interest basis)
- The Proposed Transaction is reasonable, if it is fair, or, despite not being fair, after considering other significant factors, there are sufficient reasons for shareholders to vote for the Proposed Transaction.

The analysis as explained above requires that the Proposed Transaction be evaluated as if it was a takeover of SWM by SGH. However:

- no element of the Proposed Transaction will result in Non-Associated Shareholders being provided any consideration by SGH
- the business operations of SWM are not changing in any form
- following the Proposed Transaction, SWM shareholders will continue to hold the same or a greater number of shares in SWM (although the value and likely trading price of those shares is likely to be impacted by the Proposed Transaction).

Noting the above, a shareholder may consider alternative approaches in assessing the merits of the Proposed Transaction. Therefore we have considered other approaches to the assessment of the merits of the Proposed Transaction as part of our reasonableness assessment which also considers other factors relevant to the Proposed Investment so far as the Non-Associated Shareholders are concerned.

Further details regarding the basis of evaluation are set out in Section 2 of our detailed report.

Definition of value

Our valuation analysis is based on the concept of fair market value, which we have defined as the amount at which the shares in the entity being valued would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

Summary and conclusion

In our opinion the Proposed Transaction is not fair but reasonable so far as Non-Associated Shareholders are concerned. Further, we consider the Proposed Transaction to be in the best interests of Non-Associated Shareholders.

The Proposed Transaction is not fair

We have assessed whether the Proposed Transaction is fair by comparing our valuation of a share in SWM prior to the Proposed Transaction to the value of a share in SWM following the Proposed Transaction.

Our assessment of the value of a share in SWM following the Proposed Transaction varies depending on the level of take-up of the Pro-rata Offer by Non-Associated Shareholders. This is because the cash proceeds from the Pro-rata Offer differ and, consequently, so does the number of shares issued to Non-Associated Shareholders. Set out in the table below is a summary of our findings which reflects the range of scenarios.

Table 1: Assessment of fairness

	Assumed Pro rata Offer take up by Non-Associated Shareholders							
	Assuming underwritten component only[1]		50%		75%		100%	
$	Low	High	Low	High	Low	High	Low	High
Value of a share prior to the Proposed Transaction (control basis)	1.81	2.25	1.81	2.25	1.81	2.25	1.81	2.25
Value of a share following the Proposed Transaction (minority interest basis)	1.49	1.65	1.47	1.62	1.45	1.59	1.44	1.57
Premium / (discount)	*(17.9)%*	*(26.7)%*	*(19.0)%*	*(28.2)%*	*(19.9)%*	*(29.4)%*	*(20.6)%*	*(30.4)%*

Notes:
1. SWM has chosen to underwrite $150m of the offer such that at least $150m worth of shares (being 120.0m shares or 12.0% of those shares currently on issue) will be issued
Source: Deloitte Corporate Finance analysis

Given our assessment of the value of a share prior to the Proposed Transaction is higher than the value of a SWM share following the Proposed Transaction, the Proposed Transaction is not fair. In line with Regulatory Guide 111, our assessment of the value of a share prior to the Proposed Transaction has been undertaken on a control basis and our assessment of the value of a share following the Proposed Transaction has been undertaken on a minority interest basis.

We have assessed the equity value of SWM using the sum of the parts approach, which assesses the value of each SWM business unit separately. Under this approach, each business unit is considered on the basis of similarities in products, growth prospects, and in some respects, demand drivers. The sum of the parts approach, therefore, provides a flexible valuation approach to take account of these factors, which are likely to vary across different business units.

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Our valuation of SWM using the sum of the parts approach is summarised in the following table.

Table 2: Valuation of SWM

$m (unless otherwise stated)	Assessed maintainable earnings	Assessed multiple (x) Low	Assessed multiple (x) High	Valuation range Low	Valuation range High
Business					
Television	315.0	7.5x	8.0x	2,362.5	2,520.0
Newspaper	75.0	6.5x	7.0x	487.5	525.0
Magazine	20.0	5.0x	5.5x	100.0	110.0
Yahoo7[1]	18.0	12.0x	13.0x	216.0	234.0
Other investments				35.0	45.0
Corporate overheads	(15.0)			(112.5)	(120.0)
Total business enterprise value				**3,088.5**	**3,314.0**
Other assets (net of surplus liabilities)				(68.7)	(68.7)
Value of operating assets (minority interest basis)				**3,019.8**	**3,245.3**

Note:
1. Reflects SWM's pro-rata share of its ownership interest
Source: Deloitte Corporate Finance analysis

We utilised the capitalisation of earnings approach in valuing the various business units of SWM.

Our assessed maintainable earnings before interest, tax, depreciation and amortisation (EBITDA) for each business has had regard to our review of the business units, along with their recent financial performance, FY2015 forecasts prepared by management and adopted for reporting purposes, and consensus estimates of earnings for SWM available from equity research analysts.

We have capitalised the selected maintainable EBITDA with EBITDA multiples having regard to earnings multiples of listed comparable companies and multiples implied from recent transactions involving companies comparable to the relevant business units of SWM.

We have separately assessed the value of a number of investments held by SWM and the (negative) value associated with corporate overhead costs that are not reflected within the maintainable earnings of any of the business units.

Set out below is the valuation of a SWM share prior to the Proposed Transaction:

Table 3: Valuation of a SWM share prior to the Proposed Transaction (control basis)

$m (unless otherwise stated)	Valuation range Low	Valuation range High
Value of operating assets (minority interest basis)	**3,019.8**	**3,245.3**
Net debt[1]	1,104.8	1,104.8
Value of CPS	340.0	340.0
Value of SWM's equity (minority interest basis)	**1,575.0**	**1,800.5**
Control premium	15.0%	25.0%
Value of SWM's equity (control basis)	**1,811.3**	**2,250.6**
Number of shares outstanding	999.2	999.2
Value of a share in SWM (control basis)	**1.81**	**2.25**

Note:
1. Includes SWM's pro-rata share of Yahoo7's net debt
Source: Deloitte Corporate Finance analysis

The table below illustrates the calculated value per share in SWM having regard to a range of different scenarios for acceptance of the Pro-rata Offer by the Non-Associated Shareholders.

Table 4: Value of a SWM share following the Proposed Transaction (minority interest basis)

	Assumed Pro rata Offer take up by Non-Associated Shareholders							
	Assuming underwritten component only		50%		75%		100%	
$m (unless otherwise stated)	Low	High	Low	High	Low	High	Low	High
Value of operating assets (minority interest basis)	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3
Pro-forma net debt[1]	959.0		803.3		650.4		497.5	
Value of SWM's equity (minority interest basis)	**2,060.8**	**2,286.3**	**2,216.5**	**2,442.0**	**2,369.4**	**2,594.9**	**2,522.3**	**2,747.8**
Pro-forma number of shares outstanding[1] (m)	1,384.9		1,509.5		1,631.8		1,754.1	
Value of a share (minority interest basis) ($)	**1.49**	**1.65**	**1.47**	**1.62**	**1.45**	**1.59**	**1.44**	**1.57**

Notes:
1. Adjusted for the Proposed Transaction
Source: Deloitte Corporate Finance analysis

Full details of our valuation, including factors considered and assumptions adopted are set out in Section 6 of our report.

The Proposed Transaction is reasonable

We have assessed whether the Proposed Transaction is reasonable after consideration of the following:

- SGH is converting the CPS at a discount of 5% to the average of the 5 day volume weighted average price (VWAP) of SWM shares. This compares to the discount of 7% Non-Associated Shareholders are receiving under the Pro-rata Offer. As such, SGH is effectively paying more for a SWM share under the Proposed Conversion as compared to Non-Associated Shareholders under the Pro-rata Offer
- SWM could achieve a very similar outcome by undertaking a rights issue and therefore this could be viewed as another relevant form of evaluation of the Proposed Transaction. Our analysis suggests that a rights issue discount of 10% to 15% would be required (for a capital raising of this size) as compared to the discount of 2.3% at which it is proposed SGH will convert. This implies SGH is paying more for conversion than if it were to do so under a rights issue
- a shareholder may consider it more appropriate to evaluate the Proposed Transaction by reference to the value of a SWM share following the Proposed Transaction (on a control basis) and comparing this to the proposed conversion price if they were of the view that the Proposed Conversion is conferring additional control to SGH. As set out in Section 7.2, a valuation of a SWM share following the Proposed Transaction and on a control basis ranges between $1.65 per share and $2.06 per share[2]. Compared to the conversion price, this represents a premium of 29.2% to 61.3%. The primary reason for this premium is because:
  - the conversion price is linked to recent trading in SWM shares on the ASX and we are of the opinion that this trading may reflect the influence of uncertainty with respect to the CPS
  - our valuation of a SWM share following the Proposed Transaction includes a control premium of between 15% and 25%.
- SWM currently has no right to redeem the CPS. By SGH agreeing to allow it to do so one year earlier than SWM is allowed, SWM is saving approximately $15m in notional interest that would accrue to SGH

[2] Depending on the level of take-up of the Pro-Rata Offer

- the Proposed Transaction offers an opportunity for SWM to reduce financial leverage to be more in line with (and in some cases below) its peers.

  The Proposed Transaction will also result in net debt reducing by between $145.7m and $607.3m which would result in SWM's:

  - interest coverage ratio[3] increasing from 6.3 times to between 7.1 times and 12.7 times as compared to the average of its peers of 5.3 times
  - net debt to EBITDA[4] will decrease from 2.3 times to between 1.0 times and 2.1 times as compared to the average of its peers of 0.8 times
  - at an interest rate of 6%[5], an interest cost saving of between $8.5m and $35.2m per annum.

  Whilst, in and of itself reduced financial leverage may not be beneficial in the current low interest rate environment, the lower leverage could allow SWM to quickly capitalise on growth opportunities that may emerge in the future

- our analysis suggest that shares in SWM are trading at a discount to its peers (this is also implied by our fundamental valuation of a SGH share on a minority interest basis). Whilst it is difficult to definitively attribute this to the CPS, the uncertainty with respect to the CPS and its potential impact on dilution could be influencing this discount. As such, the Proposed Transaction could result in a rerating of SWM's shares with the discount being removed
- from a practical perspective, we do not consider any additional percentage shareholding SGH obtains as a result of the Proposed Transaction will confer any additional control over and above what it already has through its 35.2% ownership interest and three board seats
- in the event that the CPS are not converted, SWM will incur higher interest accruals from 21 April 2016 and may not be able to pay dividends to shareholders without SGH approval. This latter point could result in the share price decreasing
- the CPS are legacy securities issued to SGH as part consideration for a transaction which occurred in 2011. The Proposed Transaction provides the Company an opportunity to reset its capital structure into a more transparent form
- our consideration of the alternatives suggests that this alternative is the superior option available to SWM so far as Non-Associated Shareholders are concerned
- SGH will not participate in the Pro-rata Offer, which provides an opportunity for Non-Associated Shareholders to not be diluted
- we estimate that the Proposed Transaction will result in EPS being diluted in the short to medium term but be accretive over the longer term. However, this is not unusual for a transaction of this type and doesn't result in a transfer of value so long as a shareholder participates fully in the Pro-rata Offer
- there is likely to be greater alignment between the interests of SGH and Non-Associated Shareholders through common ownership of the same instrument (ordinary shares in SWM).

Further detail on these factors is set out in Section 7.

Opinion

In our opinion, despite the Proposed Transaction being not fair, we consider the reasonableness factors stated above to be sufficiently compelling for the Proposed Transaction to be reasonable. Furthermore, we consider the reasonableness factors when compared to the fairness assessment to also be sufficient in nature for the Proposed Transaction to be in the best interests of Non-Associated Shareholders.

Therefore, in our opinion the Proposed Transaction is not fair but reasonable and in the best interests of Non-Associated Shareholders.

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[3] Calculated based on 31 December 2014 position

[4] Ibid

[5] Reflecting the interest rate implicit in interest expense for H1FY2015

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the Non-Associated Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our attached detailed report which sets out our scope and findings.

Yours faithfully

Tapan Parekh	**Stephen Ferris**
Authorised Representative	Authorised Representative
AR Number 461009	AR Number 460999

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Glossary

Reference	Definition
$	Australian dollars
1H	First half of the financial year
AAP	Australian Associated Press
AFL	Australian Football League
AFSL	Australian Financial Services Licence
AR	Authorised Representative
APR	Annual Percentage Rate associated with the CPS
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AVOD	Advertising based video on demand
b	Billions
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief Operating Officer
Corporations Act, the	Corporations Act 2001
CPS	Convertible preference shares in SWM, held by SGH
CPS Issue Price, the	$100,000 per CPS
Coates	Coates Group Holdings Pty Limited
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
DPS	Dividend per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
Explanatory Memorandum, the or EM	The explanatory memorandum containing the detailed terms of the Proposed Transaction
FSG	Financial Services Guide
FTA	Free to air
FY	Financial year ended 28 June
GDP	Gross Domestic Product
HbbTV	Hybrid broadcast broadband television
IBC	Independent Board Committee
JV	Joint venture
KKR	KKR & Co. L.P
KPI	Key performance indicator
m	Millions
Management	Management of SWM
NFL	National Football League
Nine	Nine Entertainment Co. Holdings Limited
Non-Associated Shareholders	Holders of SWM shares other than SGH
Normalised earnings	Earnings before significant items such as asset sales, restructure costs and impairment charges (or other non-recurring costs specifically noted)
n/a	Not applicable
nmf	Not meaningful
NPAT	Net profit after tax
pcp	Prior comparative period
PBT	Profit before tax
PMP	PMP Limited
PPE	Property, plant and equipment
Prime Media	Prime Media Group Limited
Pro-rata Offer	Pro-rata offer of ordinary shares to Non-Associated Shareholders
Proposed Conversion, the	The proposed conversion of the CPS into ordinary shares in SWM
Proposed Transaction, the	The Proposed Conversion and the Pro-rata Offer
Qld	Queensland

Reference	Definition
RHS	Right hand side
LHS	Left hand side
SMG	Seven Media Group
Seven Network	Seven Network Ltd
SGH	Seven Group Holdings
SMI	Standard Media Index
SNL	Seven Network Limited
Southern Cross Media	Southern Cross Media Group Limited
SVOD	Subscription based video on demand
SWM or Seven West Media or the Company	Seven West Media Limited
S&P	Standard & Poors
Ten	Ten Network Holdings Limited
TERP	Theoretical Ex-Rights Price
TV	Television
UBS	UBS AG
UK	United Kingdom
US	United States
VOD	Video on demand
VWAP	Volume weighted average price
WA	Western Australia
WAN	West Australian Newspapers Holdings Limited
West Australian, The	The West Australian newspaper
WesTrac	WesTrac Group Pty Limited
Yahoo	Yahoo Inc.
YTD	Year to date

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Contents

1 Overview of the Proposed Transaction

1.1 Summary of the Proposed Transaction

On 29 April 2015, SWM announced that subject to SWM Non-Associated Shareholder approval, the Independent Board Committee (IBC) of SWM and SGH had agreed that SGH would convert 100% of the CPS. Conversion of the CPS, in and of itself, would lead to the issue of 265.7m ordinary shares in SWM to SGH, which, prima facie, would increase SGH's shareholding in the Company from 35.2% to 44.6% (the Proposed Conversion).

Concurrently, SWM has announced a pro-rata offer to all Non-Associated Shareholders which, if all Non-Associated Shareholders accept, would lead to no increase in SGH's current shareholding percentage in SWM as a result of the Proposed Conversion (the Pro-rata Offer). The Pro-rata Offer is conditional on Non-Associated Shareholder approval of the Proposed Conversion.

The Proposed Conversion and the Pro-rata Offer are collectively referred to in this document as the Proposed Transaction. Given the Proposed Conversion and the Pro-rata Offer are interdependent, we have considered the Proposed Transaction as a whole for the purposes of our evaluation, however, we are not opining on the Pro-rata Offer in and of itself.

1.2 The Pro-rata Offer

A summary of the terms of the Pro-rata Offer is set out below. Non-Associated Shareholders can find more detail on the Pro-rata Offer in the EM and the offer booklet for the Pro-rata Offer.

- The offer is available to all shareholders of SWM. However, we understand that SGH has executed an agreement with the Company wherein which SGH has agreed not to take up its rights under the Pro-forma Offer
- The price of the offer is \$1.25 per share, which represents a 7% discount to the average of the daily volume weighted average price's (VWAP) of SWM shares on the Australian Securities Exchange (ASX) over the 5 days prior to 29 April 2015. This price is 2% lower than the price at which SGH will convert the CPS
- SWM has chosen to underwrite \$150m of the offer such that at least \$150m worth of shares (being 120.0m shares or 12.0% of those shares currently on issue) will be issued
- If a Non-Associated Shareholder does not take up their entitlement, their shareholding will be diluted from their current percentage holding
- The proceeds from the Pro-rata Offer, net of transaction and underwriting costs, will be used to repay external debt.

1.3 Background to, and the terms of, the CPS

On 21 April 2011, 2,500 CPS were issued to SGH at an issue price of \$100,000 per CPS (the CPS Issue Price). The CPS were issued by SWM (at the time known as WAN), as part of the payment consideration in connection with WAN's acquisition of Seven Media Group (SMG) from SGH and KKR & Co. L.P (KKR) (described further in Section 1.6 below).

The total value of the CPS on issue was \$250m, however as a result of capitalised interest consistent with the terms of the CPS (as described below), the face value of the CPS as at 27 December 2014 was \$324m.

SGH and SWM have options to redeem the CPS at various times. However, these options vary between the two parties.

1.3.1 Redemption options held by SGH

SGH has the right to request redemption of the CPS at any time. If SGH requests redemption, SWM then has the option to decide how to settle the CPS. SWM can choose to settle in SWM shares or in cash.

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CPS settlement through the issue of SWM shares

If SWM choses to settle by the issue of SWM shares, the number of SWM shares to be issued is calculated as follows:

Number of SWM shares to be issued = Number of CPS to be converted x The Conversion Ratio

The Conversion Ratio is calculated as:

$$\text{Conversion Ratio} = \frac{\text{CPS Issue Price adjusted by the APR}}{\text{The Fixed Conversion Price}}$$

Where:

- the annual percentage rate associated with the CPS (APR) is calculated as 7.143% per annum (compounded on a semi-annual basis) up to the fifth anniversary of the date of issue of the CPS (being 21 April 2016) and then adjusted by 9.143% per annum (compounded on a semi-annual basis) thereafter.
- the Fixed Conversion Price, which was originally \$6.68, is adjusted following any potential dilutionary event, such as an issue or rights offer. The fixed conversion price is currently \$5.55.

CPS settlement through the issue of cash

If SWM elects to settle the CPS in cash, SWM is required to pay SGH an amount equal to the theoretical number of shares which would have been issued if conversion was for shares.

1.3.2 Redemption options held by SWM

SWM does not have any option to redeem prior to 21 April 2016 (5 years from the date of issue) but from 21 April 2016, the CPS are redeemable at the election of SWM including on every half year anniversary from 21 April 2016.

CPS settlement through the issue of SWM shares

If SWM elects to convert the CPS into SWM shares, the number of shares to be issued is calculated as follows:

$$\text{Number of SWM shares to be issued} = \frac{\text{CPS Issue Price adjusted by the APR}}{\text{Adjusted VWAP of SWM}}$$

Where: the Adjusted VWAP of SWM is calculated as the average of the daily VWAPs of the SWM shares over five trading days prior to the date of conversion net of a 5% discount.

Conversion to cash

If SWM elects to convert the CPS into cash, SWM will pay a cash amount for each CPS equal to the CPS Issue Price adjusted by the APR.

1.3.3 Other relevant considerations

Under the terms of the CPS:

- in the case of a tax event or accounting event, SWM's obligations to settle in SWM shares or in cash will be calculated using 103% of the CPS Issue Price adjusted by the APR
- unless the CPS are redeemed, repurchased or exchanged by 21 April 2016, SWM may not pay dividends, return capital or otherwise distribute value to any equal or lower ranking security holders until all CPS have been redeemed, repurchased or exchanged
- the APR will step up to 9.143% per annum from 21 April 2016 if the CPS have not been redeemed
- SGH is not entitled to any additional voting rights or board representation under the terms of the CPS

1.4 Possible Proposed Transaction scenarios

Because there is currently no certainty with respect to the take up of the Pro-rata Offer, under the Proposed Transaction, SGH could ultimately own between 35.2% and 44.6% of the shares of SWM as set out below:

Table 5: Possible transaction scenarios

	Assuming underwritten component only[1]	50%	75%	100%
Total number of shares currently on issue	999.2	999.2	999.2	999.2
Shares issued to SGH under Proposed Conversion	265.7	265.7	265.7	265.7
Shares issued under the Pro-rata Offer	120.0	244.6	366.9	489.2
Total number of shares on issue post Proposed Transaction	**1,384.9**	**1,509.5**	**1,631.8**	**1,754.1**
Number of shares currently held by SGH	351.9	351.9	351.9	351.9
Number of shares issued to SGH under the Proposed Conversion	265.7	265.7	265.7	265.7
Number of shares issued to SGH under the Pro-rata Offer[2]	-	-	-	-
Number of shares held by SGH post Proposed Transaction	**617.6**	**617.6**	**617.6**	**617.6**
%age of shares held by SGH pre Proposed Transaction	***35.2%***	***35.2%***	***35.2%***	***35.2%***
%age of shares held by SGH post Proposed Transaction	***44.6%***	***40.9%***	***37.9%***	***35.2%***

Notes:
1. The underwritten component is $150m and would result in a minimum of 120.0m SWM shares being issued which would be equivalent to a Pro-rata Offer take up of 24.5%
2. SGH has agreed not to participate in the Pro-rata Offer and therefore no shares will be issued to it under that offer
Source: Deloitte Corporate Finance analysis

1.5 Key conditions of the Proposed Transaction

Settlement and completion of the Pro-rata Offer is conditional on Non-Associated shareholders passing resolutions with respect to the Proposed Transaction.

At the date of this report, the general meeting in relation to the Proposed Transaction is proposed to be held on 2 June 2015.

Further details are disclosed in the EM.

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1.6 Profile of Seven Group Holdings

SGH was established in April 2010 as a result of a merger between SNL, holder of the Seven Network television and other media assets, with WesTrac Group Pty Limited, a supplier of heavy equipment to the construction and mining industry.

In February 2011 an agreement was reached for SGH and KKR to sell SMG to WAN[6]. The agreement led to WAN acquiring 100% of SMG, and WAN changing its name to Seven West Media Limited (SWM or the Company). Under the terms of this transaction:

- SGH's ownership interest in SWM increased to 29.6%
- the CPS were issued to SGH.

Subsequent to the above transaction, through various dividend reinvestment plans and entitlement offers, SGH has increased its investment in SWM to its current level of 35.2%.

Beyond its shares in SWM, SGH holds investments in the following:

- WesTrac – an authorised dealer for Caterpillar, a global construction and mining equipment provider, within certain jurisdictions in Australia and China.
- National Hire – SGH owns 100% of National Hire which in turn owns 45% of Coates Hire. Coates Hire is Australia's largest general equipment hire company.
- AllightSykes – SGH owns 100% of the provider of power, lighting, air and water equipment sales and support.
- Energy – SGH has various investments in the energy sector
- various property holdings and shares in listed and unlisted companies.

For the year ended 30 June 2014, SGH had trading revenue of $3,088.2 million, EBITDA of $422.5 million and NPAT of $262.5 million.

As at the date of this report, entities associated with Mr Kerry Stokes owned 69.97% of the ordinary shares of SGH.

[6] This transaction completed in April 2011.

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2 Basis of evaluation of the Proposed Transaction

2.1 Purpose of the Report

The Proposed Conversion requires the approval of SWM Non-Associated Shareholders in accordance with Item 7 of Section 611 of the Corporations Act.

Section 606 of the Corporations Act effectively prohibits a person from acquiring a relevant interest in a public company where that person's voting power increases from 20% or below to in excess of 20% or, if that person already has voting power in excess of 20%, their voting power would increase further. Item 7 of Section 611 allows non associated shareholders to waive the Section 606 prohibition by passing a resolution in a general meeting. As set out in Table 5, the Proposed Conversion will result in SGH being issued with additional SWM shares which could result in an increase in SGH's interest of up to 9.4% of the shares in SWM (depending on the extent to which Non-Associated Shareholders participate in the Pro-rata Offer). As such, SWM is seeking shareholder approval for the issue of shares to SGH under the Proposed Conversion.

Although there is no requirement for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of SWM have engaged Deloitte Corporate Finance to prepare an independent expert's report setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to, and therefore in the best interests of, Non-Associated Shareholders.

2.2 Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's report, ASIC Regulatory Guide 112 in respect of the independence of experts and common market practice.

Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. It notes that an expert should focus on the substance of a related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

In considering the Proposed Conversion we have had regard to the economic substance of the Proposed Conversion and the fact that the Proposed Conversion and Pro-rata Offer are interconditional. As such, the Proposed Conversion and the Pro-rata Offer (collectively referred to as the Proposed Transaction) must be considered together as it is not possible for one to occur without the other. To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in Regulatory Guide 111.

ASIC's interpretation of Regulatory Guide 111 requires us to consider the Proposed Transaction in the following manner:

- The Proposed Transaction is fair, if the value of a share in the entity prior to the Proposed Transaction (on a control basis) is equal to or less than the value of a share in the entity following the Proposed Transaction (on a minority basis)
- The Proposed Transaction is reasonable, if it is fair, or, despite not being fair, after considering other significant factors, there are sufficient reasons for shareholders to vote for the Proposed Transaction.

2.3 Fairness

The approach described above requires us to assume that, theoretically, Non-Associated Shareholders are:

- selling their SWM shares to SGH; and
- in return receiving 'new' SWM shares following the Proposed Transaction.

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In selling their SWM shares, it is assumed Non-Associated Shareholders are ceding control and therefore Regulatory Guide 111 requires the valuation of a SWM share to be undertaken on a control basis. In receiving 'new' SWM shares following the Proposed Transaction, we are to assume Non-Associated Shareholders no longer have control and therefore have a minority interest in SWM; consequently, this valuation of a 'new' SWM share must be undertaken on a minority interest basis.

For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

The analysis as explained above requires that the Proposed Transaction be evaluated as if it was a takeover of SWM by SGH. However:

- no element of the Proposed Transaction will result in Non-Associated Shareholders being provided any consideration by SGH
- the business operations of SWM are not changing in any form
- following the Proposed Transaction, SWM shareholders will continue to hold the same or a greater number of shares in SWM (although the value and likely trading price of those shares is likely to be impacted by the Proposed Transaction).

Given the above, in our opinion, evaluating the Proposed Transaction as a takeover, whilst in line with the requirements of the regulator, may not necessarily be the only approach a shareholder considers when evaluating the Proposed Transaction.

Therefore, we have also had regard to other approaches to the assessment of the merits of the Proposed Transaction as part of our reasonableness assessment which also considers other factors relevant to the Proposed Transaction so far as the Non-Associated Shareholders are concerned.

2.4 Reasonableness

We have assessed the reasonableness of the Proposed Transaction by considering other factors including:

- the substance of the Proposed Transaction
- the pricing of the Pro-rata Offer as compared to the Proposed Conversion
- alternative options available to SWM in relation to CPS
- implications of the Proposed Transaction on leverage, complexity of capital structure, share price and earnings per share (EPS)
- the removal of risks associated with rights that SGH has through ownership of the CPS
- other factors related to capital structure simplification and opportunities to pursue growth.

2.5 Limitations of our opinion

This report should be read in conjunction with the declarations outlined in Appendix A.

3 Profile of Seven West Media

3.1 Introduction and corporate history

SWM is a multi-platform Australian media company, with operations in the television, newspaper, magazine and digital segments of the media industry.

3.1.1 Company history

An overview of the company history is provided in Figure 1 below.

Figure 1: Corporate history

1833	The West Australian newspaper (The West Australian) was first published, then known as The Perth Gazette and Western Australian Journal
1956	The first TV station to use the VHF7 frequency began broadcasting, based in Melbourne
1992	West Australian Newspapers Holdings Ltd (WAN) was listed on the ASX
1991	A group of metropolitan TV stations were grouped together to form Seven Network Ltd (Seven Network)
1993	Seven Network was listed on the ASX
2002	Seven Network acquired remainder of Pacific Magazines from PMP, to take 100% ownership
2005	Seven Network and Yahoo Inc. (Yahoo) announced a 50-50 joint venture, Yahoo7, combining their online businesses in Australia and New Zealand
2006	The Seven Media Group was formed, as a venture between Seven Network and KKR, each holding an economic interest of 50%. Seven Network sold its television, magazine and digital businesses into Seven Media Group
2010	Seven Group Holdings (SGH) was formed through the merger of Seven Network and WesTrac Group
2011	WAN acquired the SMG, to form the new company, SWM. This transaction resulted in SGH holding approximately 30% of the ordinary shares in SWM as well as $250m worth of CPS in the Company

Source: Company announcements, Deloitte Corporate Finance analysis

3.2 Overview of the group

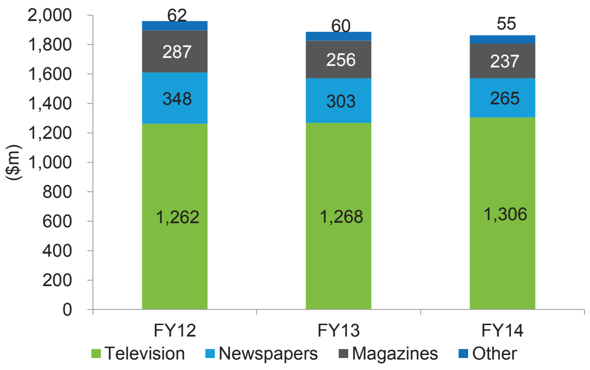
SWM has evolved over a long period of time to incorporate its current suite of businesses across multiple media platforms. With origins dating back to 1833, when WAN was established, a series of corporate transactions has led to the company's current ownership of assets in TV as well as print and digital publishing.

SWM is comprised of four business segments, namely Television, Newspapers, Magazine and Other.

The Television business operates commercial free-to-air (FTA) TV stations in the major metropolitan markets of Sydney, Melbourne, Brisbane, Perth and Adelaide as well as seven regional stations in Queensland. Together with regional independent affiliates across Australia, these stations broadcast as Channel Seven. The Newspapers business is involved in the publishing of newspapers, including The West Australian and a number of regional newspapers in WA. The Magazine segment is comprised of Pacific Magazines, which is one of Australia's largest magazine publishers. The Other segment includes SWM's 50% interest in Yahoo7, a 49.9% interest in Community Newspapers Group, Quokka (a classified advertising publication), nine radio licences in regional WA, ColourPress (a commercial printing operation), and various investments.

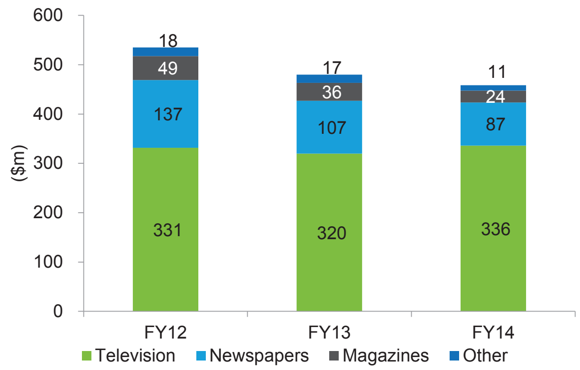
SWM's divisional revenue and EBITDA contributions are shown in the following figures.

Figure 2: Historical segment revenue



Source: SWM

Figure 3: Historical segment EBITDA



Source: SWM

Television is the company's largest business, contributing 73% of group EBITDA in FY2014. Channel Seven has been the leading free-to-air television (FTA TV) station in Australia for the past eight years, measured in both audience share and advertising revenue share. The industry remains relatively subdued in terms of total advertising revenue; however SWM has been able to grow its market share (refer to Section 5.1.3).

Newspapers, SWM's second largest business, has been operating in a declining market, with revenue decreasing over a number of years. It faces structural and cyclical challenges, with pressures arising from migration towards online publishing, as well as, more recently, weak economic trends in WA with respect to retail sales, employment and auto sales. This segment's key newspaper is The West Australian, which is the leading daily metropolitan newspaper in WA.

The Magazine business operates as Pacific Magazines and, similar to Newspapers, is facing a challenging market. Despite growing market share in magazine advertising revenue (refer to Section 5.3.2), it has experienced declining revenues. Pacific Magazines accounts for 35% of all magazine circulation in Australia, with titles which include New Idea, Better Homes and Gardens and Home Beautiful.

Among the various assets in the Other segment, Yahoo7 (in which SWM holds a 50% interest) and Community Newspapers (in which SWM holds a 49.9% interest) are the main associates. Weakness in the print classifieds businesses of Quokka, Colourpress as well as other WA businesses has impacted their results. Further comment in this regard is provided below.

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3.3 Management

The senior management team of SWM is summarised below.

Table 6: SWM's senior management personnel

Name	Title	Description
Tim Worner	Chief Executive Officer	Mr Worner was appointed Chief Executive Officer of SWM on 1 July 2013. He previously held the position of Chief Executive Officer within Broadcast Television, and prior to that Director of Programming and Production for Seven Network where he was responsible for programming and production of all three Seven channels (Seven, 7TWO and 7mate). Mr Worner commenced his career as a journalist at Channel Seven Perth.
Bruce McWilliam	Commercial Director	Mr McWilliam was appointed Commercial Director of Seven Network in May 2003 and has been a Director of the Seven Network since September 2003 as well, a Director of SMG since December 2006 and a Director of SGH since April 2010. Mr McWilliam was a former Director of BSkyB, Executive Director News International Television and General Counsel, News International plc.
Warwick Lynch	Acting Chief Financial Officer	Mr Lynch was appointed Deputy Chief Financial Officer of SWM in November 2013 and is currently Acting Chief Financial Officer of SWM. His previous roles included Chief Financial Officer of SMG from March 2010 and Group Financial Controller. He joined the Seven Network eighteen years ago.
Kurt Burnette	Chief Revenue Officer	Mr Burnette is responsible for growing the company's current revenue streams and establishing new revenue opportunities for Seven West Media. He is also responsible for the company's business development process including the activation of an 'incubator' for new revenue opportunities as the company expands its presence beyond broadcast television and publishing.
Clive Dickens	Chief Digital Officer	Mr Dickens joined the company in February 2015. He is a Non-Executive Director of Yahoo7. Mr Dickens' experience in digital and broadcast media includes his first digital role in 1995 at Capital Interactive in the United Kingdom. Mr Dickens has also previously acted as advisor to the founders of Shazam.
Chris Wharton	Chief Executive Officer, WAN/WA Media	Mr Wharton is Chief Executive Officer of Seven West Media WA. Prior to his current role, he was Chief Executive Officer of the West Australian, a position he held since December 2008. Previous to that, Mr Wharton was Managing Director of Channel Seven Perth Pty Limited for a period of nine years. Mr Wharton's newspaper career began as a journalist.
Melanie Allibon	Group Executive, Human Resources	Ms Allibon joined Seven West Media in February 2013. She has over 25 years of human resources, operating risk, communications and safety and environmental management experience. Her experience has been gained across fast moving consumer goods, retail, mining, engineering and packaging organisations, including Foster's Group, Amcor, BHP and Pacific Brands.
Bridget Fair	Group Chief – Corporate and Regulatory Affairs	Ms Fair was appointed to the role in February 2013 and was previously Head of Regulatory and Business Affairs with the Seven Network. Ms Fair has over 20 years of experience in government relations, business strategy, corporate affairs and commercial negotiation.

Source: SWM

The Company's previous CFO, Mr Dave Boorman, resigned from his role in January 2015. At the time SWM announced that it was commencing a search for a replacement, and appointed Mr Warwick Lynch as Acting CFO in the interim.

This followed the departure of SWM's previous COO, Mr Nick Chan, in December 2014. The COO role was made redundant subsequent to Mr Chan's departure and upon a management restructure.

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3.4 Historical financial performance

The historical financial performance of SWM is presented below.

Table 7: Historical financial performance of SWM

$m (unless otherwise stated)	Audited FY2012	Audited FY2013	Audited FY2014	Reviewed HY2015
Operating revenue	1,937.1	1,866.5	1,844.9	933.9
Other revenue[1]	0.2	0.3	0.1	0.8
Total revenue	**1,937.3**	**1,866.7**	**1,845.0**	**934.7**
Expenses[2]	(1,422.4)	(1,402.3)	(1,403.6)	(692.3)
Equity-accounted profits	20.1	15.3	16.8	8.3
EBITDA (before significant items)	**535.0**	**479.7**	**458.2**	**250.7**
Depreciation and amortisation	(61.6)	(57.7)	(50.0)	(23.8)
EBIT (before significant items)	**473.4**	**422.0**	**408.2**	**226.9**
Net finance costs	(148.2)	(102.5)	(77.8)	(31.5)
PBT (before significant items)	**325.2**	**319.6**	**330.4**	**195.3**
Tax	(98.3)	(94.4)	(94.2)	(57.9)
NPAT (before significant items)	**226.9**	**225.2**	**236.2**	**137.5**
Impairment	0.0	(288.7)	(87.0)	(1,091.5)
Significant items	0.0	(19.6)	0.0	(56.6)
Reported PBT	**325.2**	**11.2**	**243.3**	**(952.7)**
Tax	(98.3)	(80.9)	(94.2)	(40.9)
Reported NPAT	**226.9**	**(69.8)**	**149.2**	**(993.6)**
Basic EPS (before significant items) (cents)	33.3	23.0	23.7	13.8
DPS (cents)	25.0	12.0	12.0	6.0
Revenue growth	*-1.2%*	*-3.6%*	*-1.2%*	
Expenses growth	*5.9%*	*-1.4%*	*0.1%*	
EBITDA margin (before significant items)	*27.6%*	*25.7%*	*24.8%*	*26.8%*
EBIT margin (before significant items)	*24.4%*	*22.6%*	*22.1%*	*24.3%*
Dividend payout ratio (before significant items)	*75.1%*	*52.2%*	*50.6%*	*43.5%*

Note:
1. Other revenue relates to gains with respect to disposal of property, plant and equipment as well as computer software.
2. Total expenses include amortisation of TV program rights.
Source: SWM, Deloitte Corporate Finance analysis

SWM's total revenue has been declining over the past number of years. As we discuss in proceeding sections of this report, the largest contributing factor for the Company's revenue contraction has been weakness in advertising markets for newspapers and magazines. While SWM has maintained or strengthened its market share in its markets, the overall decline in advertising within the print media industry has presented substantial headwinds for these businesses.

Revenue declines have placed pressure on group EBITDA margins. In response, the Company has been implementing cost reduction initiatives since FY2013. Whilst largely successful in containing cost growth since then margins have continued to be placed under pressure as a result of continued revenue decline.

Expenses in the above table include amortisation of television program rights. Television programs purchased by SWM are amortised on a straight line basis over one year from commencement of the rights period or over the entire rights period of the contract (whichever is the lesser). With respect to programs which the Company develops, rights are expensed on telecast or in full on the twelfth month after production completion.

Market trends over the past few years around advertising for the SWM businesses has led to the Company incurring impairment charges between FY2013 and 1H2015. Total impairment charges over this period included $961m in relation to the Television business, $410m in relation to the Magazine and Newspapers businesses and $60m in relation to Yahoo7.

In line with accounting standards, given the CPS are considered equity, the finance costs of the Company do not allow for any interest costs associated with the CPS.

Notwithstanding non-cash impairment charges outlined above, SWM's cash flow generation has continued to remain relatively strong with the Company achieving dividend payout ratios of approximately 52% in FY2013 and 51% in FY2014. Management's pre-Proposed Transaction guidance for a full year dividend payout for FY2015 of 12 cents per share would translate to a payout ratio of approximately 58%[7].

[7] Based on dividend guidance for 12 cents per share multiplied by current number of shares on issue, divided by current broker consensus forecast for NPAT.

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3.5 Financial position

SWM's historical financial position is presented below.

Table 8: SWM's historical financial position

$m (unless otherwise stated)	Audited 28 June 2013	Audited 28 June 2014	Reviewed 27 December 2014
Trade and other receivables	278.1	277.6	255.5
Program rights and inventories	117.5	142.3	153.8
Other current assets	5.1	4.9	8.1
Trade and other payables	(385.4)	(365.0)	(429.1)
Net working capital	**15.3**	**59.8**	**(11.7)**
Current tax receivable	0.0	40.1	0.0
Current tax liabilities	(25.3)	0.0	(0.7)
Investments and equity-accounted investees	305.2	295.5	275.6
Property, plant and equipment	241.4	232.0	233.8
Deferred tax assets and liabilities	26.3	(34.4)	(51.3)
Intangible assets	3,632.0	3,545.2	2,483.1
Other assets	3.2	3.4	3.6
Provisions	(93.4)	(85.9)	(88.3)
Total funds employed	**4,089.4**	**3,995.9**	**2,855.8**
Cash and deposits	257.3	68.8	221.6
Borrowings[1]	(1,498.1)	(1,227.4)	(1,223.5)
Net debt	**(1,240.8)**	**(1,158.5)**	**(1,001.9)**
Net assets	2,863.9	2,897.2	1,842.2
Owners of SWM[2]	2,863.9	2,897.2	1,842.2

Note: 1. Includes deferred amortisation costs
2. Includes CPS with a book value of $250m
Source: SWM, Deloitte Corporate Finance analysis

The value of program rights and inventories has increased reflecting the Company's pre-payment for the 2016 Rio Olympics as well as the fact that the Company has placed greater emphasis on production of Australian programming in line with its content strategy. We note that the Company's policy is to expense all production costs within 12 months of production completion.

The $40m tax receivable in FY2014 related to tax benefits relating to the Company's acquisition of rights for the 2016 Rio Olympics.

SWM has been focussing on paying down debt such that net debt has reduced from $1.9b in December 2011 to $1.0b at December 2014.

Investments and equity accounted investments relate to non-100% investments held by SWM as outlined in section 5.4. The decline in carrying value of these primarily reflects the Company's impairment charges over time as discussed in section 3.4.

We note that the CPS is accounted for as equity by the Company and accordingly is not shown in the above.

3.6 Outlook

3.6.1 Strategy

Management's strategy is focused on the Company developing its own content, and to leverage its position across multiple platforms to exploit this content. SWM believes that in the current environment where there is increasing use of multiple digital platforms in mobile, desktop and other devices, ownership of content is key.

SWM's FTA TV network remains its primary platform, enabling mass audience penetration. Produced content can then be leveraged beyond FTA TV and exploited through other platforms including the Company's suite of magazines as well as digital platforms.

Management view digital platforms such as video on demand (VOD) to be a key conduit for secondary viewing of proprietary content produced by the Company. In this respect, Management have announced strong strategic intent on production and ongoing ownership of proprietary content.

Digital platforms identified by SWM (eg. Plus 7, 7 Sport) which will facilitate delivery of a more comprehensive product offering to advertisers includes HbbTV, Yahoo7 as well as Presto, which is a 50% joint venture with Foxtel. Presto, a subscription based SVOD service, will incorporate content developed by SWM as well as internationally acquired programming.

SWM's operating model is driven by maximising its viewership and readership share, which drives the sale of advertising to companies seeking to advertise their goods and services. Ultimately, SWM's revenue is influenced by broader levels of consumer confidence in the economy.

SWM's largest cost component relates to produced and purchased media content. The cost of employees is the next largest contributor, followed by the cost of printing, selling and distributing its media.

3.6.2 Broker forecasts

A number of equity brokerage houses publish research coverage in relation to SWM. Summarised below are current consensus estimates for key financial metrics of the Company.

Table 9: Recent historical performance and consensus broker forecasts

	Audited	Broker consensus[1]		
$m (unless otherwise stated)	FY2014	FY2015	FY2016	FY2017
Revenue	1,844.9	1,785.7	1,771.9	1,792.8
Normalised EBITDA	458.2	398.2	383.1	365.0
Normalised EBIT	408.2	353.5	339.5	322.1
Normalised NPAT	236.2	206.4	198.9	190.7
Normalised diluted EPS (cents)	20.1	18.1	17.5	16.3
DPS (cents)	12.0	11.7	10.3	9.8
Growth				
Revenue		-3.2%	-0.8%	1.2%
EBITDA		-13.1%	-3.8%	-4.7%
EBIT		-13.4%	-4.0%	-5.1%
NPAT		-12.6%	-3.6%	-4.1%
EPS		-10.0%	-3.4%	-6.9%
EBITDA margin	24.8%	22.3%	21.6%	20.4%
EBIT margin	22.1%	19.8%	19.2%	18.0%
Payout ratio	59.7%	64.7%	58.8%	60.1%

Note:
1. Consensus data as of 1 April 2015
Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Based on the above, current market expectations are for a 13% decrease in both EBITDA and NPAT in FY15. This is driven by the generally subdued trend in the advertising market for television as well as continued negative trends in newspapers and magazines.

Further, expectations are for a continuing decline in profitability for SWM over the next three years, albeit the decline in NPAT is expected to level out to approximately 4% in FY2016 and FY2017.

Key concerns in relation to SWM as identified by brokers include:

- continued structural pressure on the broader advertising market as well as in the print industry generally

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- uncertainty with respect to the CPS, including potential share overhang issues. In this regard, as earnings per share forecasts are conventionally calculated on a diluted basis, valuation metrics for brokers incorporate the impact of CPS conversion.

3.7 Capital structure and shareholders

3.7.1 Debt profile

In February 2014 SWM entered into a bilateral revolving credit facility with seven different lenders to refinance its existing syndicated debt facilities.

Further, SWM's debt position was reduced by $440m in July 2012 when the Company undertook a capital raising via an accelerated renounceable entitlement offer. As a result of this pay down, SWM's net debt/EBITDA ratio declined from 3.5 times in FY2012 to 2.6 times in FY2013.

As at 27 December 2014, total net debt held by SWM was $1,001.9m, a reduction of 12% from the 28 December 2013. SWM's gearing ratio[8] at 27 December 2014 was 35%[9].

The table below outlines the debt currently held by SWM.

Table 10: Summary of debt facilities

Facility	Drawn amount ($m)	Total limit ($m)	Maturity
Unsecured bilateral revolving facilities	1,224	1,400	October 2017
Multi-option facility	11.9	20	n/a

Source: SWM

The bilateral credit facilities are subject to certain covenants, with which SWM was compliant as of 1H2015.

Table 11: Summary of debt covenants

Covenant	Definition	Requirement	Actual FY2013 (x)	Actual FY2014 (x)	Actual 1H2015 (x)
Total Interest Cover Ratio	EBITDA/Interest expense	Min 3.0x	4.7	5.9	6.7
Total Leverage Ratio	Debt/EBITDA	Max 4.0x	2.6	2.5	2.3

Note: Actual ratios are based on rolling 12-month EBITDA and interest expense
Source: SWM

SWM's debt facilities incorporate ratchet clauses whereby interest rates charged on facilities increase as the Company's debt ratios increase.

As illustrated in the above table, SWM has been able to improve its debt metrics, with respect to the key covenants in its current debt facilities. Such improvement has been facilitated by strong cash flow generation within the television business, strong cost reduction (in the Newspapers and Magazine business) and control (in the Television business and at the group level), as well as the previously mentioned equity capital raising.

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[8] Gearing ratio = Net debt/Net debt plus Equity

[9] Calculation excludes a $20m multi-option facility with ANZ Banking Group, of which $11.9m has been utilised for the provision of bank guarantees.

3.7.2 Shareholders

As at 31 March 2015, there were approximately 999m ordinary shares outstanding in SWM. The following table sets out the substantial shareholders as at 31 March 2015.

Table 12: Substantial shareholders

Investor	Number of shares held (m)	% of issued shares
Seven Group Holdings Limited (SGH)	351.9	35.2
Sumitomo Mitsui Trust Asset Management Co., Ltd.	50.5	5.1
Substantial shareholders	**402.4**	**40.3**
Other shareholders	596.8	59.7
Total shareholders	**999.2**	**100.0**

Source: SWM

SGH is the dominant shareholder in SWM, holding 35.2% of ordinary shares. Besides SGH, the share register is reasonably fragmented, with a number of institutional investors owning small holdings.

SWM has in place equity incentive plans for senior management, and under these schemes there are 2.7m rights on issue, which confer the right to acquire an equivalent number of ordinary shares at a price of nil but vesting is subject to a number of hurdles.

We note that SGH appointees to the board of SWM total 3 out of a total number of directors of 9.

3.7.3 CPS

SWM has 2,500 CPS with face value of $100,000 each on issue to SGH. Further details in relation to the CPS are included at section 1.3 of this report and the Explanatory Memorandum. We note the following specific features in relation to these securities:

- the CPS are recognised as equity for accounting purposes by SWM
- interest incurred by the CPS is not expensed and is capitalised on the face value of the security. Since issue, the value of the CPS has increased by $74m to $324m as at 27 December 2014.

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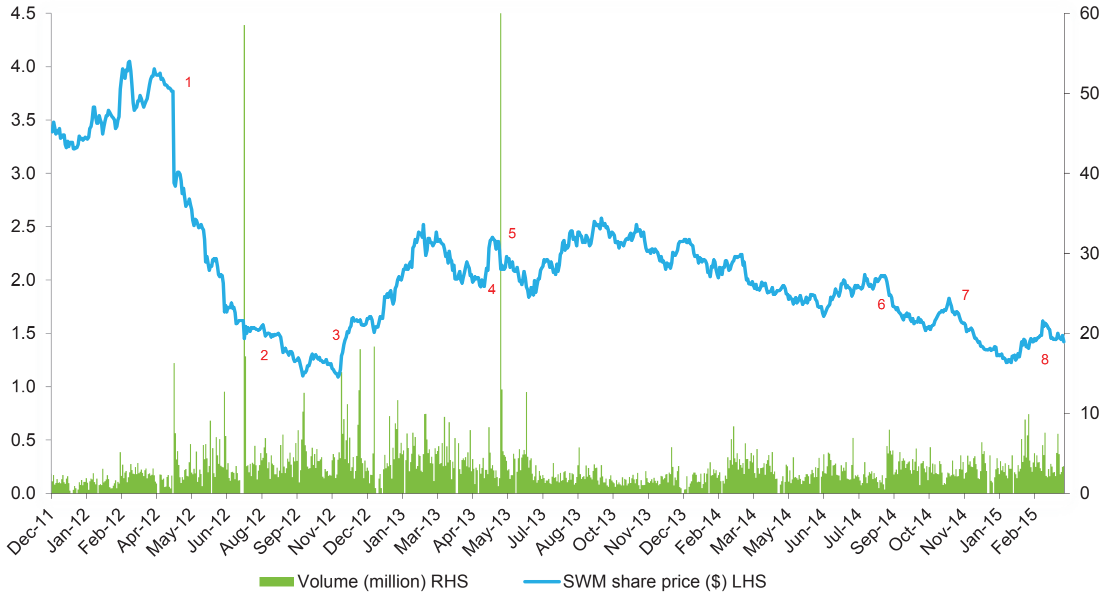
3.8 Share price performance

The ordinary shares of SWM are listed on the ASX. In the 12 months ended 27 March 2015, 789m shares were traded on the ASX, representing 79% of average shares outstanding for the period.

SWM's share price movement over the past few years is illustrated below, along with trading volumes.

Figure 4: SWM's share price movements and volume traded



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

The table below summarises key events and announcements for SWM with reference to movements in the Company's share price as illustrated in the chart above.

Table 13: Key events

Reference	Date	Note
1	24-Apr-12	Profit guidance for FY2012 was issued, for EBIT of $460m-$470m. This was 6%-8% below market expectations for ~$500m
2	16-Jul-12	SWM announced a capital raising of $440m via a 1-for-2 accelerated renounceable entitlement offer, priced at a 13% discount to the theoretical ex-rights price. Proceeds were used to pay down debt
3	13-Nov-12	At its AGM, SWM provided profit guidance for 1H2013 for EBIT of $250m, and announced a new program to take out costs and improve revenue, delivering $60m in benefits in FY2013 and $50m in FY2014
4	08-May-13	SWM investor day was held, with management elaborating on its strategy to leverage its content across multiple platforms, and continue its cost savings program
5	21-May-13	KKR sold its remaining 12% interest in SWM, at a ~3% discount to prior close, seven years after first investing with Seven Network
6	27-Aug-14	FY2014 result released, with NPAT of $236m slightly ahead of market expectations. However guidance for cost growth was higher than expected
7	12-Nov-14	Profit guidance for 1H2015 NPAT to be 10% lower than the prior comparative period (pcp), attributed to weaker than expected TV advertising market
8	18-Feb-15	1H2015 result released, with NPAT of $137.5m being 8.4% down from pcp, slightly beating guidance

Source: SWM

SWM's share price experienced a substantial decline of 57% between April 2012 and July 2012. This period saw the release of FY2012 profit guidance which disappointed the market and culminated in a $440m capital raising in July 2012. The share price weakness reflected soft conditions in the advertising market across the TV, newspaper and magazine segments.

SWM is a constituent of the S&P/ASX 200 Index and S&P/ASX 200 Media Index. The following chart illustrates SWM's share price performance relative to both these indices.

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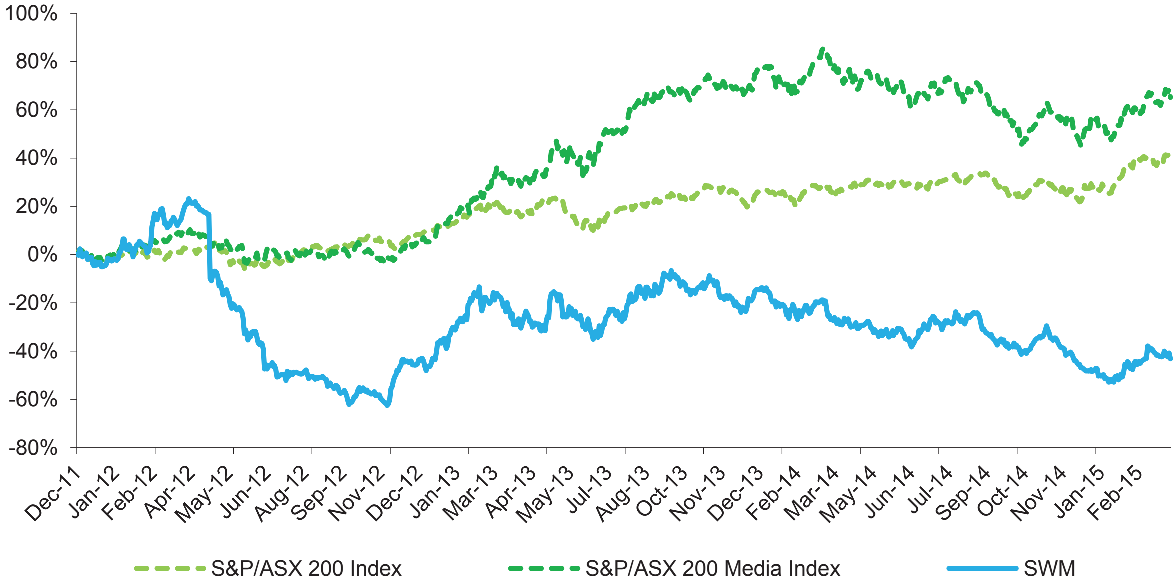
Figure 5: SWM's share price performance (adjusted for rights issues and dividends)



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

The above chart illustrates SWM's underperformance relative to the S&P/ASX 200 and the S&P/ASX 200 Media Indices in the period since December 2011. We note however, most of this underperformance occurred in the period between April 2012, when SWM announced disappointing FY2012 profit guidance, and July 2012, when a capital raising was announced. Since then, SWM's share price has largely tracked the S&P/ASX 200 Index until November 2014, when 1H2015 profit guidance released was below consensus expectations, leading to downward pressure on the share price.

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4 Key industry themes affecting Seven West Media

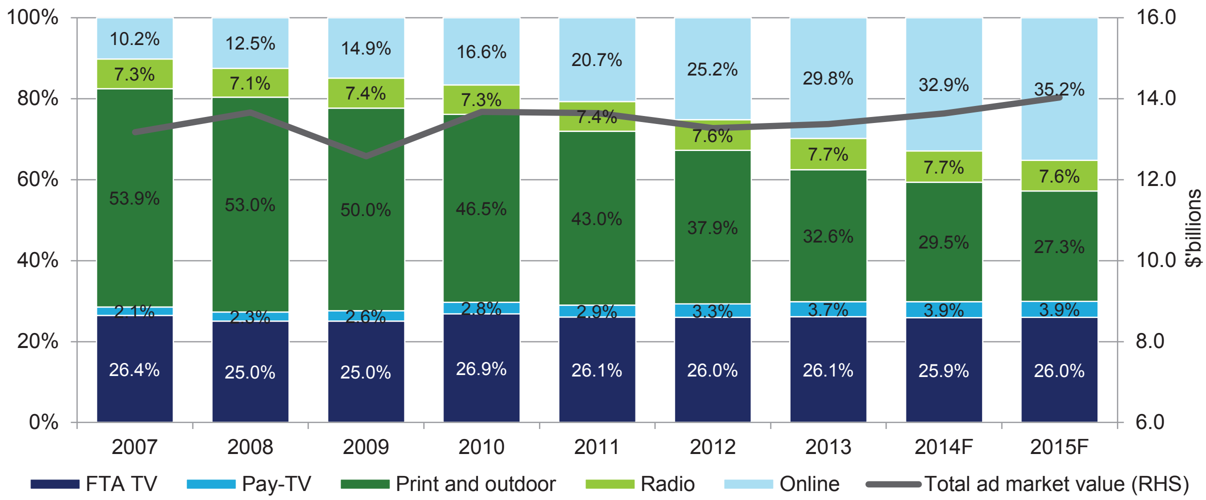
4.1 Advertising and economic trends

Advertising expenditure drives the media industry in Australia with more than 90% of revenues in the FTA TV industry and over 75% in the newspaper industry.

Advertising growth has been subdued in recent years as a result of lower business and consumer confidence and weakness in non-mining industries critical to the quantum of adspend (such as retail, automotive and fast moving consumer goods). This relatively moderate growth profile is expected to persist in the near term. In the short term, Management expects a slight decline in the TV advertising industry for FY2015, with SWM outperforming the market due to its current leadership in audience share.

Print, television, digital and radio all compete against each other for advertising revenues. The print and outdoor media share has suffered from the rise of digital media, whilst FTA TV has remained relatively stable, as illustrated below.

Figure 6: Australian advertising market share by advertising medium (2007 to 2015[F])



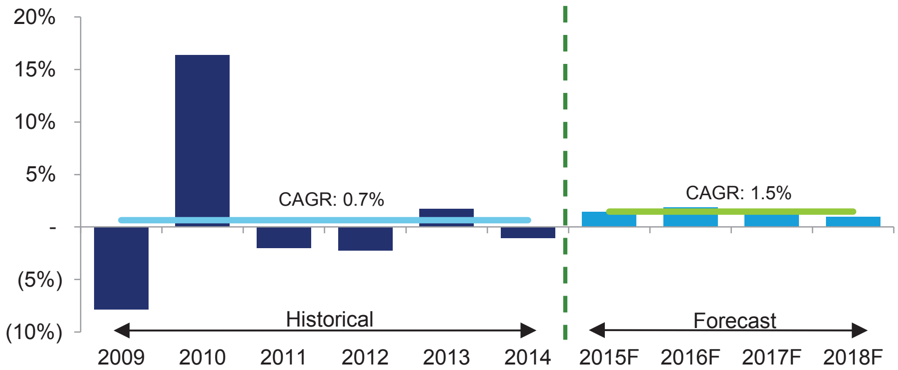
Source: CEASA

The compound annual growth rate (CAGR) of advertising market value from 2007 to 2013 was 0.2%, while the CAGR of Australian nominal gross domestic product (GDP) over the same period was 4.9%. GDP growth slowed considerably from 2007 to 2013 in Australia leading to lower business and consumer sentiment and reluctance by businesses to increase advertising spend.

4.1.1 Trends within television broadcasting

Over recent years, growth in advertising expenditure within the FTA TV industry has been limited as a result of depressed consumer and business confidence and sub-optimal economic conditions.

Figure 7: FTA TV advertising spend historical and forecast revenue growth (nominal)



Source: FreeTV and SMI

Revenues in the FTA TV industry declined in 2009 with the global financial crisis negatively affecting consumer sentiment and demand for advertising. Advertising growth rebounded strongly in 2010 as a result of the introduction of the free-to-air digital multi-channels and growth in viewer audience numbers.

Advertising revenue growth in the FTA TV industry is expected to be positive over the medium to longer term, albeit at a more subdued rate than broader economic growth in Australia. The key structural risk to the outlook for commercial FTA industry participants is increasing use of alternate media technologies and in particular:

- Advertising based video on demand (AVOD) and subscription video on demand (SVOD): where content on mobile devices (including phones and tablets), smart TVs and Internet Protocol Television is accessible by users as and when they want it. The proliferation of AVOD and SVOD services (including the entry of a number of overseas players) may be a catalyst for audience fragmentation, leading to FTA television advertising share loss
- pay-TV: which competes with FTA TV broadcasters for advertising revenue and can also indirectly impact FTA TV advertising revenues by reducing audience share
- user generated and social networking sites: considered a threat to FTA television primarily due to the growth in time spent on the internet potentially at the expense of television and the more focussed and directed nature of advertising.

In response to these structural changes, Australian FTA TV broadcasters are expected to continue to utilise hybrid revenue models; offering their own 'on-demand' services by sharing more content with new media companies, offering live broadcasts, especially of sporting events, and 'catch up TV' online. FTA TV broadcasters already accelerate the debut of certain program screenings in Australia to combat the trend of viewers downloading new season programs in advance of FTA screening.

4.1.2 Magazine and newspaper publishing trends

The Australian magazine and newspaper publishing industry has undergone significant structural change in recent years. With the introduction of the internet enabled smartphones and tablets, consumers are able to obtain news, footage and information on demand and often free of charge. Print media is now being forced to compete on a global basis with online publications.

The magazine and newspaper publishing industries have recently performed poorly. This is mainly attributable to the downturn in adspend for the whole media industry along with intense pressure from online media.

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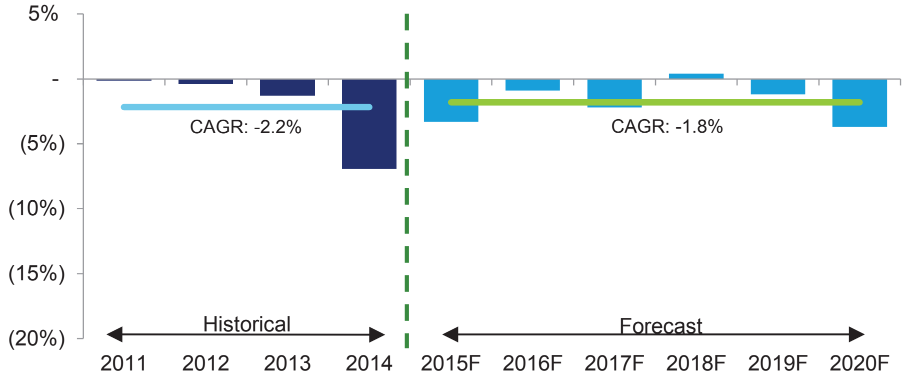
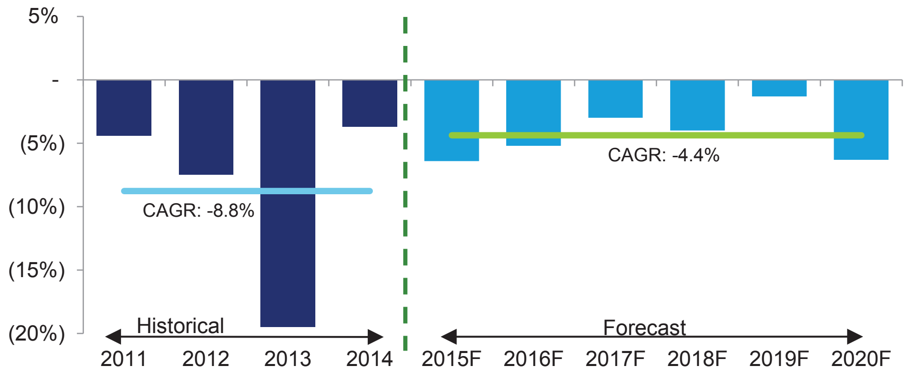
As illustrated below, the magazine and newspaper industries are forecast to decline at a nominal CAGR of 1.8% and 4.4%, respectively, from FY15 to FY20.

Figure 8: Magazine revenue growth rates



Source: IBIS World, Deloitte Corporate Finance analysis

Figure 9: Newspaper publishing revenue growth rates



Source: IBIS World, Deloitte Corporate Finance analysis

Overall readers appear likely to continue their shift to digital media and as a result, the online advertising market will gain market share at the expense of more traditional media. It is cheaper to advertise using digital media, which is increasingly reaching a greater number of consumers. This structural change will cause a decrease in circulation levels of print media and therefore further reductions in advertising revenue.

However, with strong brand presence, and in response to these structural changes in the print industry, many participants are expected to continue to improve their online and mobile presence, increase digital subscriptions, promote more targeted advertising and, through paywalls, charge for reading their online content. Newspapers are also predicted to increase their focus on lifestyle, personal and emotive articles which will generate discussion among readers, increase reader page comments and generate repeat visits.

4.1.3 Online portals and other digital media trends

The online portal segment comprises digital media portals (including Yahoo7), search portals, government web portals, corporate web portals and domain-specific portals. Online digital media portals derive revenues primarily from selling advertising space on their pages. Businesses buy advertising based on the internet traffic to the site.

Internet usage, and accordingly online advertising, is expected to continue to grow as the population becomes increasingly connected online through new devices ranging from phones and watches to household appliances such as fridges. Similarly, online advertising is becoming increasingly sophisticated with advertisers having the ability to target specific demographics at reduced costs through innovations which include rich media[10].

More than 60% of Australians now own electronic tablets, 81% own smartphones and 42% connect their TV sets to the internet to receive media and other content. Using the internet on these devices for personal reasons is fast approaching television as the preferred source of entertainment in Australia. Data also indicates 79% of people watching TV use their smartphone to text or surf the internet at the same time[11].

As a result of new platforms for media consumption and a greater number of entertainment options available to consumers, companies have now had to alter their approach to advertising. Television appears to remain the best form of mass media advertising however using online and digital advertising through rich media and banners facilitates stronger target market reach. Further, as a result of their increased audience share, newer digital platforms such as Instagram, Facebook and Twitter are taking market share from older platforms such as Google, Yahoo and MSN.

4.2 Regulatory environment

The Australian media landscape has undergone a period of significant structural change over the past decade. Advances in communications technology, including the internet, is redefining how media is produced and consumed. Almost all media companies have a digital presence, with television programs being available online after they have been aired on FTA TV and traditional print media now available on the internet.

The Australian media industry is primarily regulated by the *Broadcasting Services Act 1992* (BSA) and its amendment, the *Broadcast Services Amendment (Media Ownership) Act 2006*.

The current structural changes in the media sector are likely to further evolve as a result of proposed legislation that would relax media ownership laws. Recent discussion by Australian legislators includes potential abolishment of the so called ‘two out of three’ rule and the ‘75% audience reach’ rule. Under the BSA, the ‘two out of three’ rule prohibits owning more than two out of three types of media business, being a commercial television licence, radio licence or newspaper, in the same market. The ‘75% audience reach’ rule effectively prevents the creation of national television networks by disallowing networks from broadcasting to more than 75% of the population.

Other legislation impacting the media industry currently is anti-siphoning provisions contained in the BSA, that lists events (currently not limited to sporting events, however only sporting events have been listed to date) of national and cultural importance that should be available on FTA TV, to maximise viewing by the general public.

Under the anti-siphoning provisions, pay-TV licencees are prevented from acquiring a right to televise a listed event until, either: a right is first offered to a FTA TV broadcasters reaching more than 50% of the Australian population; or the rights have not been acquired 12 weeks before the start of the event.

In March 2015, Communications Minister, Malcolm Turnbull re-iterated the government’s position on maintaining broadcast access free of charge to the public in relation to sporting events. However, there were indications that the ‘two out of three’ and ‘75% audience reach’ rules may be relaxed in some form. If the decision to relax these rules is proceeds, it is expected to trigger significant consolidation within the Australian media sector.

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[10] Rich media is an internet advertising term for web page advertisements that use advanced technology such as streaming video or download applets that interact instantly with the user and advertisements that change when the user’s mouse passes over them.

[11] Based on surveyed participants from Deloitte Media Consumer Survey 2014.

Along with the above possible development, there exists the potential for further reduction in licence fees (the fees paid by TV broadcasters like SWM to the Australian Government) and the potential for the FTA broadcaster to be allowed to charge retransmission fees to platforms that distribute this broadcast (such as Pay TV).

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5 Business operations of Seven West Media

SWM discloses segment information for its varied business operations. The discussion below segments the business operation in the same manner.

5.1 Television

5.1.1 Overview

The Television business operates five commercial FTA TV stations in the major metropolitan markets of Sydney, Melbourne, Brisbane, Perth and Adelaide. SWM also owns TV licences in regional Qld. Together with independent regional affiliates across Australia, these stations broadcast as Channel Seven.

In addition to the primary channel, SWM has also launched two digital channels, 7TWO and 7mate (in high definition).

Table 14: List of channels

Channel	Launch date	Content	Age demographic	Revenue share
Channel Seven	Nov 1956	Leading FTA channel, with focus on own content as well as sport, news, current affairs, dramas	25-54	35%
7TWO	Nov 2009	Broad entertainment channel targeting more mature audience than 7mate, with drama, lifestyle, movies, and TV shows	25+	2%
7mate	Sep 2010	Targeting male demographic, with sport, reality and science fiction content	16-49	3%

Source: SWM

SWM also operates two additional channels and TV4ME, which is an advertorial datacasting channel, which does not contribute materially to revenue.

Revenue in the Television segment is primarily derived from the sale of advertising airtime, with this source of revenue contributing close to 90% of revenue. Other revenue includes fees from affiliate networks and sale of programs. Affiliates include Prime Media Group Limited (Prime Media) and Southern Cross Media Group Limited (Southern Cross Media). Under agreements with these stations SWM receives fees which are generally linked to gross airtime advertising revenue.

Figure 10: Television segment revenue in FY2014

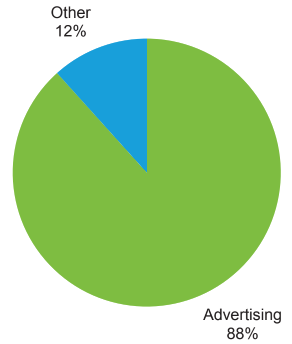
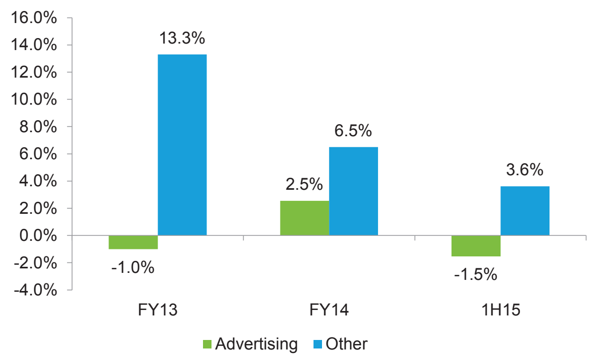


Figure 11: Growth in advertising vs other revenue (vs pcp)



Source: SWM

Whilst overall revenues have remained strong and are now supplemented by royalty payments paid by Yahoo7, we note that growth in revenues has contracted over time.

Other revenues within the Television segment have experienced strong growth since FY2013 as SWM has sought to leverage its catalogue of internally produced content by selling internationally.

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5.1.2 Programming

Key programming identified by SWM is summarised below.

Table 15: Current content

Content type	Examples
Produced (owned formats)	My Kitchen Rules, House Rules, Million Dollar Minute, Better Homes and Gardens, Home and Away, The Killing Field
News	Seven News, Sunday Night, Sunrise, The Morning Show
Sports	Olympic Games, 2018 Commonwealth Games, AFL, Wimbledon, Australian Open Tennis, Davis Cup tennis, Australian Open golf, US Masters, NFL and Superbowl
Purchased	Downton Abbey, How To Get Away With Murder, Revenge, Bones, Criminal Minds

Source: SWM

We note that SWM produces a majority of its total programming content in-house. SWM productions sold to overseas markets includes *Home and Away, My Kitchen Rules, Packed to the Rafters, My Restaurant Rules* and *Border Security*.

With respect to sports broadcasting, SWM has secured the rights to several major events. The table below summarises the current list of sporting rights held by SWM and its competitors.

Table 16: Key sports broadcasting rights in Australia

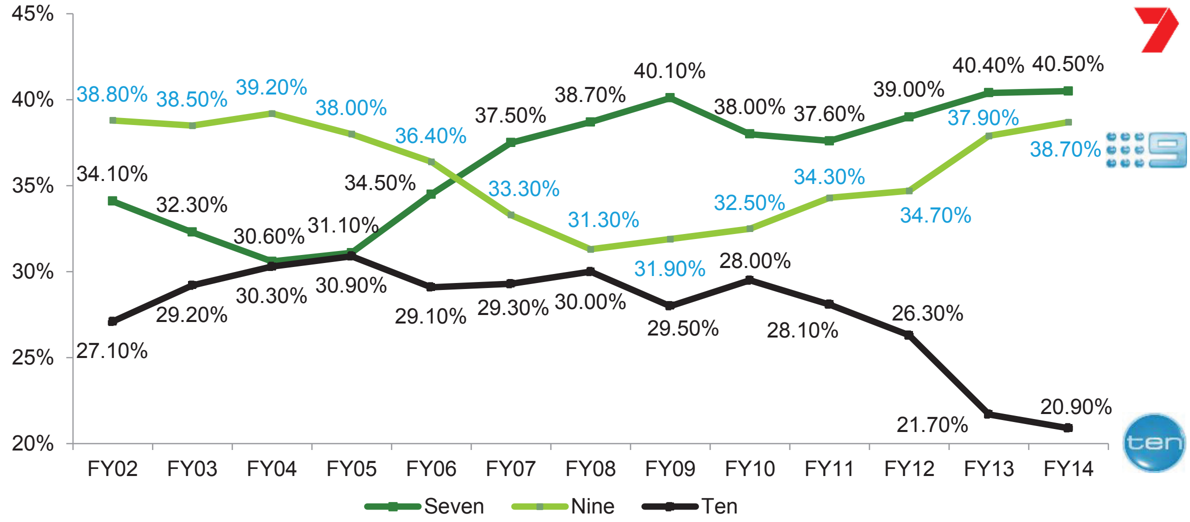
Event	Current broadcaster	Next broadcast deal (season starts)
Australian Rugby Union	Ten	2016
Super Rugby	Fox Sports	2016
AFL	Seven	2017
A-League Soccer	SBS	2017
National Rugby League	Nine	2018
Cricket - Tests / One Day Internationals	Nine	2019
Cricket - T20 Big Bash League	Ten	2019
Tennis - Australian Open	Seven	2020
NFL	Seven	2020
Formula One racing	Ten/Fox Sports	2020
V8 Supercars	Ten/Fox Sports	2021
Winter Olympics[1]	Seven	2022
Spring Carnival (horse racing)	Seven	2016
Melbourne Cup (horse racing)	Seven	2019
Summer Olympics[1]	Seven	2024

Note 1: Rights for Summer and Winter Olympics include the 2024 and 2022 events, respectively, via options to extend
Source: Company announcements

5.1.3 Competitive position

Channel Seven has been the leading FTA network in Australia for eight years, in terms of revenue market share. The chart below illustrates the market share in advertising revenue across the commercial FTA networks.

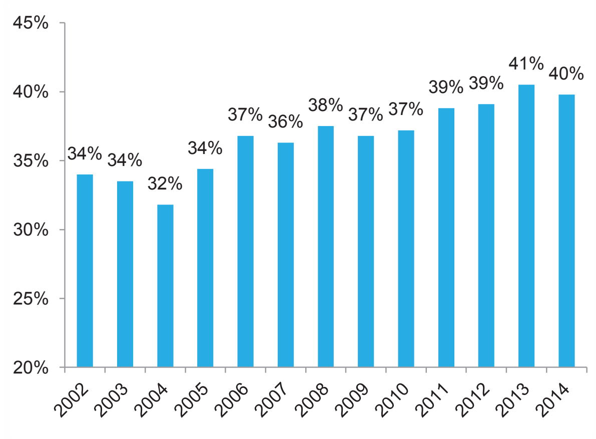
Figure 12: Australia FTA TV commercial broadcaster advertising revenue – market share



Source: FreeTV

Measured in terms of share of FTA TV industry audience, SWM has enjoyed positive trends for a number of years.

Figure 13: SWM commercial FTA TV industry audience share



Source: OzTam

SWM attributes the gains it has achieved in audience and revenue share over time to the following factors:

- its line-up of internally developed television shows which have delivered strong viewership numbers. In particular, *My Kitchen Rules* and *Sunrise* have been strong performers in their timeslots. Combined with these, overseas-sourced shows have generally rated highly over the past number of years. In FY2014, eleven of the top 20 rating shows in Australia were broadcast on Channel Seven
- strong commitment to securing sports broadcasting rights. As mentioned previously, SWM holds rights for a range of international major sporting events. It recently regained the rights for the Olympic Games for both summer and winter games up to 2020 (with a right to extend), the 2018 Commonwealth Games, and also extended its rights for Wimbledon Tennis to 2020. Other events for which SWM holds broadcast rights include NFL football, US Masters and Australian PGA, and the Australian Open tennis (recently extended to 2019).

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- distribution across online platforms, including the Yahoo7 digital platform. Management believe that its integrated platform strategy has helped support its programming schedule and further attract audiences. For example, for the 2015 Australian Open tennis, Channel Seven delivered live FTA TV broadcasts, as well as live streams online and on mobile/tablet.

5.1.4 Financial performance

The Television segment's financial performance is illustrated below.

Table 17: Television business unit financial performance

$m (unless otherwise stated)	Audited FY2012	Audited FY2013	Audited FY2014	Reviewed 1H2015
Revenue	**1,262.3**	**1,267.8**	**1,305.6**	**677.2**
EBITDA before significant items	**331.5**	**319.6**	**336.1**	**192.5**
Depreciation and amortisation	(30.7)	(29.2)	(24.1)	(10.8)
EBIT before significant items	**300.8**	**290.4**	**312.1**	**181.8**
Revenue growth (%)		*0.4%*	*3.0%*	
EBITDA growth (%)		*-3.6%*	*5.2%*	
EBIT growth (%)		*-3.5%*	*7.5%*	
EBITDA margin (%)	*26.3%*	*25.2%*	*25.7%*	*28.4%*
EBIT Margin (%)	*23.8%*	*22.9%*	*23.9%*	*26.8%*

Source: SWM

SWM has been able to achieve revenue growth through sustained audience market share, as discussed above. The business has also maintained a prudent approach to costs. In FY2013 and FY2014, cost growth was limited to 1.9% and 2.3% respectively. This has allowed it to improve margins in the most recent financial year.

We note that the above results exclude any corporate overheads which are recorded in the 'other' business segment.

5.1.5 Strategic direction

SWM's strategic focus is on growing its content library and leveraging this across various platforms, which increasingly means evolving beyond traditional TV towards new delivery mechanisms such as Plus7 (an AVOD delivery mechanism), Presto (an SVOD delivery mechanism) and FreeviewPlus (an HbbTV delivery mechanism).

In order to maintain its leading position in FTA TV, SWM is focused on three key pillars with respect to content:

- Australian programs: SWM has been active in developing its own content. Drama series include *Winners and Losers* and *A Place Called Home*, while reality programming includes shows such as *My Kitchen Rules* and *House Rules*. A number of these shows have been sold overseas, with the *My Kitchen Rules* format sold into 100 markets with 7 countries producing their own format, the *House Rules* and *Million Dollar Minute* formats sold into a number of countries including Russia (*House Rules*) and New Zealand (*Million Dollar Minute*).

  Additionally, SWM is seeking to exploit overseas markets through its establishment of 7Beyond in October 2013 and 7Wonder in March 2014. 7Beyond consists of a US joint venture between SWM and Beyond Productions aimed at creating programming and content formats for the US market. 7Wonder will seek to create new programs for the UK market

- Live news: SWM launched a one-hour evening news strategy in the capital cities on the east coast in 2014, to attract greater audience in that timeslot. It has also had success with its breakfast show *Sunrise*

- Live sport: SWM has secured rights to several major international sports events, such as the Olympics (summer and winter games, up to 2020 with an option to extend), the 2018 Commonwealth Games, the Australian Open tennis tournament and AFL.

5.2 Newspapers

5.2.1 Overview

The Newspapers business originates from West Australian Newspapers Holdings Ltd, which acquired SMG in 2011. Its cornerstone masthead is The West Australian, which was first published in 1833 and is the leading weekday and weekend newspaper in WA, by circulation.

The West Australian constitutes approximately 85% of total revenues for the Newspapers segment with the remainder attributable to a range of regional newspaper publications, as summarised below.

Table 18: Newspapers portfolio

Title	Details
The West Australian	Published in Perth, WA Includes The West Australian newspaper published Monday to Friday, and The Weekend West Australian on Saturday
Regional newspapers	21 titles in total, published throughout WA

Source: SWM

SWM's Newspapers segment prints newspapers for the Company's own mastheads as well as for external news print customers.

As the figure below illustrates, the largest contributor to segment revenue is the sale of advertising space, followed by circulation revenue.

Figure 14: Newspapers segment revenue composition

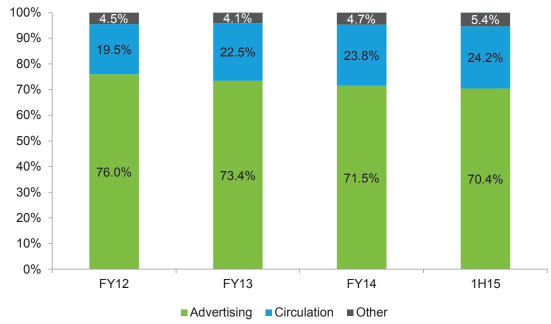
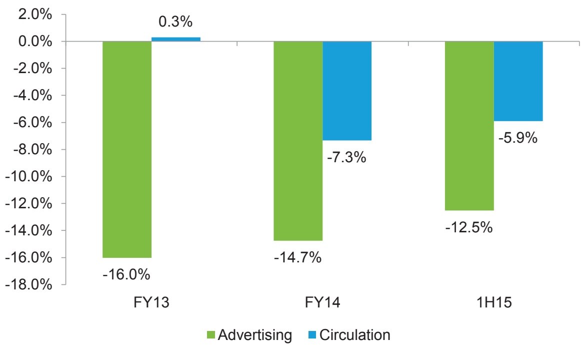


Figure 15: Newspapers segment revenue growth (vs pcp)



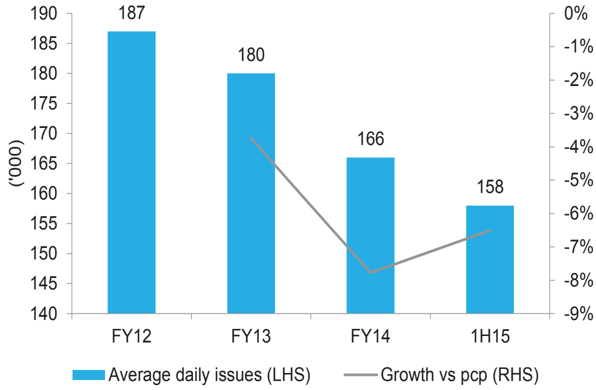
Source: SWM

Whilst circulation revenue has increased as a result of price increases for newspapers, advertising revenues have declined since FY2012. In this respect, The West Australian experienced a 25% increase in weekday and a 14% increase in weekend prices between July 2008 and September 2013. We note however that Management have not increased the price of either edition since then.

5.2.2 Competitive position

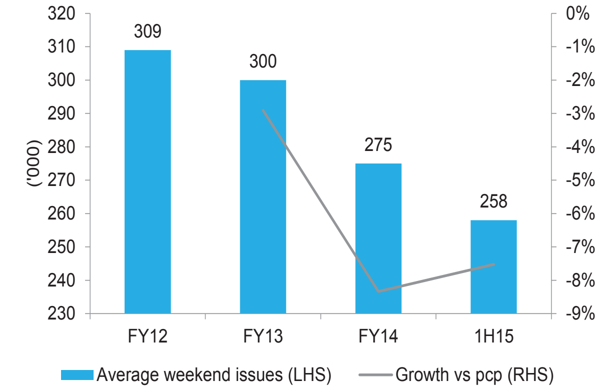
Whilst The West Australian enjoys overall newsprint market dominance in WA, it has not been immune to softer cyclical conditions in the retail, employment and automotive industries within that region. Furthermore, structural change in the print industry arising from the advent of digital news media has had significant impact on the newspaper's weekday and weekend circulation numbers, as illustrated in the figures below.

Figure 16: Average circulation for The West Australian (Monday-Friday)



Source: SWM

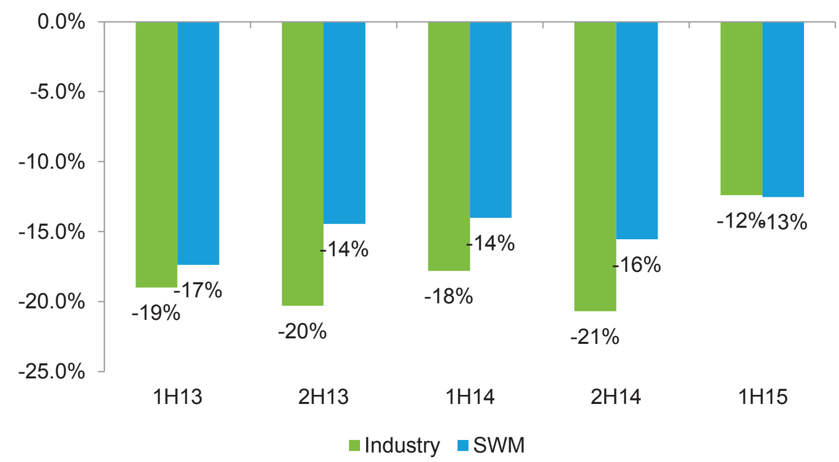
Figure 17: Average circulation for the Weekend West Australian



Source: SWM

Declines in advertising revenues have flowed from ongoing declines in circulation for newspapers. We note that whilst SWM's revenues from advertising has declined, its rate of decline has been lower than for the industry generally, as illustrated below.

Figure 18: Decline in total newspaper advertising market (vs pcp)



Source: SMI, SWM

Figure 19: Weekdays – annual decrease in readership

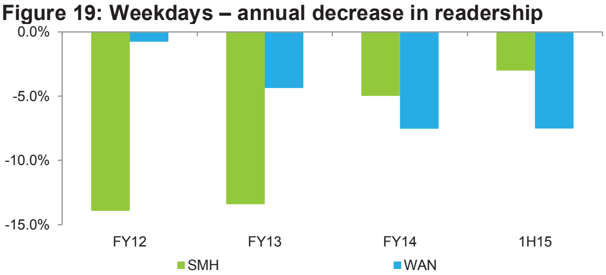
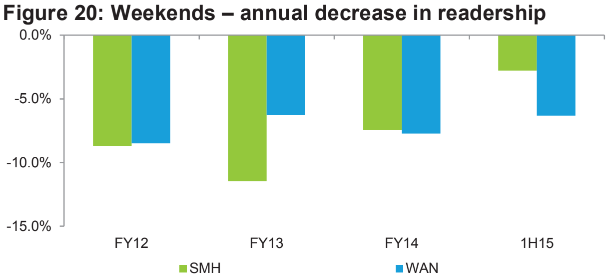


Figure 20: Weekends – annual decrease in readership



As illustrated in the above, average daily readership for SWM's newspapers has declined significantly as has its peer publication, the Sydney Morning Herald. However, we note that the decline in readership for Sydney Morning Herald has slowed in recent years, whilst the decline in readership of The West Australian (weekdays) has accelerated. The West Australian's weekend paper has exhibited more consistent rates of decline over the years.

5.2.3 Financial performance

Set out below is the historical financial performance of the Newspapers segment.

Table 19: Newspapers business unit financial performance

$m (unless otherwise stated)	Audited FY2012	Audited FY2013	Audited FY2014	Reviewed 1H2015
Revenue	**348.2**	**302.9**	**265.4**	**125.0**
EBITDA before significant items	**137.2**	**107.5**	**87.1**	**39.1**
Depreciation and amortisation	(21.0)	(20.8)	(21.2)	(10.7)
EBIT before significant items	**116.2**	**86.6**	**66.0**	**28.5**
Revenue growth (%)		*-13.0%*	*-12.4%*	
EBITDA growth (%)		*-21.7%*	*-18.9%*	
EBIT growth (%)		*-25.5%*	*-23.9%*	
EBITDA margin (%)	*39.4%*	*35.5%*	*32.8%*	*31.3%*
EBIT margin (%)	*33.4%*	*28.6%*	*24.9%*	*22.8%*
Average daily circulation ('000)	*187*	*180*	*166*	*158*
Average daily readership ('000)	*n/a*	*641*	*637*	*625*
Average weekend circulation ('000)	*309*	*300*	*275*	*258*
Average weekend readership ('000)	*n/a*	*692*	*681*	*665*

Source: SWM

Revenue has been declining over the above period and whilst management have focused on reducing costs, the rate of cost reduction has not kept pace with revenue declines.

Whilst EBITDA margins have historically been quite strong, the above trends have led to deterioration in margins. Notwithstanding, we understand the above EBITDA margins make the business one of the highest profit margin newspaper businesses in the world.

We note that the above results exclude corporate overheads as well as digital news which are recorded in the 'other' business segment.

5.2.4 Strategic direction

Management's focus is to diversify and evolve its business to adapt to the previously outlined structural changes being encountered within the print industry. Specifically, SWM is integrating its print and digital offerings, to enable it to package content online and on mobile/tablet devices. The aim is to capture larger audiences as well as to innovate in delivering solutions for advertising clients.

This approach has seen the business develop partnerships, such as with Jobfinder and the Real Estate Institute of WA, in order to expand its online offerings.

From a cost perspective, SWM has conducted a number of cost rationalisation initiatives which include reductions in head count as well as operational amalgamations. In this respect, we note the Company has recently completed its integration of its newspaper news room with that of Channel Seven in Perth.

In addition, the West Australian has commenced rollout of Newsgate, a third party editorial platform product which facilitates editorial planning of content and resources across titles and divisions within the Newspapers segment. This is also expected to result in efficiencies and reductions in the cost structure.

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5.3 Magazine

5.3.1 Overview

The Magazine segment is comprised of Pacific Magazines and accounts for 35% of total magazine circulation and 50% of women's weekly magazines in Australia. Pacific Magazines also runs a custom publishing business, Pacific+.

Pacific Magazines has a portfolio of 19 titles in a market of approximately 100 titles.

Table 20: Key magazine titles

Category	Titles
Fashion	InStyle, Marie Claire
Health	Men's Health, Women's Health, Diabetic Living, Prevention
Home	Better Homes and Gardens, Home Beautiful, Your Garden
Celebrity	Who, Famous
Children's	K-zone, Total Girl, Girlfriend
Life	New Idea, Family Circle, Practical Parenting, That's Life!, Bride to Be

Source: SWM

Unlike the Newspapers business, Pacific Magazines derives a larger part of its revenue from sales of magazines compared to advertising revenue. The figure below illustrates that the relative contribution from each of these revenue sources has been broadly stable over recent years, whilst revenue growth for Magazines has been negative.

Figure 21: Magazine segment revenue composition

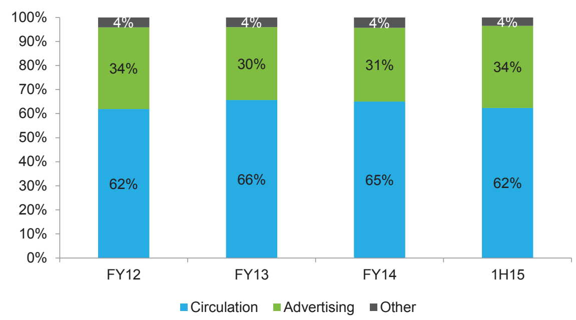
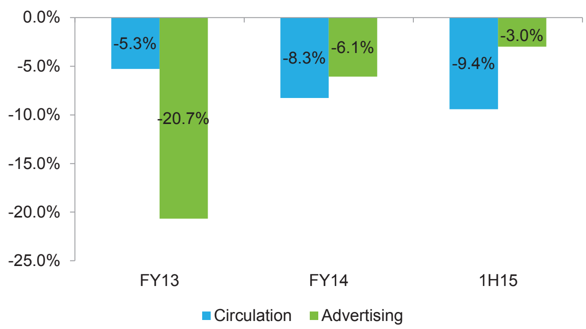


Figure 22: Magazines segment revenue growth (vs pcp)



Source: SWM

5.3.2 Competitive position

Pacific Magazines is the second largest magazine publisher in Australia. It publishes three of the top five highest-selling magazines in Australia: *Better Homes and Gardens*, *New Idea*, and *That's Life*.

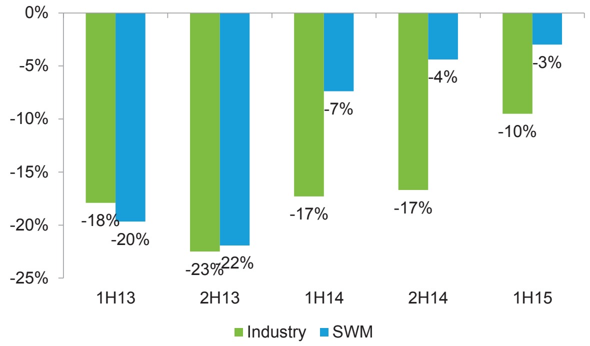
Table 21: Top five selling magazines in Australia

Title	Publisher	Circulation[1]
Australian Women's Weekly	Bauer Media	432,286
Better Homes & Gardens	Pacific Magazines	358,668
Woman's Day	Bauer Media	316,006
New Idea	Pacific Magazines	271,237
That's Life	Pacific Magazines	185,049

Note: 1. Six months to December 2014
Source: Audited Media Association of Australia

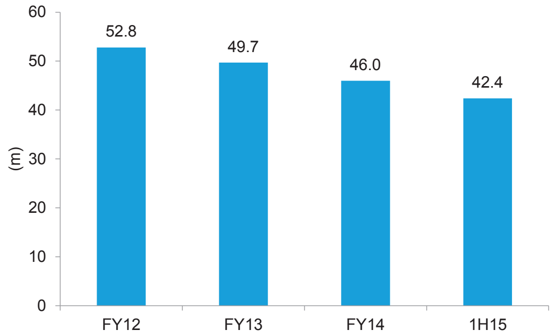
Similar to SWM's Newspapers segment, the Magazine segment has increased its market share in terms of advertising revenue, albeit in a declining market overall.

Figure 23: Decline in advertising revenue (vs pcp)



Source: SWM

Figure 24: Total circulation for SWM



Source: SWM
Note: 1H15 data is annualised

5.3.3 Financial performance

Set out below is the historical financial performance of the Magazine segment.

Table 22: Historical financial performance of Magazine business unit

$m (unless otherwise stated)	Audited FY2012	Audited FY2013	Audited FY2014	Reviewed 1H2015
Revenue	**287.2**	**256.2**	**237.5**	**114.1**
EBITDA before significant items	**48.7**	**36.3**	**24.4**	**13.9**
Depreciation and amortisation	(8.9)	(7.1)	(4.0)	(1.9)
EBIT before significant items	**39.8**	**29.3**	**20.4**	**12.0**
Revenue growth (%)		*-10.8%*	*-7.3%*	
EBITDA growth (%)		*-25.5%*	*-32.9%*	
EBIT growth (%)		*-26.4%*	*-30.3%*	
EBITDA margin (%)	*17.0%*	*14.2%*	*10.3%*	*12.2%*
EBIT Margin (%)	*13.9%*	*11.4%*	*8.6%*	*10.5%*
Revenue per reader ($)		*0.86*	*0.77*	*0.81* [1]

Note:
1. Based on readership and revenue figures for twelve months to December 2014
Source: SWM

Revenues have declined over 9% on an annual compound basis between FY2012 and FY2014 as circulation and advertising has dropped for the Magazine segment over time. We note that the above results exclude corporate overheads which are recorded in the 'other' business segment.

5.3.4 Strategic direction

Consistent with SWM's broader strategy, the Magazine business is being positioned for digital delivery of its content. SWM's strategy incorporates the creation of magazines which will transition patronage between a number of different delivery platforms with a goal to increase revenue opportunities through e-commerce, brand extensions, events and strategic partnerships.

An example of SWM's multiple platform strategy is the way the Company cross-promotes key programs within its television business into content in its magazines eg. *New Idea* magazine containing content from *My Kitchen Rules* and *House Rules* TV shows, *Home Beautiful* magazine being integrated with the *House Rules* program and *Better Homes and Gardens* magazine published in conjunction with the TV program.

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5.4 Other media assets

5.4.1 Overview

Other media assets that are 100% owned and classified within this segment include Quokka, ColourPress, and regional radio licences in WA. The table below lists the various non-100% investments that are also included in this segment. The investments listed below are all equity accounted.

Table 23: Businesses within the Other segment

Business	Ownership	Details
Yahoo7	50.0%	JV with Yahoo Inc
Airline Ratings	50.0%	Ratings service provider
Community Newspapers Group	49.9%	Regional newspaper publishing
Nabo	40.0%	Social network
Australian News Channel (Sky News)	33.3%	Pay TV channel
OzTam	33.3%	Ratings service provider
TX Australia	33.3%	Transmitter facilities provider
Healthengine	27.0%	Online health directory

Source: SWM

5.4.2 Financial performance

The table below summarises the historical financial performance of the Other segment.

Table 24: Historical financial performance of Other segment

$m (unless otherwise stated)	Audited FY2012	Audited FY2013	Audited FY2014	Reviewed 1H2015
Total segment revenue	61.8	60.2	55.1	35.7
Inter-segment revenue	(22.4)	(20.6)	(18.7)	(9.0)
Total revenue	**39.4**	**39.6**	**36.4**	**26.7**
EBITDA before significant items	**(2.5)**	**1.4**	**(6.2)**	**(3.1)**
Share of equity accounted investees' profit	20.1	15.3	16.8	8.3
Segment EBITDA	**17.6**	**16.6**	**10.6**	**5.2**
Depreciation and amortisation	(1.1)	(0.9)	(0.8)	(0.5)
EBIT before significant items	**16.6**	**15.7**	**9.8**	**4.7**

Source: SWM

Inter-segment revenue largely relates to the Colourpress business, which prints the regional newspapers and charges to the Newspapers business. Corporate overhead costs are included within the above.

A dominant driver of segment profit is contribution from equity accounted businesses and in particular Yahoo7. The table below highlights the significance of Yahoo7's contribution to the Other segment compared to various other investments held by SWM.

Table 25: Historical equity-accounted profits

$m (unless otherwise stated)	FY13	*Contribution*	FY14	*Contribution*	1H15	*Contribution*
Yahoo7	9.9	*64.7%*	12.0	*71.4%*	6.4	*77.1%*
Other	5.4	*35.3%*	4.8	*28.6%*	1.9	*22.9%*
Total	**15.3**		**16.8**		**8.3**	

Source: SWM

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5.4.3 Yahoo7

The Yahoo7 joint venture was entered into in 2005 with Yahoo Inc., and combines the online presence of Yahoo with content and marketing from SWM.

A key facet of this business is to provide an online platform to leverage and distribute SWM's content from its traditional FTA TV and print media assets, and to engage consumers via this cross promotion. With deployment of Yahoo7, SWM seeks to attract advertisers by offering an integrated solution across TV, print and online platforms.

Set out below is the historical financial performance of Yahoo7.

Table 26: Historical financial performance of Yahoo7 (presented on a 100% ownership basis)

$m (unless otherwise stated)	FY13	FY14	1H15
Advertising revenue	72.3	77.6	
Other revenue	34.7	23.0	
Total revenue	**107.0**	**100.6**	**50.8**
EBITDA	**36.1**	**40.2**	**17.3**
Depreciation and amortisation	(8.4)	(7.3)	(2.3)
EBIT	**27.7**	**32.9**	**15.0**
NPAT	**19.7**	**24.1**	**12.8**
EBITDA margin	*33.7%*	*40.0%*	*34.1%*
EBIT margin	*25.9%*	*32.7%*	*29.5%*
Monthly unique users (m)	*7.6*	*9.1*	*10.0*
Total video streams (m)	*93.0*	*116.0*	*68.2*

Source: SWM

Both online audience, as measured by the number of unique users, as well as usage, as measured by the number of video streams, have experienced growth since FY2013.

Whilst advertising revenue, which accounts for almost 80% of Yahoo7's total revenues have grown as a result of increased audience numbers to the website, there was a decline in other revenues, which includes revenues from the site's search function, in FY2014.

Future growth for the Yahoo7 business has been identified within the following areas:

- exploitation of content consumption opportunities as a result of growth in VOD through mobile phones and tablet devices
- expansion of its PLUS7 catch-up TV offering to be available on over 10 platforms (eg Apple iOS, Android, Xbox, Playstation, TBox)
- local exploitation of recent acquisitions and developments being undertaken by Yahoo
- transition in its advertising model beyond traditional display advertising, with investment in targeted and native advertising solutions.

We understand that a content agreement between SWM and Yahoo7 has recently been re-negotiated which Management expect will lead to higher profitability for SWM in the long term.

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6 Valuation of Seven West Media

6.1 Valuation prior to the Proposed Transaction

The table below summarises our valuation of a share in SWM prior to the Proposed Transaction.

Table 27: Valuation of SWM

$m (unless otherwise stated)	Assessed maintainable earnings	Assessed multiple (x)		Valuation range	
		Low	**High**	**Low**	**High**
Business					
Television	315.0	7.5x	8.0x	2,362.5	2,520.0
Newspapers	75.0	6.5x	7.0x	487.5	525.0
Magazine	20.0	5.0x	5.5x	100.0	110.0
Yahoo7[1]	18.0	12.0x	13.0x	216.0	234.0
Other investments				35.0	45.0
Corporate overheads	(15.0)			(112.5)	(120.0)
Total business enterprise value				**3,088.5**	**3,314.0**
Other assets (net of surplus liabilities)				(68.7)	(68.7)
Value of operating assets (minority interest basis)				**3,019.8**	**3,245.3**
Net debt[2]				1,104.8	1,104.8
Value of CPS				340.0	340.0
Value of SWM's equity (minority interest basis)				**1,575.0**	**1,800.5**
Control premium				15.0%	25.0%
Value of SWM's equity (control basis)				**1,811.3**	**2,250.6**
Number of shares outstanding				999.2	999.2
Value of a share in SWM (control basis)				**1.81**	**2.25**

Note:
1. *Based on SWM's share of assessed maintainable EBITDA of Yahoo7*
2. *Includes SWM's pro-rata share of Yahoo7's net debt*

Source: Deloitte Corporate Finance analysis

The above reflects the value of a share in SWM prior to the Proposed Transaction and is inclusive of control.

6.2 Valuation following the Proposed Transaction

The Proposed Transaction will result in net debt reducing, and the number of shares increasing, by differing amounts which will be dependent on the level of take-up of the Pro rata Offer by Non-Associated Shareholders. The table below illustrates the calculated value per share in SWM having regard to a range of different scenarios for acceptance of the Pro-rata Offer by the Non-Associated Shareholders.

Table 28: Possible Proposed Transaction scenarios

	Assumed Pro rata Offer take up by Non-Associated Shareholders							
	Assuming underwritten component only		50%		75%		100%	
$m (unless otherwise stated)	Low	High	Low	High	Low	High	Low	High
Value of operating assets (minority interest basis)	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3
Pro-forma net debt[1]	959.0		803.3		650.4		497.5	
Value of SWM's equity (minority interest basis)	**2,060.8**	**2,286.3**	**2,216.5**	**2,442.0**	**2,369.4**	**2,594.9**	**2,522.3**	**2,747.8**
Pro-forma number of shares outstanding[1] (m)	1,384.9		1,509.5		1,631.8		1,754.1	
Value of a share (minority interest basis) ($)	**1.49**	**1.65**	**1.47**	**1.62**	**1.45**	**1.59**	**1.44**	**1.57**

Notes:
1. Adjusted for the Proposed Transaction
Source: Deloitte Corporate Finance analysis

6.3 Application of the sum of parts approach

We have assessed the equity value of SWM using the sum of the parts approach, which assesses the value of each SWM business unit separately. Under this approach, each business unit is considered on the basis of similarities in products produced, growth prospects, and in some respects, demand drivers. The sum of the parts approach, therefore, provides a flexible valuation approach to take account of these factors, which are likely to vary across different business units.

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Section 5 of this report incorporates a discussion of the SWM businesses based on segment information as disclosed by SWM for financial reporting purposes. In adopting our sum of parts valuation approach however, we have not adopted the same segment businesses as disclosed by SWM, but rather considered businesses to be included in each 'business unit' based on specific valuation drivers as discussed above.

Table 29: Business units for valuation analysis

Business unit for valuation	Businesses within business unit	Business unit rationale	Primary valuation methodology adopted
Television	FTA TV as well as the production businesses 7Beyond[1] and 7Wonder[1]	Each of the businesses provide television production and broadcast services.	Capitalisation of maintainable earnings
Newspapers	The West Australian, regional newspapers, Community Newspapers Group[1], nine radio stations across regional WA[1], ColourPress commercial printing operation[1], digital business as it relates to The West Australian[1], and Quokka[1]	Businesses exposed to news print and broader printing services. Also encompass regional media assets such as radio and regional newspapers.	Capitalisation of maintainable earnings
Magazines	Pacific Magazines (including Pacific+)	Magazine and magazine publishing is experiencing greater structural change than other business units in group.	Capitalisation of maintainable earnings
Yahoo7	SWM's joint venture with Yahoo	Online offering which is different to traditional SWM businesses.	Capitalisation of maintainable earnings
Other Investments	Airline Ratings, Nabo, Australian News Channel, OzTam, TX Australia, Healthengine, the events business, Presto and AAP	A number of small businesses across a range of media operations which do not materially contribute to the group's earnings.	Various depending on business, including capitalisation of maintainable earnings

Note: 1. Disclosed within the 'Other' segment by SWM
Source: SWM and Deloitte Corporate Finance analysis

The sum of the parts approach has particular regard to an assessment of the maintainable earnings of the underlying businesses and, therefore, does not include the costs associated with the head office function (corporate overheads). We have therefore estimated the value of corporate overheads and subtracted this from the value of SWM.

6.4 Basis of selection of the capitalisation of earnings methodology

Refer to Appendix B for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

We have assessed the equity value of SWM using the capitalisation of maintainable earnings method before adding/subtracting the value of surplus assets/liabilities and deducting net debt. In assessing the value of the Other Investments as outlined in Table 29, we have adopted a number of different valuation approaches consistent with those discussed at Appendix B.

In selecting the capitalisation of maintainable earnings method to value the SWM businesses, we have considered the following factors:

- although SWM's historical earnings have been somewhat volatile, there is sufficient insight into SWM's future earnings outlook to warrant the use of the capitalisation of maintainable earnings method
- there is an adequate number of publicly listed companies and global transactions involving companies with operations sufficiently comparable to those of SWM's businesses to provide a meaningful comparison
- although capital expenditure is important to SWM , there is no current or projected requirement for the Company to incur significant or unusual capital expenditure.

6.5 Selection of maintainable earnings for each business unit

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of earnings because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows a better comparison with earnings multiples of other companies.

We have assessed maintainable EBITDA to be as follows:

Table 30: Maintainable earnings summary

$m	Selected maintainable EBITDA
Television	315.0
Newspapers	75.0
Magazine	20.0
Yahoo7	18.0

Source: Deloitte Corporate Finance analysis

In our assessment of maintainable EBITDA, we have had regard to:

- the varying characteristics of each business unit and factors that influence the earnings of component businesses
- recent financial performance of each business unit
- the recent YTD financial performance of component businesses within each business unit, including current operational insights provided by Management during the course of our discussions
- FY2015 budgets prepared by management and approved by SWM's Board
- consensus estimates of earnings for SWM. Refer to section 3.6.2 as well as our discussion below for our analysis.

Our selection of each business unit's maintainable EBITDA is discussed below.

6.5.1 Television

Television has been the most financially stable business unit within SWM in recent years. While the Newspapers and Magazines businesses have seen double digit EBITDA contraction (in % terms) in both FY2013 and FY2014, the Television business unit declined by 3% in FY2013 and grew by 5% in FY2014.

Television, consistent with the broader FTA TV industry, has retained a relatively stable advertising revenue stream. In FY2014, advertising across the TV industry was down 1% vs pcp, compared to 4% and 7% declines in newspapers and magazines.

Looking forward, Management expects a slight decline in the TV advertising industry for FY2015, with SWM outperforming the market due to its current leadership in audience share.

We have considered the following factors in assessing this business unit's maintainable EBITDA:

- advertising spend in the broader FTA TV industry is forecast to remain challenged over the FY2015 year
- SWM's Television business unit is expected to maintain its ratings lead as a result of the 2015 AFL season, it's coverage of the Olympics in 2016 as well as new seasons of My Kitchen Rules, House Rules and some other locally produced content
- certain one-off restructuring costs incurred by the business historically
- as discussed in Section 6.3, we have incorporated the 7Beyond (50.0% owned by SWM) and 7Wonder (50.1% owned by SWM) television content production businesses into the Television business unit. We note that these businesses have only relatively recently been established by SWM and do not materially contribute revenues to the group.

Having regard to the above, we consider $315m appropriate to reflect the maintainable EBITDA of the Television business. This compares to actual EBITDA of $336.1m in FY2014 and $319.6m in FY2013. We note that average consensus broker forecasts for the Television business are in the vicinity of $304m.

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6.5.2 Newspapers

The Newspapers business has encountered both structural and cyclical pressure on revenue over recent years. As we outlined in Section 5.2, total advertising revenue across the newspapers industry has been in decline, and was down 12% in 1H2015, compared to the pcp. While SWM's newspapers revenue has not declined as much as the wider industry, it has not been immune to broader negative trends with double digit declines in EBITDA in FY2014 and FY2013.

We have considered the following factors in assessing the maintainable EBITDA of the Newspapers business unit:

- The West Australian and regional newspapers are the largest contributor of earnings in the Newspapers business unit with close to 90% of the business unit's total EBITDA, the remainder contributed by Community Newspapers Group, SWM's 9 radio stations across regional WA, ColourPress and Quokka
- circulation for SWM's key masthead, The West Australian (and The Weekend West Australian) has been decreasing since FY2012. Correspondingly, advertising revenue has also been declining, despite the paper increasing market share. We expect these trends to continue, given previously outlined structural challenges within the news print industry
- Management has focused on cost reduction strategies over the past two years, with this business unit's cost base trending down in FY2014 and FY2013. However, improvements through cost efficiencies have been more than offset by the rate of revenue decline in advertising, including classifieds advertisers such as Quokka.

  Whilst certain cost reduction initiatives in relation to this business unit have been identified, including for example, the merger of the newsrooms of The West Australian and Channel Seven in WA and implementation of the Newsgate content management system, in our view these initiatives may only allow the business to stand still for the short term
- newspapers in this business unit are all located in WA, a market which has seen cyclical weakness in mining retail and automotive industries. Such weakness has placed downward pressure on advertising spend

Based on the above, we consider $75m to reflect the maintainable EBITDA of the Newspapers business unit. This compares to actual EBITDA as disclosed by SWM of $87.1m in FY2014 and $107.5m in FY2013.

6.5.3 Magazines

The Magazines business unit, consistent with the print industry generally, has experienced significant contraction over recent years, with EBITDA declining 33% in FY2014 and 25% in FY2013.

We have considered the following factors in assessing the maintainable EBITDA of the Magazines business:

- while Pacific Magazines publishes three of the top five selling magazines in Australia, circulation numbers are in decline. Total circulation numbers across its magazines were down by 7% in FY2014 and 6% in FY2013. We expect these trends to continue, given broader consumer movement away from print media towards digital
- as with the Newspapers business unit, cost rationalisation has been ongoing within Magazines. Operating expenses fell 3% in FY2014 and 8% in FY2013. As circulation volumes continue to decline, there is an opportunity to continue to reduce the business unit's variable cost base, particularly through lower printing costs

We consider $20m to reflect the maintainable EBITDA of the Magazines business unit. We note that this compares to actual EBITDA of $24.4m in FY2014 and $36.3m in FY2013.

6.5.4 Yahoo7

The following factors have been considered in arriving at a level of maintainable earnings for the Yahoo7 business unit:

- in FY2014, SWM's portion of equity-accounted profit from Yahoo7 amounted to $12m and SWM's portion of EBITDA for Yahoo7 was $20m
- in 1H2015 EBITDA for Yahoo7 was $10m
- continued pressure on advertising revenue, particularly as it relates to 'display banner' advertising, which may be offset by growth in VOD

- the renegotiated content agreement with SWM.

Based on the above, we consider $18m to be an appropriate level of maintainable EBITDA for SWM's share of Yahoo7's EBITDA.

6.5.5 Other considerations

Given that the maintainable EBITDA arrived at for each of the business units does not include corporate overheads, we have applied a level of overhead commensurate with the corporate cost structure of the Company as a whole.

Having regard to the maintainable EBITDA of each business unit as well as corporate overheads in the amount of $15m per annum, the maintainable EBITDA for the Company equates to $413m.

We note that this compares to actual EBITDA for the Company of $458.2m in FY2014 and $479.7m in FY2013. The consensus broker forecast for EBITDA is currently $398.2m for FY2015. We note that the difference between the $413m maintainable EBITDA arrived at compared to the EBITDA included in consensus broker forecasts in section 3.6.2 is partially attributable to exclusion of Other Investments as outlined in Table 29 as well as the fact that the consensus numbers absorb the equity accounting share of profits (as opposed to EBITDA) for Yahoo7.

6.6 Selection of earnings multiple for each business unit

In selecting an earnings multiple for SWM we have considered earnings multiples derived from share market prices of listed companies with comparable operations to its businesses and the implied earnings multiples paid to acquire companies with operations comparable to its businesses.

6.6.1 Selecting comparable companies

We have confined our search for comparable companies to SWM's businesses to Australia as regulations in the Australian media industry are unique and the industry is undergoing a period of considerable structural change. For these reasons we consider participants in the media sector in other geographic markets may not be as relevant for consideration.

Similar to the business units within SWM being valued, the comparable companies and transactions have been categorised into four general groups: Television, Newspapers, Magazines and Yahoo7 (refer to Appendix C and Appendix D).

Our review of comparable transactions has been restricted to the past two years as, in our view, the rapidly changing structural landscape in the media and advertising industries render analysis beyond that of limited value.

Transaction multiples are calculated with reference to historical earnings and, as a result, we would expect the transaction multiples (which are generally on a control basis) to be higher than trading multiples observed for listed comparable companies. Listed comparable companies, which have been calculated with reference to forecast earnings (and which, based on consensus broker estimates are generally projected to exhibit earnings growth) exhibit lower trading multiples. Our selection of an appropriate earnings multiple for each SWM business is set out separately below.

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6.6.2 Television

Listed company multiples

Of the comparable companies set out in Appendix C, the following companies are considered by us to be the most operationally comparable to the Television business.

Table 31: Listed companies – Television

Company	Revenue ($m)[1]	Revenue growth (current)	EBITDA margin (current)	EBITDA multiple (current)	EBITDA multiple (forecast)
Ten	626.0	-0.6%	nmf	nmf	nmf
Nine	1,546.6	4.8%	19.0%	7.5x	6.9x
Southern Cross Media	640.8	-5.4%	27.2%	8.6x	8.3x
Prime Media	258.2	0.3%	25.1%	6.5x	6.5x

Note:
1. Revenue based on most recent actual financial year
Source: S&P Capital IQ, Deloitte Corporate Finance analysis

We note that the current EBITDA trading multiple for SWM is 6.5x. This reflects the broader company, including all other business units listed below, not just the Television business. However we note that the Television business is the most significant business unit and a key driver of the company.

Ten recently experienced contracting revenues. The company currently has very low profitability and therefore its multiples are not meaningful.

Similar to SWM, Nine operates a FTA TV licence in Australia. It also operates digitally through Mi9 and Stan, and owns Ticketek as well as All-phones arena[12]. Relative to the Television business unit, Nine is somewhat larger. With respect to its TV operations, we understand that Nine does not have the same level of ownership of its content as SWM.

Southern Cross Media owns a number of FTA TV licences in Australia. It also operates commercial radio licences across regional and metropolitan areas. Southern Cross Media is the major regional affiliate of the Ten. As Southern Cross Media is a regional FTA TV provider it does not generate the same advertising revenue as metropolitan networks. In our view, the higher EBITDA multiples observed for Southern Cross Media likely reflects the strong margin produced by the business and the strength of its radio business which has a strong metropolitan presence.

Prime Media own a number of TV licences throughout Australia. Prime Media is the regional affiliate of Seven Network, and similar to Southern Cross Media earns its revenue from the smaller regional advertising market. We note that Prime Media is significantly smaller in size, as indicated by its revenues, compared to its peers and its shares are thinly traded.

[12] On 15 April 2015 Nine announced the sale of its Nine Live division to Affinity Equity Partners for an enterprise value of $640m. This division included the Ticketek business, events and promotion services, as well as operation of the Allphones Arena.

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Transaction multiples

Of the observed transactions, the acquisition of Swan Television & Radio (Swan) and Channel 9 South Australia (9 SA) are considered most comparable to the Television business. These transactions are summarised in the following table.

Table 32: Comparable transactions – Television

Announced date	Target company	% acquired	Enterprise value $ million	Historical EBITDA multiple
Sep-13	Swan Television & Radio	100.0%	222.5	8.0x
Jul-13	Channel 9 South Australia	100.0%	139.5	9.3x

Source: Mergermarket, S&P Capital IQ, company announcements, Deloitte Corporate Finance analysis

Swan operates a FTA TV licence in Perth while 9 SA operates a FTA TV licence in Adelaide. Compared to SWM's Television business unit, Swan's and 9 SA's businesses are less diversified as they only provide FTA TV services in their respective cities.

These acquisitions afforded Nine a strategic opportunity to form a national network, giving it a presence in all five metropolitan FTA TV markets in Australia. Whilst the acquisitions were for smaller businesses, in our view, the multiples would reflect a strategic (along with control) premium in this regard. In addition, both businesses were acquired at a time when the regional economies they operate in were buoyant and had strong growth prospects.

Selected multiple

We consider the listed company multiples provide a better benchmark than the transaction multiples.

We note the following key operational considerations appropriate in ascertaining an earnings multiple for the Television business:

- disruption to traditional FTA TV through broader proliferation of SVOD and AVOD services which compete for audience share. In our view, availability of content via these platforms is likely to, over the longer term gradually erode, though not necessarily supplant, the dominance of FTA TV
- the SWM Television business unit has strong content rights, in particular to high viewership of sporting content
- the business' dominant market position in terms of audience share
- SWM's focus on producing its own content mitigates some risk associated with commoditisation of program content through the rise of alternate media distribution platforms
- SWM's emphasis on production of programing will inhibit its ability to reduce costs relative to those peers which do not seek to produce content in house.

Based on our analysis, we consider an earnings multiple in the range of 7.5 to 8.0 times, to be appropriate for the Television business unit.

6.6.3 Newspapers

Listed company multiples

Of the comparable companies set out in Appendix C, the following companies are considered to be the most operationally comparable to the Newspapers business unit.

Table 33: Listed companies – Newspapers

Company	Revenue (A$m)[1]	Revenue growth (current)	EBITDA margin (current)	EBITDA multiples (current)	EBITDA multiples (forecast)
APN News & Media	843.2	4.1%	18.6%	9.2x	9.2x
Fairfax Media	1,861.0	-2.2%	16.0%	7.8x	7.5x
News	9,091.4	26.5%	10.5%	8.5x	7.9x
PMP	899.2	-8.1%	7.1%	3.3x	3.3x

Note:
1. Revenue based on most recent actual financial year
Source: S&P Capital IQ, Deloitte Corporate Finance analysis

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APN operates mainly in Australia and New Zealand but also has operations in Hong Kong. Unlike SWM's Newspapers business unit, it has significant exposure to the radio industry in both Australia and New Zealand. Whilst APN publishes and prints regional newspapers and operates websites, it also operates outdoor advertising agencies and publishes magazines. We note that APN has recently experienced appreciation in its share price as a result of News increasing its shareholding to 14.99%.

Similar to SWM's Newspapers business unit, Fairfax Media derives significant revenues from metropolitan and regional newspapers. It also publishes magazines and has exposure to radio. Fairfax Media enjoys a stronger digital and online presence compared to SWM's Newspapers business unit, with operations which include the Domain, an online real estate agency.

News is one of the largest news print media companies in the world, owning a number of mastheads across the world such as The Sun, The Times and Sunday Times in the UK, the New York Post and Wall Street Journal in the US and the Australian, Daily Telegraph and Herald Sun in Australia. Whilst News publishes and prints newspapers it also has interests in pay TV distribution as well as a host of online assets. It is substantially larger in size and operating scale than SWM's Newspapers business.

PMP provides commercial printing and magazine distribution services in Australia and New Zealand. Unlike SWM's Newspapers business unit as well as other listed comparable companies such as Fairfax and News, PMP's business model does not afford it the opportunity to leverage internally generated rights across digital platforms.

Transaction multiples

Of the transactions considered, the acquisition of Metro Media Publishing is considered most comparable to SWM's Newspapers business. This transaction is summarised in the following table.

Table 34: Comparable transactions – Newspapers

Announced date	Target company	% acquired	Enterprise value $ million	Historical EBITDA multiple
Jan-15	Metro Media Publishing Pty. Ltd.	50.0%	144.0	10.3x

Source: Mergermarket, S&P Capital IQ, company announcements, Deloitte Corporate Finance analysis

Metro Media Publishing publishes premium real estate and lifestyle magazines across Victoria and has a strong online presence. Fairfax, the acquirer, already owned the other 50% of the company.

Selected multiple

We consider the listed company multiples provide a better benchmark than the transaction multiples.

In determining an appropriate multiple to be applied to the Newspapers business unit we have considered the business in the context of its metropolitan as well as regional and community operations. In particular, we note that:

- The West Australian holds a dominant position in the metropolitan newspaper market in WA and enjoys strong margins within the industry relative to peers
- whilst SWM's Newspapers business unit incorporates the dominant masthead The West Australian, the business's broader digital offering is not on the same scale as peers such as Fairfax, APN News Media and News
- the Newspapers business includes ColourPress, a printing operation not dissimilar to PMP
- the listed comparable companies, apart from PMP, operate in broader markets, providing services across Australia and internationally
- the Newspapers business is almost exclusively exposed to the WA market, which has experienced some recent economic downturn with respect to key sectors as a result of lower commodity prices.

Based on our analysis, we consider an earnings multiple in the range of 6.5 to 7.0 times, to be appropriate for the Newspapers business.

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6.6.4 Magazine

There are no listed companies in Australia involved purely in the publication of magazines, similar to SWM's Magazines business unit. Notwithstanding this, we have considered the listed newspaper and magazine companies outlined at Appendix C in our analysis of an appropriate EBITDA multiple for the Magazine business unit.

As outlined in section 4.1.2, the magazine publishing industry is experiencing significant structural challenge which has led to ongoing declines in sales. To this end, Management has advised it is focusing on the quality of content in its magazines to target audience points of interest, including cross-promotion of content from SWM's Television business. The ability to do this gives SWM a unique advantage, and in our view partly protects SWM from the otherwise steeper revenue decline experienced industry-wide. Another identified strategy of Management is to move towards digital forms of delivery of its magazines. This approach is generally being adopted within the industry

Whilst APN News & Media, Fairfax and News are exposed to the paper print industry, as discussed in section 6.6.3, these companies operations are significantly more diversified in scale and nature than those of the Magazine business unit.

Bauer's acquisition of ACP Magazines in September 2012 was undertaken on an EBITDA multiple of 6.3 times. ACP Magazines publishes and sells women's magazines including Women's Day, Women's Weekly and CLEO. The transaction provided Bauer with the opportunity to expand into the digital print industry in Australia and New Zealand. In our view, given similarities in operations, the ACP Magazines transaction is particularly useful in considering an earnings multiple to be applied to SWM's Magazine business unit. However, this transaction is over 2 years old and considering the pace of structural change in the magazine industry, it may be too old. The 6.3 times EBITDA multiple observed in this transaction reflects control.

Based on our analysis above, we consider an earnings multiple in the range of 5.0 to 5.5 times to be appropriate for the Magazine business.

6.6.5 Yahoo7

Listed company multiples

Of the comparable companies set out in Appendix C, the following companies are considered by us to be the most operationally comparable for the Yahoo7 segment.

Table 35: Listed companies – Other

Company	Revenue (A$m)[1]	Revenue growth (current)	EBITDA margin (current)	EBITDA multiple (current)	EBITDA multiple (forecast)
REA Group	437.5	24.2%	55.8%	20.8x	16.8x
SEEK	724.2	19.3%	43.0%	18.9x	15.6x
carsales.com	235.6	33.7%	49.9%	17.0x	15.3x
Trade Me	167.2	17.1%	66.9%	11.9x	11.3x
GoConnect	0.5	n/a	n/a	n/a	n/a
Quickflix	18.0	n/a	n/a	n/a	n/a
iSelect	120.4	35.6%	19.8%	10.2x	8.5x

Note:
1. Revenue based on most recent actual financial year
Source: S&P Capital IQ, Deloitte Corporate Finance analysis

The comparable companies listed above represent entities that provide a number of different services through the internet. They all generate revenue from advertisements on their web pages similar to Yahoo7, however, unlike Yahoo7, the majority of their revenue comes from customers paying to list items on their websites or from subscription fees.

Despite this, we believe they give context to valuation in the Australian online market and in particular the maturity of that market. In our view, they also provide an understanding of the current online landscape and provide the market's perspective on the expected future performance of the online industry generally.

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We note that whilst there are also a number of international companies that generate revenue from selling advertising space on their website (similar to Yahoo7) such as Google and Facebook, given the global nature of these brands, as well as their significantly larger size, we do not consider them directly comparable.

Transaction multiples

Of the transactions considered, the acquisition of Mi9 / Ninemsn, iNC Digital Media and Australian Local Search are considered most comparable to SWM's Yahoo7 business unit.

Table 36: Comparable transactions – Other

Announced date	Target company	% acquired	Enterprise value $ million	Historical EBITDA multiple
Oct-13	Mi9	50.0%	81.6	2.0x
Aug-13	iNC Digital Media	20.5%	6.1	7.6x
Jan-13	Australian Local Search	100.0%	n/a	n/a
Jan-13	Australian Local Search	100.0%	n/a	n/a

Source: Mergermarket, S&P Capital IQ, company announcements, Deloitte Corporate Finance analysis

The low EBITDA multiple apparent in the Mi9 transaction is, in our view, most likely reflective of the fact that Miscrosoft signed a long term strategic partnership agreement whereby Mi9 will continue to sell the technology company's advertising products while also leveraging its data and technology operations.

In the iNC Digital Media transaction, APN News & Media acquired the remaining 20.5% of the company which is expected to provide it with access to a range of digital products for sectors that require focused digital media. We note that APN News & Media already controlled iNC Digital Media prior to the above transaction, and the above multiple may not incorporate a control premium.

Australian Local Search owns and operates truelocal.com.au an online directory businesses in Australia. The acquisition was expected to provide growth opportunities to Sensis, as their customers will now be listed on truelocal.com.au. No financial details were released in relation to this transaction.

Selected multiple

In determining an appropriate multiple to be applied to the Yahoo7 business unit, we have had particular regard to the operations of Yahoo7 relative to the comparable companies as well as the current and expected future growth opportunities of Yahoo7, and in particular:

- the revenue model of Yahoo7, namely as it relates to advertising online and how this differs with the classified revenue model of a number of the comparable companies
- potential growth opportunities unique to Yahoo7 arising from content proliferation from business units within SWM outside of Other
- the brand profile and size of operations of Yahoo7 relative to its listed peers.

Based on the analysis above, and having particular regard to the listed comparable companies, we believe an appropriate capitalisation multiple for the Yahoo7 business unit is in the range of 12.0 to 13.0 times

6.7 Other Investments

SWM's Other Investments include a number of relatively small businesses, which are outlined at Table 29.

We note that a number of these businesses are recently established or in early stage of operation (eg. the events business which was established throughout 2014 and Presto which was established in October 2014).

In considering an appropriate valuation methodology to apply to each of the constituent businesses within the Other Investments business unit, we have had regard to the methodologies outlined at Appendix B as well as a number of entity specific factors including:

- type of business and the likely drivers of revenue and expense in the context of the current economic and industry climate
- stage of operations
- historic and forecast profitability

- financial position
- recent capital raisings.

Our assessment of the total value of SWM's interest in these businesses is between $35m and $45m.

6.8 Corporate overheads

As discussed in Section 6.5.5, we have assessed the maintainable level of EBITDA for each business unit based on the expected ongoing operating costs of each business and have not factored in an allocation of corporate overheads. Given we are assessing the value of SWM as a whole on a going concern basis, a level of corporate overheads would be required to sustain the operations of each business. We have, therefore, assessed the value of the corporate overheads separately and subtracted it from the enterprise value of SWM as a surplus liability.

To assess the value of corporate overheads we have capitalised a maintainable level of corporate overheads by an EBITDA multiple range.

Having regards to historical trends and the nature of the central functions encompassed by corporate overheads, we have assessed the maintainable level of corporate overheads to be approximately $15m.

Maintainable corporate overheads have not been tax effected (i.e. reduction of the corporate overheads for the positive effect of these costs on taxable income) and therefore we have capitalised this amount by an EBITDA multiple, which is a pre-tax multiple. We have applied an EBITDA multiple of 7.5 times to 8.0 times, calculated as the weighted average of the multiples we selected for the valuations of the businesses.

6.9 Other assets and liabilities

Other assets and liabilities currently held by SWM include prepayments related to future programming and deferred revenue.

6.10 Net debt

We estimate net debt as at 27 March 2015 to be approximately $1,105m, having regard to SWM's most recent statement of financial position. This takes account of the dividend payable on 1 April 2015 of $59.9m and SWM's pro-rata share of net debt within Yahoo7. This reflects SWM's net debt prior to the Proposed Transaction.

Table 37: Pro-forma net debt

	Assumed Pro rata Offer take up by Non-Associated Shareholders			
	Assuming underwritten component only	50.0%	75.0%	100.0%
Net debt as at 27 March 2015[1]	1,104.8	1,104.8	1,104.8	1,104.8
Proceeds from the Pro-rata Offer	(150.0)	(305.8)	(458.6)	(611.5)
Transaction costs	4.3	4.3	4.3	4.3
Pro forma net debt	**959.0**	**803.3**	**650.4**	**497.5**

Note:
1. Includes SWM's share of Yahoo7's net debt
Source: Deloitte Corporate Finance analysis

The net debt position following the Proposed Transaction will differ depending on the take-up of the Pro rata Offer and as such our analysis of the value of a SWM share following the Proposed Transaction takes account of the range of scenarios as set out in the table above.

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6.11 Value of the CPS

The value of the CPS of $340m reflects the value as agreed with SGH. This has been calculated by reference to the accrued issue price to 20 April 2016 (being the date at which earliest redemption could occur under the existing terms) and an interest rate of 5.05%. The difference in the rate relative to the 7.143% that currently accrues with respect to the CPS effectively represents the movement downwards in interest rates since the CPS terms were originally agreed in 2011. Further details of this calculation are set out in the Explanatory Memorandum.

6.12 Control premium

Our valuation of SWM prior to the Proposed Transaction has been undertaken on a control basis, consistent with the requirements of ASIC RG111.

Earnings multiples derived from share market trading (which we refer to as 'listed company multiples' in this section) do not reflect the fair market value for control of a company as they are based on portfolio holdings in the subject companies. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

In comparison, the acquisition price achieved in mergers or acquisitions of companies represents the fair market value of a controlling interest in that company.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors and managers
- determine and change the strategy and policies of the company
- make acquisitions, restructure the business or divest operations
- control the composition of the board of directors.

We provide further comment with respect to control premiums observed within the media sector in Appendix E. The following table sets out our findings.

Table 38: Control premium analysis - findings

	Control Premium	
	Entire market	Media sector
Average	34%	23%
Median	29%	15%
Upper quartile	47%	31%
Lower quartile	12%	6%

Source: Deloitte Corporate Finance analysis

When calculated on share prices in market transactions, the calculated premium can reflect a combination of factors including:

- historical underperformance on the part of the target
- the passing across of synergy benefits
- actual control factor as described above.

Having regard to the above analysis, we consider a control premium range of 15% to 25% appropriate.

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6.13 Number of shares outstanding

SWM had 999.2m shares on issue on 31 March 2015. This reflects the number of shares outstanding prior to the Proposed Transaction.

Set out in the table below is an analysis of the pro-forma total number of shares on issue post Proposed Transaction, having regard to a number of possible scenarios in relation to acceptance of Pro-forma rights by the Non-Associated Shareholders.

Table 39: Pro forma number of shares outstanding

	Assumed Pro rata Offer take up by Non-Associated Shareholders			
m	Assuming underwritten component only	50%	75%	100%
Total number of shares currently on issue	999.2	999.2	999.2	999.2
Shares issued to SGH under Proposed Conversion	265.7	265.7	265.7	265.7
Shares issued under the Pro-rata Offer	120.0	244.6	366.9	489.2
Total number of shares on issue post Proposed Transaction	**1,384.9**	**1,509.5**	**1,631.8**	**1,754.1**

Source: Deloitte Corporate Finance analysis

6.14 Cross-checks to our assessment of value following the Proposed Transaction

The table below illustrates our assessed valuation range of 100% of SWM (on a minority basis) as well as the PE multiple implied in our valuation range.

Table 40: Cross check

	Assuming underwritten component only		50%		75%		100%	
$m	Low	High	Low	High	Low	High	Low	High
Total equity value (minority basis)	2,060.8	2,286.3	2,216.5	2,442.0	2,369.4	2,594.9	2,522.3	2,747.8
Net profit after tax (FY2016)	198.9	198.9	198.9	198.9	198.9	198.9	198.9	198.9
Implied PE	**10.4x**	**11.5x**	**11.1x**	**12.3x**	**11.9x**	**13.0x**	**12.7x**	**13.8x**

Note:
1. Based on consensus broker estimates
Source: Deloitte Corporate Finance analysis

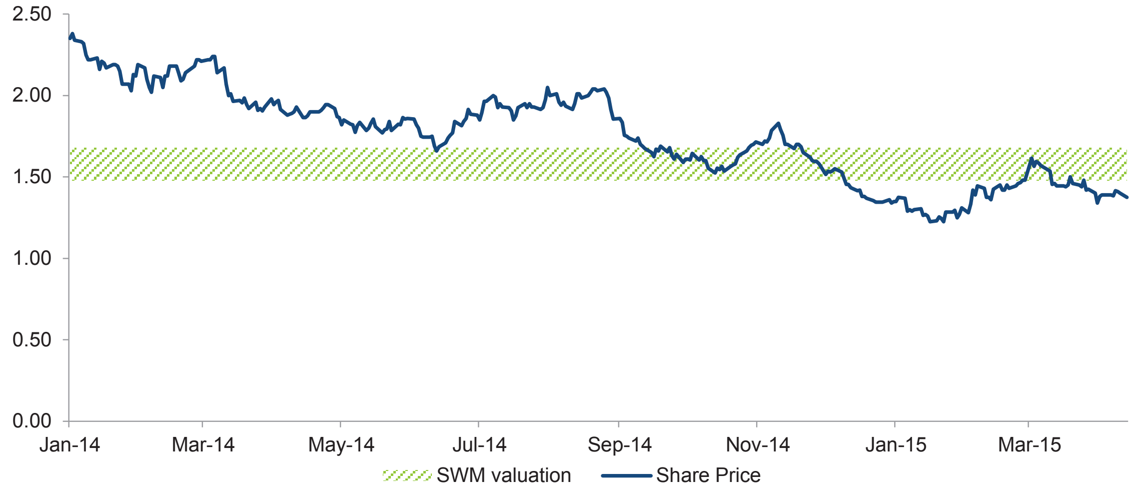
As illustrated in the above table, our valuation suggests an implied PE multiple range for SWM of between 10.4 times and 13.8 times, depending on the actual level of acceptance of the Pro-rata Offer by Non-Associated Shareholders.

We note that the international peers listed at Appendix F exhibit FY2016 PE multiples ranging between 8.8 times and 17.2 times, with a median of 13.2 times. For the purposes of this analysis, we considered companies with FTA television operations in English speaking markets given almost 70% of SWM's revenues in FY2014 were derived from FTA television.

We consider the PE multiples implied by our sum-of-the-parts valuation are supported by these international peers when taking into account the more mature markets these peers operate in (for example, a number of the US based peers have already had alternate technology providers such as Netflix operating in their market for a number of years).

As another cross-check, we have also had regard to our assessment of the value of a share in SWM on a minority interest basis and how it compares to historical trading in SWM's shares over recent history. This is set out in the figure below:

Figure 25: Share price cross check



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Share trading prior to November 2014 may not be as relevant to our analysis given SWM announced revised expectations of profitability for FY2015.

Our valuation of a SWM share represents a premium to share price on 28 April 2015 of $1.36 of between 5.8% and 21.4%, on a minority interest basis.

Having regard the overhang that may exist in the share price as a result of the potential dilution of the CPS, we do not consider the above premium unreasonable and consequently the above analysis supports our valuation of a SWM share.

7 Evaluation of Proposed Transaction

Set out below are other factors we consider relevant for the purposes of the evaluation of the Proposed Transaction.

Our assessment of the 'fairness' of the Proposed Transaction has been undertaken having regard to the requirements of Regulatory Guide 111. In particular, Regulatory Guide 111 requires the independent expert to evaluate the transaction as a control transaction. Some investors may not consider this appropriate in this circumstance for a range of reasons as set out in section 2.3.

Set out below in Sections 7.1 and Section 7.2 are two other approaches to the evaluation of the Proposed Transaction. An investor may be of the view that they would be equally (or more) appropriate to the evaluation of the Proposed Transaction in this circumstance.

7.1 Evaluation as a rights issue

The Proposed Transaction is akin to a rights issue and in many senses the same outcome (subject to SGH agreeing to early repayment of the CPS, which they are agreeing to under the Proposed Transaction) could be achieved by SWM if it undertook a rights issue.

The Proposed Transaction will result in SWM issuing up to 755.0m shares to existing shareholders (including SGH) thereby raising $951.5m. As such, it would be akin to a 2.27 for 3 rights issue. Our analysis of rights issue capital raisings between $200m and $1b in the Australian market over the last five years suggests that the average discount to the theoretical ex-rights price (TERP) is 14% as set out in the table below:

Table 41: Summary of recent rights issues

Type	Average size ($m)	Size as a % of issued capital	Pricing relative to TERP
Renounceable rights issues	447.2	38.2%	-15.8%
Non-Renounceable rights issues	323.0	46.0%	-12.5%
All rights issues	393.6	41.4%	-14.3%

Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Further detail on the above is set out at Appendix G. In particular, we draw out the following:

- WAN undertook a non-renounceable rights issue in 2011 which was priced at a 10% discount to TERP
- SWM undertook a renounceable rights issue in 2012 which was priced at a 13% discount to TERP
- Ten undertook a renounceable rights issue in 2012 which was priced at a 16% discount to TERP
- Southern Cross Media undertook a renounceable rights issue in 2011 which was priced at a 9% discount to TERP.

In comparison, the Proposed Conversion is being undertaken at a discount of 2.3% to the TERP. Given this is lower than the market transactions identified in the table above, we consider SGH is implicitly converting to equity at a higher price than if it were to do so under a rights issue and accordingly dilution is less for shareholders who do not participate in the rights issue.

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7.2 Comparison of proposed conversion price to value on a control basis following the Proposed Transaction

An investor may be of the view that the Proposed Transaction should be evaluated by comparing the value of a SWM share following the Proposed Transaction on a control basis and comparing it to the proposed conversion price.

The table below illustrates the calculated value per share in SWM on a control basis, having regard to a range of different scenarios for acceptance of the Pro-rata Offer by the Non-Associated Shareholders.

Table 42: Comparison of value on a control basis

	Assumed Pro rata Offer take up by Non-Associated Shareholders							
	Assuming underwritten component only		50%		75%		100%	
$m (unless otherwise stated)	Low	High	Low	High	Low	High	Low	High
Value of operating assets (minority interest basis)	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3	3,019.8	3,245.3
Pro-forma net debt[1]	959.0		803.3		650.4		497.5	
Value of SWM's equity (minority interest basis)	**2,060.8**	**2,286.3**	**2,216.5**	**2,442.0**	**2,369.4**	**2,594.9**	**2,522.3**	**2,747.8**
Control premium	15.0%	25.0%	15.0%	25.0%	15.0%	25.0%	15.0%	25.0%
Value of SWM's equity (control basis)	**2,369.9**	**2,857.8**	**2,549.0**	**3,052.5**	**2,724.8**	**3,243.6**	**2,900.6**	**3,434.7**
Pro-forma number of shares outstanding[1] (m)	1,384.9		1,509.5		1,631.8		1,754.1	
Value of a share (control basis) ($)	**1.71**	**2.06**	**1.69**	**2.02**	**1.67**	**1.99**	**1.65**	**1.96**
Proposed conversion price	1.28		1.28		1.28		1.28	
Premium / (discount) to proposed conversion price	*33.8%*	*61.3%*	*32.0%*	*58.1%*	*30.5%*	*55.4%*	*29.2%*	*53.0%*

Notes:
1. Adjusted for the Proposed Transaction
Source: Deloitte Corporate Finance analysis

As illustrated in the table above, the proposed conversion price represents a discount of between 29.2% and 61.3% to the post Proposed Transaction value of SWM shares on a control basis.

7.3 Non-Associated Shareholders are receiving slightly better pricing terms under the Pro-rata Offer

The Pro-rata Offer which is only available to Non-Associated Shareholders is being undertaken at a 7% discount to the average of the daily VWAP of SWM shares traded on the ASX over the 5 days prior to 29 April 2015. This compares to the Proposed Conversion which will be executed at a 5% discount. As such, Non-Associated Shareholders are being issued shares in SWM at a lower price than SGH.

7.4 Alternative options to the Proposed Transaction

We set out below the various options available to SWM with respect to the CPS. The terms of the CPS are set out in Section 1.3.

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It is worth noting that under the terms of the CPS, SWM does not have any option other than to hold on to the CPS until 21 April 2016.

Satisfy with cash

SWM could, subject to SGH agreeing, repay the CPS with cash. However, SWM does not have the funds to satisfy the value of the CPS liability and would need to borrow to fund the repayment of the CPS (outside of an equity raising which could dilute existing shareholders). This would result in:

- an increase in financial leverage when SWM already has higher financial leverage relative to its peers (refer below)
- potentially higher interest costs through the fact that the existing borrowings may incur higher interest rates and the new borrowings may attract higher interest rates relative to the notional rate implicit in the CPS
- restrictions on SWM's ability to pursue organic or inorganic growth opportunities (refer below).

In addition, the Pro-rata Offer also offers SWM the opportunity to:

- further reduce its financial leverage
- reduce its interest costs
- improve the flexibility with which it could pursue organic or inorganic growth opportunities.

Have regard to the above, we do not consider satisfying the CPS with cash represents a superior alternative relative to the Proposed Transaction.

Do nothing

SWM could do nothing and continue to retain the CPS. However:

- this would continue to create uncertainty within the market and consequently depress the share price of SWM
- notional interest costs would continue to accrue and would increase from 21 April 2016 onwards from 7.123% to 9.123% and therefore further increase the future cost of satisfying the CPS
- from 21 April 2016, SGH would also have approval rights on any dividends SWM proposes to pay to shareholders
- to the extent that SWM chooses to pay a dividend that reflects a yield above 6.5%, there would be further adjustments to the conversion ratio under the SGH election scenario such that more shares would be issued to SGH than is currently the case.

We note that from the perspective of SGH, this scenario potentially reflects the best outcome (absent any consideration of the impact on its existing shareholding in SWM). Equally, SWM does not currently have any rights to do anything with respect to the CPS – these rights will only by conferred on it from 21 April 2016 onwards. With SGH agreeing to early redemption, SWM is saving interest on the CPS.

Having regard to the above, we do not consider doing nothing is a superior option relative to the Proposed Transaction.

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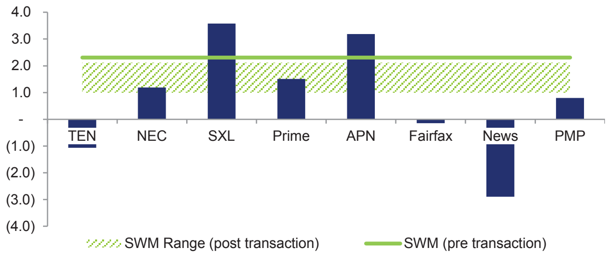
7.5 Implication for leverage

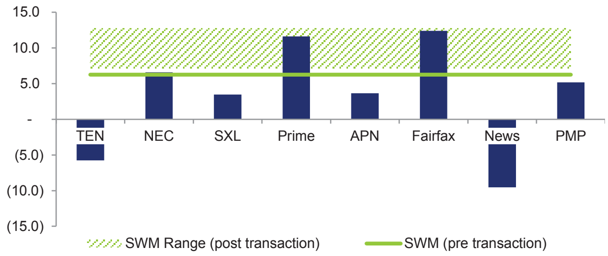
The Proposed Transaction will allow SWM to reduce its financial leverage such that it is more in line with its peers. This is illustrated in the figures below:

Figure 26: Net debt to EBITDA



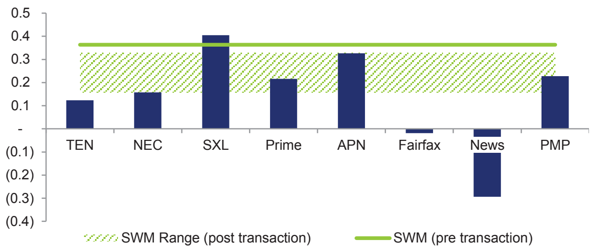
Notes:
Nine's (NEC's) figures do not take account of the disposal of Nine Live and use of proceeds to pay-off debt, as announced on 16 April 2015.
Source: Deloitte Corporate Finance analysis

Figure 27: Interest cover ratio



Notes:
Nine's (NEC's) figures do not take account of the disposal of Nine Live and use of proceeds to pay-off debt, as announced on 16 April 2015.
Source: Deloitte Corporate Finance analysis

Figure 28: Net debt to enterprise value



Notes:
Nine's (NEC's) figures do not take account of the disposal of Nine Live and use of proceeds to pay-off debt, as announced on 16 April 2015.
Source: Deloitte Corporate Finance analysis

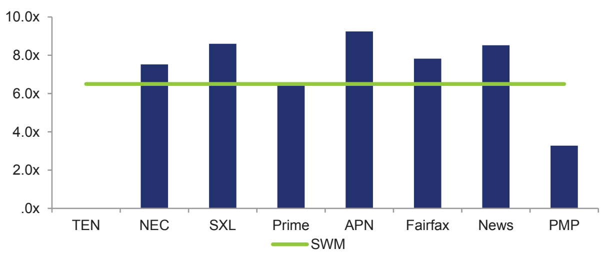
As can be seen from the above, SWM's financial leverage, whether it be reflected through net debt to EBITDA, interest cover or net debt to enterprise value, is higher than its peers. The Proposed Transaction will result in a significant reduction of each of these three parameters such that they will be more in line with its peers. We would also expect that this would also then allow SWM to more ably pursue growth opportunities.

7.6 Share price overhang

The uncertainty with respect to a resolution to the CPS has been argued to be depressing the share price of the Company for some years.

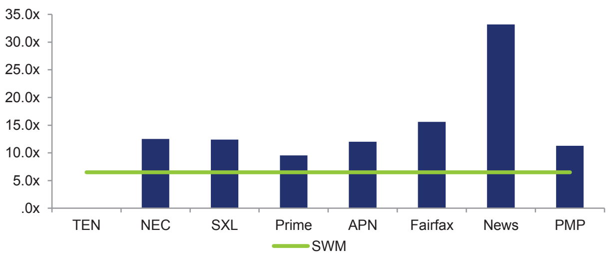
It would seem that SWM is trading at a discount to its peers as reflected in the below figures:

Figure 29: Enterprise value to EBITDA multiple



Source: Deloitte Corporate Finance analysis

Figure 30: Price to NPAT multiple



Notes:
Based FY2015 NPAT and on a non-diluted basis
Source: Deloitte Corporate Finance analysis

It is difficult to definitively attribute the discount in trading to the CPS uncertainty but we would agree that SWM is trading at a discount to its peers and also at a discount to our opinion of its fundamental value on a minority interest basis (which does not make any allowance for the uncertainty associated with the CPS).

In this context it is also worthwhile noting that a number of equity research analysts have discussed the CPS uncertainty in their broker notes and the CPS has been the subject of considerable discussions at investor presentations.

Having regard to the above, the Proposed Transaction may allow SWM shares to be more appropriately valued relative to its peers in the future.

7.7 Removes potential dividend stop rights

From 21 April 2016, through ownership of the CPS, SGH will have certain rights that will require SWM to seek SGH's approval prior to paying a dividend and as such SWM's ability to continue to pay dividends could be compromised. Along with the loss of this income stream, the share price of the Company could also drop because investors perceive lower value in the shares as a result of the lack of dividends.

In our view, given the relatively high dividend payout ratio of SWM and the Company's strategy to preserve this, any stop rights on dividends would place substantial downward pressure on the Company's share price.

7.8 Dilutes EPS over short to medium term

Our analysis suggests that the Proposed Transaction dilutes EPS over the short to medium term but has the potential to be EPS accretive over the long term.

Whilst this is a disadvantage of the Proposed Transaction, we do not consider it sufficiently significant relative to the other potential benefits and recognising:

- that in the current low interest rate environment, capital raisings to repay debt would always result in EPS dilution
- the Proposed Transaction does not result in a transfer of value between SGH and Non-Associated Shareholders.

7.9 Greater opportunity to pursue growth opportunities

The Australian media industry is currently the subject of significant disruption as a result of technological developments and in particular the internet and digital accessibility developments.

In addition, we expect that there will be changes to the regulatory landscape in the Australian media industry and there are signs that such changes may occur over the medium term.

The asset base of SWM, in our opinion, represents a quality portfolio of content that will appeal to Australian consumers and a niche offering that could appeal to international audiences. In addition to this, the business has control of a strong national platform along with investments in a number of innovative future platforms.

We consider that this environment presents SWM with an opportunity to actively participate in organic and inorganic growth opportunities, which have the potential to reduce the erosion of its existing earnings or complement and strengthen revenue stream.

However, such participation is likely to require investment and the scale of that investment could be significant in some circumstances.

With this in mind, and having regard to the comments on leverage and share price overhang mentioned above, we consider the Proposed Transaction offers shareholders a unique opportunity to reset the capital structure of the Company and position it appropriately to capitalise on future growth opportunities.

7.10 Simplifies capital structure and balance sheet

The CPS are treated as equity for financial reporting purposes even though they carry rights that are equivalent to interest accrual and consequently exhibit debt like features. Equally, they don't carry the same shareholder rights that are associated with the ordinary shares of SWM that SWM shareholders own.

The Proposed Transaction will result in the CPS being removed from the balance sheet and thus result in a simplification and transparency of the balance sheet and capital structure.

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Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable and therefore in the best interests of Non-Associated Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Transaction is fair and reasonable to, and in the best interests of, the Non-Associated Shareholders as a whole.

The report has been prepared at the request of the Independent Directors of SWM and is to be included in the Explanatory Memorandum to be given to Non-Associated Shareholders for approval of the Proposed Transaction. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and SWM, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transaction.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by SWM and a number of its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to SWM management for confirmation of factual accuracy.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of SWM personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for SWM included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of SWM referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In recognition that Deloitte Corporate Finance may rely on information provided by SWM and its officers, employees, agents or advisors, SWM has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which SWM may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by SWM and its officers, employees, agents or advisors or the failure by SWM and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transaction.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The Partners of Deloitte Touche Tohmatsu involved in the preparation of this report were Tapan Parekh, B.Bus, M.Com, CA, F.Fin, and Stephen Ferris, B.Ec, CA, F.Fin. Tapan and Stephen are Authorised Representatives of Deloitte Corporate Finance (AR Numbers 461009 and 460999, respectively) and have many years' experience in the provision of corporate finance advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. They were also assisted by other employees of Deloitte Touche Tohmatsu.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- SWM proposes to issue a disclosure document in respect of the Proposed Transaction (the Explanatory Memorandum)
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum (draft Explanatory Memorandum) for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report as Annexure C.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report as Annexure C of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included as Annexure C.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Explanatory Memorandum
- annual reports of SWM for the year ending 30 June 2012, 30 June 2013 and 30 June 2014 and half year report of SWM for the period ending 31 December 2014
- company strategy and governance documents, FY2015 Budget and discussion of initiatives
- management accounts for SWM to the 9 months to 27 March 2015
- SWM Impairment Testing Board Paper December 2014 and related impairment models
- SWM investment agreements including Healthengine, Nabo, Presto etc.
- other publicly available information on SWM, industry comparables and the media sector published by S&P Capital IQ, Thomson Research, IBIS World Pty Ltd, the Australian Bureau of Statistics, CEASA and OzTam.

In addition, we have had discussions and correspondence with certain directors and executives of and advisors to SWM in relation to the above information and to current operations and prospects. These included discussions with:

- Mr Tim Worner, Chief Executive Officer, SWM
- Mr Bruce McWilliam, Commercial Director, SWM
- Mr Warwick Lynch, Acting Chief Financial Officer, SWM
- members of the IBC.

Appendix B: Valuation methodologies

To estimate the fair market value of the shares in SWM we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the fair market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other valuation methods because they may not account for company specific factors.

Income based methods

Income based methods estimate fair market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow approach in the most common within this methodology and is commonly used to value early stage companies, companies expected to experience significant growth in cash flows or projects with a finite life.

Asset based methods

Asset based methods estimate the fair market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies

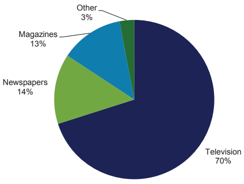
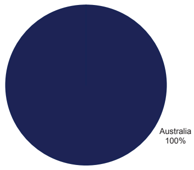
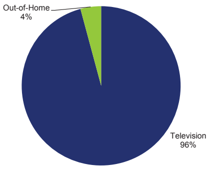
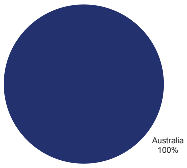
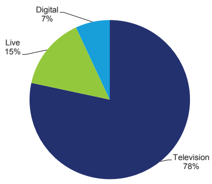
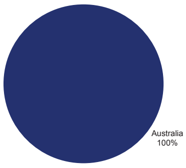
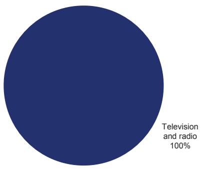
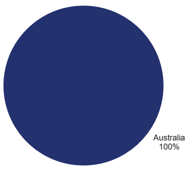
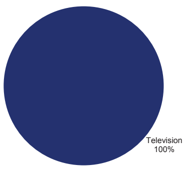
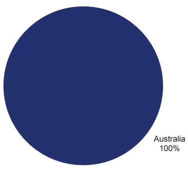
Appendix C: Australian comparable listed companies

Table 43: Australian comparable listed companies

Company	Revenue	Net debt to Enterprise Value	Net debt to EBITDA	Dividend yield	Revenue growth		EBITDA margin			EBITDA multiple			P/E multiple	
	$ million	(%)	(x)	(%)	FY2014	FY2015	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016	FY2014	FY2015
FTA Television														
Seven West	1,844.9	38.7%	2.3x	8.6%	-1.2%	-3.2%	23.5%	22.3%	21.6%	6.0x	6.5x	6.8x	9.0x	6.5x
Ten	626.0	13.4%	nmf	0.0%	-4.3%	-0.6%	-13.0%	-1.0%	2.1%	nmf	nmf	nmf	nmf	nmf
Nine	1,546.6	14.8%	1.1x	2.0%	21.5%	4.8%	19.4%	19.0%	20.1%	7.7x	7.5x	6.9x	34.1x	12.5x
Southern Cross Media	640.8	40.5%	3.2x	5.3%	-0.3%	-5.4%	28.0%	27.2%	27.3%	7.9x	8.6x	8.3x	nmf	12.4x
Prime Media	258.2	22.7%	1.5x	8.0%	1.3%	0.3%	24.1%	25.1%	24.7%	6.7x	6.5x	6.5x	9.6x	9.5x
Median	**640.8**	**22.7%**	**1.9x**	**5.3%**	**-0.3%**	**-0.6%**	**23.5%**	**22.3%**	**21.6%**	**7.2x**	**7.0x**	**6.8x**	**9.6x**	**11.0x**
Newspaper and magazines														
APN News & Media	843.2	29.8%	3.2x	0.0%	3.2%	4.1%	16.7%	18.6%	19.0%	10.7x	9.2x	9.2x	89.1x	12.0x
Fairfax Media	1,861.0	-1.6%	-0.1x	4.3%	-7.4%	-2.2%	14.5%	16.0%	16.8%	8.4x	7.8x	7.5x	10.3x	15.6x
News	9,091.4	-22.9%	-3.6x	0.0%	-3.6%	26.5%	7.2%	10.5%	11.1%	15.7x	8.5x	7.9x	48.9x	33.2x
PMP	899.2	22.9%	0.8x	0.0%	-7.8%	-8.1%	6.5%	7.1%	7.1%	3.3x	3.3x	3.3x	43.8x	11.3x
Median	**1,380.1**	**10.7%**	**0.3x**	**0.0%**	**-5.5%**	**1.0%**	**10.8%**	**13.2%**	**13.9%**	**9.6x**	**8.2x**	**7.7x**	**46.3x**	**13.8x**
Digital														
REA Group	437.5	-0.7%	-0.2x	1.2%	30.0%	24.2%	47.7%	55.8%	57.9%	30.3x	20.8x	16.8x	42.5x	32.4x
SEEK	724.2	5.9%	1.4x	2.2%	37.4%	19.3%	39.5%	43.0%	44.6%	24.5x	18.9x	15.6x	30.0x	29.1x
carsales.com	235.6	7.5%	1.5x	3.2%	9.5%	33.7%	58.0%	49.9%	50.1%	19.6x	17.0x	15.3x	25.9x	24.1x
Trade ME	167.2	7.6%	1.1x	4.3%	9.7%	17.1%	66.4%	66.9%	65.6%	14.1x	11.9x	11.3x	19.4x	18.3x
GoConnect	0.5	25.1%	nmf	0.0%	18.7%	n/a	-236.3%	n/a	n/a	nmf	n/a	n/a	nmf	n/a
Quickflix	18.0	83.3%	nmf	0.0%	-6.2%	n/a	-42.5%	n/a	n/a	nmf	n/a	n/a	nmf	n/a
iSelect	120.4	-17.8%	-6.8x	0.0%	2.0%	35.6%	7.2%	19.8%	21.2%	38.0x	10.2x	8.5x	62.0x	n/a
Median	**167.2**	**7.5%**	**-0.2x**	**1.2%**	**9.7%**	**24.2%**	**39.5%**	**49.9%**	**50.1%**	**24.5x**	**17.0x**	**15.3x**	**30.0x**	**24.1x**

Source: S&P Capital IQ, public releases, Deloitte Corporate Finance analysis

Descriptions of comparable companies are provided below.

Company	Revenue segmentation (last reported year) Product	Revenue segmentation (last reported year) Geographic	Description
FTA Television			
Seven West Media Limited (SWM)			SWM operates through television, newspaper, magazines and other segments in Australia. It operates free to air commercial television stations and publishes The West Australian newspaper. It is also involved in radio station broadcasting in regional areas of Western Australia, commercial printing operations, digital publishing and other publishing activities.
Ten Network Holdings Limited (Ten)			Ten and its controlled entities operates Channel 10 in Australia. It operates through two segments, Television and Out-of-Home. Ten provides free to air commercial television licences in Sydney, Melbourne, Brisbane, Adelaide and Perth and is also involved in out-of-home advertising in United States.
Nine Entertainment Co. Holdings Limited (Nine)			Nine operates through Television, Live and Digital segments. It provides free to air TV broadcasting, digital channels, online Mi9's news and entertainment portals in Sydney, Melbourne, Brisbane, Perth and Adelaide. The company operates Ticketek, a ticketing service provider to live events industry and other services for MyTicketek members in Australia and New Zealand.
Southern Cross Media Group (Southern Cross Media)			Southern Cross Media (previously Macquarie Media Group) invests in a range of media assets which provide free to air broadcasting, comprising commercial radio and television (Channel 10) throughout Australia. The company serves approximately 8.34 million radio and TV subscribers.
Prime Media Group Limited (Prime Media)			Prime Media primarily operates regional free to air commercial television and radio stations; outside broadcast production; film exhibition under the Moonlight Cinema brand, and television program production throughout Australia. The company offers its broadcasting services through PRIME7 and the Golden West Network (GWN7).

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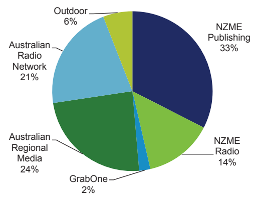
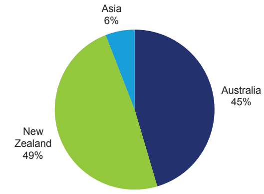
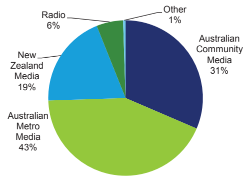
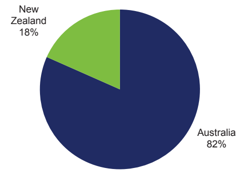
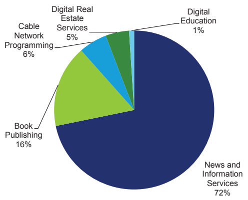
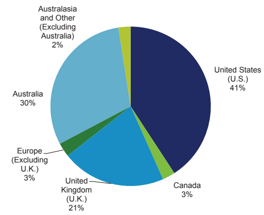
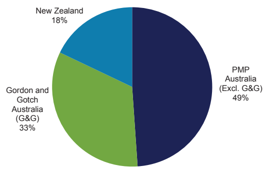
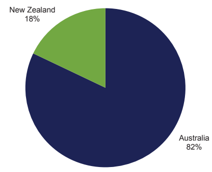
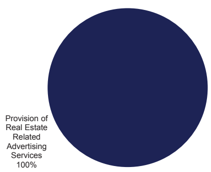
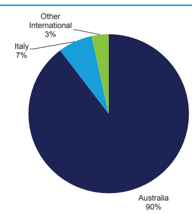
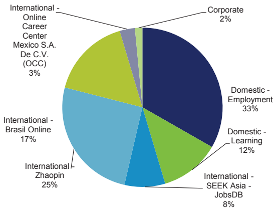
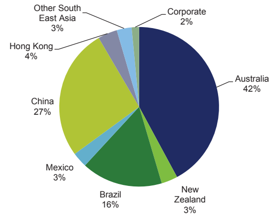
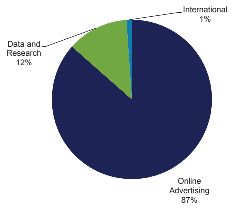
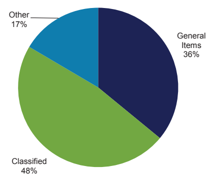
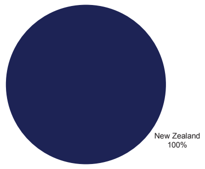
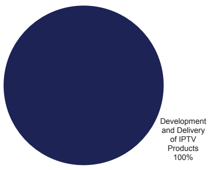
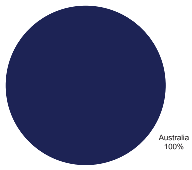
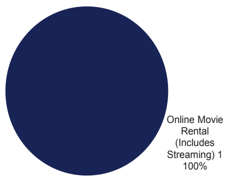
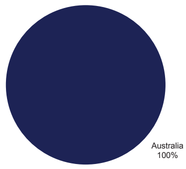
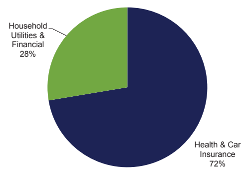
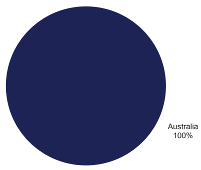
Company	Revenue segmentation (last reported year) Product	Geographic	Description
Newspaper and Magazines			
APN News & Media Ltd. (APN)			APN is an Australian based news and media company which operates predominantly in Australia, New Zealand and Hong Kong. APN publishes and prints regional newspapers and other publications (including directories and other specialist publications), along with operating approximately 20 websites, mobile sites and aps. APN also specialises in various outdoor advertising categories.
Fairfax Media Limited (Fairfax)			Fairfax is an Australian based diversified media company which primarily engages in publishing of news, information and entertainment, advertising sales in newspaper, magazine and online formats, and radio broadcasting. Fairfax's revenues are primarily generated through circulation sales, printing and the sale of advertising in its publications.
News Corporation			News Corporation provides media and information services, cable network programming, digital real estate services, book publishing and digital education services. The News and Information Services segment offers print and digital products, while the cable network offers sports programming through seven channels distributed through cable, satellite and IP.
PMP Limited (PMP)			PMP provides commercial printing, letterbox delivery, digital pre-media and magazine distribution services in Australia and New Zealand. The company offers its products and services to retailers; marketing and advertising, and media buying agencies, newspaper, magazine, and directory publishers; and various category/product clients.
Digital			
REA Group Limited (REA Group)			REA Group operates the realestate.com.au website and specialises in the online advertising of residential and commercial properties for sale and rent across Australia. REA Group also offers other services including online advertising, website development services and real estate print publication services. The company operates in Australia and other international locations.
Seek Ltd (Seek)			Seek was founded in 1997 and is based in Melbourne, Victoria. The company provides online employment and educational classifieds services. Alongside its main website, Seek also runs employment classifieds tailored to the executive market, IT industry, small businesses and volunteer organisations. The company primarily operates in Australia and New Zealand, with smaller operations right around the world.

Company	Revenue segmentation (last reported year) Product	Geographic	Description
Carsales.com Ltd (Carsales.com)		No segment information available	Carsales.com is based in Richmond, Australia. The company operates carsales.com.au, an online automotive classifieds website with additional offerings including bikes, boats, trucks, machinery and other equipment and accessories. The company now also provides software, analysis and website development and hosting services.
Trade ME group Limited (Trade ME)			Trade ME operates as an online marketplace and classified advertising platform in New Zealand. It provides an online market place for goods and services, pay now, holiday houses and classifieds include advertising sites for motors, property and jobs. It also operates advertising sites for motors, property and jobs.
GoConnect Limited (GoConnect)			GoConnect operates as a media communication company engaged in online delivery of interactive audio/video content through its proprietary technologies in Australia. Its activities also include the development of WiFi marketing platforms.
Quickflix Limited (Quickflix)			Quickflix was founded in 2004 and is headquartered in North Sydney, Australia. Quickflix develops and operates an online movie subscription and retail services in Australia and New Zealand. It offers online movie rental and subscription streaming services for approximately 60,000 movies and TV series titles.
iSelect Ltd (iSelect)			iSelect provides online comparison and referral services in Australia. The company operates through two segments, Health & Car Insurance, and Household Utilities & Financial. The company offers its services under the iSelect, InfoChoice, and Energy Watch brand names.

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Appendix D: Recent transactions in Australia

Table 44: Recent transactions in Australia

Announced date	Target company	% acquired	Enterprise value $m	EBITDA multiple
FTA Television				
Sep-13	Swan Television & Radio	100.0%	222.5	8.0x
Jul-13	Channel 9 South Australia	100.0%	139.5	9.3x
Newspaper & Magazines				
Jan-15	Metro Media Publishing Pty. Ltd.	50.0%	144.0	10.3x
Jan-13	Cirrus Media Pty Limited[1]	100.0%	40.0	3.0x
Sep-12	ACP Magazines Ltd.[1]	100.0%	500.0	6.3x
Digital				
Oct-13	Mi9 / Ninemsn Pty Limited	50.0%	81.6	2.0x
Aug-13	iNC Digital Media	20.5%	6.1	7.6x
Jan-13	Australian Local Search Pty. Ltd.	100.0%	n/a	nmf

Notes:
1. Data based on media and broker reports at the time of transaction
Source: Mergermarket, S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

For comparable transactions observed in relation to the media industry, the basis of calculation of the enterprise values and implied earnings multiples is as follows:

- implied enterprise values have been calculated based on the reported transaction value (calculated in the above cases based on the offer price for a share) and adding to this the total of the net borrowings at each company's most recent reporting date before the announcement date.
- EBITDA reflects historical EBITDA as reported in the last financial year or last 12 months before the announcement date.

Details of the comparable transactions are provided below, listed by target company.

Target / Acquirer	Description
Swan Television & Radio Broadcasters Pty. Ltd. / Nine	Swan Television & Radio Broadcasters Pty. Ltd. (Swan) operates the television channel Nine Perth. Nine is a media entertainment group which focusses on television, events and digital content. On 24 June 2013, Nine acquired a 100% stake in Swan for total consideration of $233m from WIN Corporation. Nine had acquired an option to acquire Swan for consideration of $10.5m during its acquisition of Channel 9 South Australia (see below). The acquisition enables Nine to increase its presence in the five metro Free to Air markets in Australia.
Channel 9 South Australia. / Nine	Channel 9 South Australia (Channel 9) is a television broadcaster offering news and broadcasts local programs. Nine is a media entertainment group which focusses on television, events and digital content. On 3 May 2013, Nine acquired Channel 9 from WIN Corporation for a total consideration of $140m. The acquisition enables Nine to increase its presence in the five metro Free to Air markets in Australia.
Metro Media Publishing Pty Ltd / Fairfax	Metro Media Publishing Pty Ltd (MMPL) is one of the largest multimedia establishments in Victoria, Australia. MMPL holds majority interests in 15 weekly premium real estate and lifestyle-focused magazines. MMPL acts as a sales agent for real estate agents and developers. MMPL also owns a digital property business platform called reviewproperty.com.au. Fairfax is a multi-platform media company which primarily publishes news, information and entertainment content. On 12 January 2015, Fairfax acquired the remaining 50% stake to increase its interest to 100% in MMPL at an acquisition price of $72m comprising of $18.5m cash and 68.5m shares.
Cirrus Media Pty Limited / Catalyst Investment Managers Pty Ltd	Cirrus Media Pty Limited (Cirrus) is a B2B events and media company based in Australia with a product portfolio ranging from magazines, supplements, directories, online industry portals and e-newsletters. Cirrus publishes magazines which focus on well-known industries in Australia including the mining, health and money management. Catalyst Investment Managers Pty Ltd (Catalyst) specialises in buyouts and middle market investments across all sectors. On 11 January 2013, Catalyst bought a 100% stake in Cirrus for an acquisition price of $40m from Reed Business Information (Reed). The sale of Cirrus was driven by Reed's decision to focus on its other service offerings including electronic data services and research.
ACP Magazines Ltd / Bauer Media Group	ACP Magazines Ltd (ACP) publishes and sells magazines primarily targeting women. The company owns 85 magazine titles including Woman's Day, Australian Women's Weekly and CLEO. Bauer Media Group (Bauer) is a European-based company which is into publishing magazines, providing digital products and operating radio and TV stations across the world. On 5 September 2014, Bauer acquired 100% stake in ACP for approximately $500m. The funds received from this acquisition will be used by the parent company (Nine Entertainment Co.) to offset the outstanding debt of CVC Capital Partners. The disposal will enable Nine to focus on its other business. Simultaneously, the deal will provide Bauer an opportunity to expand into the digital print area in Australia and New Zealand.
Mi9	Mi9 is an online entertainment portal that provides data strategies, consumer insights, digital designs and advertising services. It manages premium content sites including ninemsn, Nine News, Wide World of Sports and TheFix. Nine is a media entertainment group which focusses on television, events, magazines and digital content. On 14 October 2014, NEC acquired the remaining 50% of Mi9 from Microsoft Corporation (Microsoft) for an acquisition price of $40.8m. The acquisition was driven by the motive to focus and gain control of its digital business. However, Nine has entered into an agreement with Microsoft whereby Mi9 is expected to continue distribute Microsoft's advertising products while taking advantage of its data and technology capabilities.
iNC Digital Media / APN News & Media Ltd.	iNC Digital Media (iNC) provides digital media services which includes providing technology platforms to facilitate online requests. iNC also helps advertisers and media agencies distribute digital catalogues. APN News & Media Ltd (APN) provides newspaper and online publishing services, radio broadcasting and outdoor advertising in Australia and New Zealand. On 11 October 2013, APN acquired 21% of iNC at an acquisition price of $1.2m. The acquisition is expected to provide APN access to a range of digital products for sectors that require focused digital media.
Australian Local Search Pty. Ltd / Sensis Pty Ltd	Australian Local Search Pty. Ltd. owns and operates truelocal.com.au (Truelocal) which is an online directory of businesses in Australia. Sensis Pty Ltd (Sensis) owns and operates an integrated network of local search and digital marketing solutions. Sensis operates the Yellow Pages and White Pages in Australia. This acquisition is expected to provide growth opportunities, since the paid customers of Sensis will now be listed on TrueLocal.

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Appendix E: Control premiums

Deloitte study

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 27 November 2014. This study was conducted by Deloitte staff for internal research purposes. Our merger and acquisition data was sourced from Bloomberg, Reuters and S&P Capital IQ and yielded 555 transactions that were completed during the period under review[13].

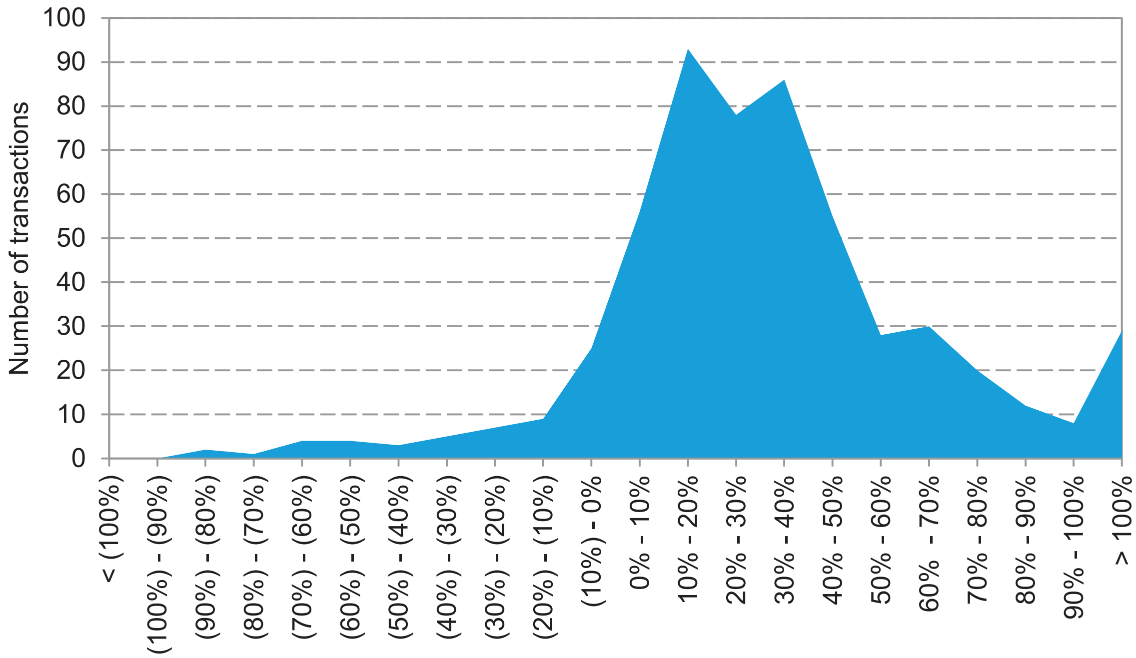
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in the entire Australian transactions between 1 January 2000 and 27 November 2014 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 31: Distribution of data



Source: Deloitte Corporate Finance analysis

[13] Excluding transactions where inadequate data was available.

The following table details our findings.

Table 45: Control premium analysis - findings

	Control Premium	
	Entire market	Media
Average	34%	23%
Median	29%	15%
Upper quartile	47%	31%
Lower quartile	12%	6%

Source: Deloitte Corporate Finance analysis

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise ‘special purchaser’ value which is only available to a very few buyers. Such ‘special purchaser’ value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

Other studies

In addition to the study above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, ‘Cross Country Determinants of Mergers and Acquisitions’, on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- ‘Valuation of Businesses, Shares and Equity’ (4th edition, 2003) by W.Lonergan states at pages 55-56 that: “Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly.”
- a study conducted by P.Brown and R.da Silva dated 1997, ‘Takeovers: Who wins?’, JASSA: The Journal of the Securities Institute of Australia, v4(Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7%.

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Appendix F: International peers

Table 46: International peers

Company	Segments	Revenue	Net debt to Enterprise Value	Revenue growth		EBITDA margin	P/E multiple
		$ million	(%)	FY2014	FY2015	FY2015	FY2016
ITV	TV	4,932.8	-0.3%	8.4%	13.5%	29.8%	15.1x
Media General	TV	824.8	50.1%	150.1%	113.6%	28.9%	13.2x
Nexstar Broadcasting Group	TV	771.5	36.3%	25.7%	45.3%	34.9%	13.8x
Sinclair Broadcast Group	TV	2,415.5	54.4%	45.0%	19.2%	31.7%	11.2x
Gray Television	TV	621.0	58.0%	46.7%	18.4%	28.9%	8.8x
Gannett Co.	TV, Publishing and Media	7,404.2	32.4%	16.4%	12.8%	24.6%	12.1x
The E. W. Scripps Company	TV and Publishing	1,062.0	2.2%	6.4%	3.4%	10.7%	17.2x
Median		**1,062.0**	**36.3%**	**25.7%**	**18.4%**	**28.9%**	**13.2x**

Source: S&P Capital IQ, public releases, Deloitte Corporate Finance analysis

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Appendix G: Recent right issue pricing data

Table 47: Recent rights issue pricing data

Date	Company	Size ($m)	Ratio	Size as a % of issued capital	Pricing relative to TERP
Renounceable rights issues					
Mar-10	Lend Lease Group	807	5 for 22	22.7%	-15.8%
Apr-10	Nufarm	251	1 for 5	20.0%	-22.5%
May-10	Transurban	542	1 for 11	9.0%	-6.0%
Jul-10	Boral	491	1 for 5	20.0%	-13.8%
Oct-10	Tabcorp	428	1 for 9	11.0%	-10.9%
Feb-11	Downer EDI	279	1 for 4	25.0%	-14.2%
Apr-11	Southern Cross Media	472	6 for 7	86.0%	-9.4%
May-11	Leighton Holdings Limited	758	1 for 9	11.1%	-20.5%
Oct-11	Energy Resources of Australia	500	12 for 7	171.0%	-29.8%
Oct-11	Transpacific Industries	309	9 for 14	64.0%	-18.8%
Jun-12	AGL Energy Limited	905	1 for 6	16.7%	-23.3%
Jun-12	Ten Network Holdings	200	3 for 8	38.0%	-15.6%
Jun-12	Echo Entertainment Group Ltd	454	1 for 5	20.0%	-23.1%
Jul-12	Seven West Media Limited	440	1 for 2	50.0%	-13.2%
Aug-13	IRESS Ltd	206	2 for 9	22.0%	-10.1%
Apr-14	Bank of Queensland Ltd	400	3 for 26	11.0%	-13.6%
Feb-14	Mermaid Marine Australia	317	7 for 18	57.0%	-11.0%
Sep-11	Goodman Fielder	259	5 for 12	42.0%	-18.0%
Oct-11	Super Retail Group	334	9 for 19	44.0%	-12.7%
Nov-11	Bluescope Steel	592	4 for 5	81.0%	-22.6%
Jun-12	Brambles Ltd	448	1 for 20	5.0%	-10.4%
Jun-13	ASX Ltd	553	2 for 19	11.0%	-15.0%
Jul-13	ALS Ltd	246	1 for 11	9.0%	-15.9%
Oct-14	Arrium Limited	754	1 for 1	100.0%	-15.0%
Feb-15	Tabcorp Holdings Limited	236	1 for 12	8.0%	-13.1%
Average		**447**		**38.2%**	**-15.8%**
Median		**440**		**22.0%**	**-15.0%**

Source: S&P Capital IQ, public releases, Deloitte Corporate Finance analysis

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Date	Company	Size ($m)	Ratio	Size as a % of issued capital	Pricing relative to TERP
Non-renounceable rights issues					
Apr-10	Golden Cross Resources Ltd.	817	1 for 2	50.0%	-10.0%
Jun-10	Citadel Resource Group	262	3 for 4	62.0%	-6.5%
Jul-10	Riversdale Mining	235	1 for 8	18.0%	-7.8%
Sep-10	Spark Infrastructure Group	295	2 for 7	29.0%	-18.1%
Dec-10	Transfield Services	294	2 for 9	22.0%	-12.0%
Feb-11	WA Newspapers	653	4 for 7	85.0%	-10.4%
Jul-11	Gindalbie Metals Ltd.	209	1 for 3	33.3%	-8.2%
Aug-11	DUET Group	277	1 for 5	20.0%	-4.2%
Mar-12	Bank of Queensland	300	8 for 37	32.0%	-14.5%
May-12	SP AusNet	434	3 for 20	15.0%	-6.1%
Jun-12	Billabong International Limited	225	6 for 7	86.0%	-30.0%
Aug-12	FKP Property Group	208	6 for 7	86.0%	-20.7%
Dec-12	Ten Network Holdings	230	4 for 5	80.0%	-25.8%
Aug-13	BWP Trust	200	1 for 6.8	16.0%	-4.0%
Sep-13	Australian Agricultural Co Ltd	219	7 for 10	70.0%	-9.1%
Oct-13	FKP Property Group	232	5 for 9	54.0%	-26.8%
Nov-13	Virgin Australia Holdings Ltd	351	5 for 14	36.0%	-4.6%
Nov-14	DUET Group	397	1 for 8		-5.9%
Feb-15	Steadfast Group Limited	300	1 for 3	33.3%	-11.9%
Average		**323**		**46.0%**	**-12.5%**
Median		**277**		**34.7%**	**-10.0%**
Overall Average		**394**		**41.4%**	**-14.3%**
Overall Median		**313**		**32.0%**	**-13.4%**

Source: S&P Capital IQ, public releases, Deloitte Corporate Finance analysis

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SEVEN WEST MEDIA

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(outside Australia) +61 3 9473 2555

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Proxy Form

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- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2.00 pm (AEST) on Sunday, 31 May 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder or the securityholder's attorney must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders or their attorneys should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting 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 Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Seven West Media Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Seven West Media Limited to be held at Doltone House, Jones Bay Wharf, Piers 19-21 Upper Deck, 26 - 32 Pirrama Road, Pyrmont, New South Wales on Tuesday, 2 June 2015 at 2.00 pm (AEST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	That, for the purposes of section 611, item 7, of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to the Company for the acquisition by Seven Group Holdings Limited of a Relevant Interest in the ordinary shares of the Company to be issued to SGH upon conversion of the CPS.	☐	☐	☐
Resolution 2	That, for the purposes of section 208 of the Corporations Act 2001 (Cth) and all other purposes, approval is given to the Company for the conversion of the CPS on the terms of the Conversion Agreement as outlined in the Explanatory Memorandum accompanying this Notice of Meeting.	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

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

Contact Name ____________ Contact Daytime Telephone ____________ Date ___ / ___ / ___

SWM 1 9 8 9 0 3 A

Computershare

DIRECTIONS & MAP

Parking

The Star Parking Station is located at Pyrmont Street, Pyrmont. For further information call (02) 9777 9000.

Wilson Jones Bay Wharf Carpark is located at 19-21 Pirrama Road Pyrmont (opposite Doltone House).

Walking distance

From Town Hall please walk over the Pyrmont Bridge then turn right onto Pirrama Road, Pyrmont, and continue until you reach Jones Bay Wharf.

Light Rail

Departs from Central Station. The nearest station is located at The Star.

Bus

The State Transit Bus Route 443 and 449 regularly departs Circular Quay to Pirrama Rd. For route and timetable information, call 13 15 00 or visit www.sydneybuses.info.