

ASX Announcement

WOTIF.COM HOLDINGS LIMITED ABN 41 093 000 456



wotif group

DATE: Friday 5 September 2014

WOTIF GROUP RELEASES SCHEME BOOKLET

Wotif.com Holdings Limited (**Wotif Group**) announces today that the Supreme Court of Queensland has made orders to convene a meeting of Wotif Group shareholders on Thursday, 9 October 2014 to consider and vote on the previously announced Scheme of Arrangement (**Scheme**) under which Expedia Australia Investments Pty Limited (**Expedia**) will acquire 100% of the ordinary shares in Wotif Group.

The Scheme Booklet has today been registered with Australian Securities and Investments Commission. A copy of the Scheme Booklet, including the Independent Expert's Report and an updated timetable, will be mailed or emailed to Wotif Group shareholders over the next week. A copy of the Scheme Booklet, including the Independent Expert's Report, is attached to this announcement.

The Independent Expert, Grant Samuel & Associates Pty Limited, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Wotif Group shareholders in the absence of a superior proposal.

The Wotif Group Directors believe that the Scheme is in the best interests of Wotif Group shareholders and unanimously recommend that Wotif Group shareholders vote in favour of the Scheme, in the absence of a superior proposal. The Wotif Group Directors and Mr Andrew Brice collectively represent approximately 35.7% of Wotif Group's fully diluted issued share capital and intend to vote any Wotif Group shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.

Scheme Meeting

The Scheme Meeting will be held at 10.00am (Brisbane time) on Thursday 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane.

All Wotif Group shareholders are encouraged to vote either by attending the Scheme Meeting in person, or by lodging a proxy vote by 10.00 am on Tuesday 7 October 2014.

Details of how to lodge a proxy vote are included in the Scheme Booklet.

Shareholder Information

If you have any questions in relation to the Scheme, or the Scheme Booklet, please contact the Wotif Group Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia).

Further Information

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SCHEME BOOKLET

For a Scheme of Arrangement between Wotif.com Holdings Limited ACN 093 000 456 (WTF) and the holders of ordinary shares in WTF in relation to the proposed acquisition by Expedia Australia Investments Pty Ltd ACN 600 494 086, a wholly owned subsidiary of Expedia, Inc., of all of the ordinary shares in WTF.

THE DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

VOTE IN FAVOUR

**OF THE RESOLUTION TO APPROVE THE SCHEME,
IN THE ABSENCE OF A SUPERIOR PROPOSAL**

**EACH DIRECTOR INTENDS TO VOTE THE WTF SHARES THEY OWN OR CONTROL
IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL**

**THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS
FAIR AND REASONABLE AND, THEREFORE, IN THE BEST INTERESTS OF
WTF SHAREHOLDERS, IN THE ABSENCE OF A SUPERIOR PROPOSAL**

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this document, please consult your broker, legal or financial adviser immediately. If you have recently sold all of your WTF Shares, please ignore this document.

A Notice of Scheme Meeting is included as Annexure E to this Scheme Booklet, and a proxy form for the Scheme Meeting accompanies this Scheme Booklet.

The Scheme Meeting will be held at 10.00 am (Brisbane time) on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane.

Financial Adviser

**Goldman
Sachs**

Legal Adviser

CLAYTON UTZ

WTF SHAREHOLDER INFORMATION LINE
INSIDE AUSTRALIA (TOLLFREE) 1300 721 953
OUTSIDE AUSTRALIA +61 3 9415 4802

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Important notices

General

WTF Shareholders should read this document in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting. If you are in any doubt as to how to deal with this document, please consult your broker, legal adviser or financial adviser immediately.

Purpose of this document

The purpose of this document is to explain the terms of the proposal for Expedia Investments, a wholly owned subsidiary of Expedia, Inc., to acquire all of the ordinary shares in Wotif.com Holdings Limited (**WTF or the Company**) by way of a Scheme and the manner in which the Scheme will be considered and implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of WTF Shareholders whether or not to approve the Scheme. This document includes the Explanatory Statement for the Scheme required by section 412(1) of the Corporations Act.

Responsibility statement

The information contained in this document has been provided by Wotif Group and is the responsibility of Wotif Group with the exception that:

- The information contained in Section 5 of this document (**Expedia Information**) has been provided by Expedia and is the responsibility of Expedia. Wotif Group has not verified the Expedia Information and none of Wotif Group nor its officers, employees or advisers assume any responsibility for the accuracy or completeness of the Expedia Information.
- The Independent Expert has prepared the Independent Expert's Report included as Annexure A of this document and is responsible for that report. None of Wotif Group, Expedia Group nor their respective officers, employees or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except that Wotif Group is responsible for the information given by it to the Independent Expert.

ASIC, ASX and the Court

A copy of this document has been provided to ASIC for examination for the purpose of section 411(2) of the Corporations Act and was lodged with ASIC for the purpose of registration under section 412(6) of the Corporations Act. ASIC has reviewed a copy of this document and registered the document before being sent to WTF Shareholders.

The Company has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Hearing. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court

Hearing to approve the Scheme. Neither ASIC nor any of its officers take any responsibility for the contents of this document.

A copy of this document has been lodged with the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of this document.

The Court has ordered the convening of the Scheme Meeting pursuant to section 411(1) of the Corporations Act. The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the Scheme Booklet required to accompany the Notice of Scheme Meeting (set out in Annexure E of this document) does not mean that the Court:

- a. has formed any view as to the merits of the proposed Scheme or as to how WTF Shareholders should vote (on this matter eligible WTF Shareholders must reach their own decision); or
- b. has prepared, or is responsible for, the content of this document.

The fact that under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened is not an endorsement of, or expression of opinion on, the Scheme.

No investment advice

The information and recommendations contained in this document do not constitute financial product advice and has been prepared without reference to your own personal investment objectives, financial situation, taxation position and particular needs. The information in this document should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your WTF Shares. Before making any investment decision in relation to the Scheme or your WTF Shares, including any decision to vote in favour or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in light of your particular personal needs, objectives and financial circumstances. If you are in any doubt about what you should do, please consult your broker, legal adviser or financial adviser immediately.

Not an offer

This document does not constitute or contain an offer to WTF Shareholders, or a solicitation of an offer from WTF Shareholders, in any jurisdiction.

Disclaimer as to forward looking statements

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Wotif Group or Expedia Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

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

Other than as required by law, neither Wotif Group nor Expedia Group nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur.

Subject to any continuing obligations under law or the ASX Listing Rules or as contemplated by Section 7.16, Wotif Group, Expedia and their respective directors disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based. You are cautioned not to place reliance on any forward looking statement.

Defined terms and Rounding

Capitalised terms and certain abbreviations used in this document have the defined meanings set out in Section 9 of this document.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculations may differ from the calculations set out in this document.

Unless otherwise specified, all references to "\$", "A\$", "dollar" and "cent" are references to Australian currency.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 5 September 2014.

Privacy and personal information

Wotif Group, Expedia and their respective share registries may collect personal information in the process of implementing the Scheme. The personal information they may collect about you includes your name, contact details and details of your WTF shareholding, and the names of individuals appointed by you to act as a proxy, corporate representative or attorney at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

WTF Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Computershare Investor Services Pty Limited on 1300 721 953 (within Australia only) or +613 9415 4802 (International) in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of assisting the Company and Expedia to conduct the Scheme Meeting and implement the Scheme. The personal information may be disclosed to Wotif Group's and Expedia's share registries/transfer agents and advisers, to securities brokers and to print and mail service providers.

The main consequence of not collecting the personal information outlined above would be that the Company may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

WTF Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform such an individual of the matters outlined above.

No internet site is part of this document

Wotif Group and Expedia Group maintain internet websites. Any references in this document to a website is a textual reference for information only and does not form part of this document.

Notice to foreign shareholders

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

This document complies with disclosure requirements in Australia and Australian law, which may be different to those requirements and laws in other countries outside of Australia.

References to time

Unless otherwise indicated, all references to time in this document are to Brisbane time.

Information line

If you have any questions about your WTF Shares or any other matter in this document, please call the WTF Shareholder Information Line on 1300 721 953 (within Australia only) or +61 3 9415 4802 (International).

Date of document

This document is dated 5 September 2014.

Letter from the Chairman of Wotif.com Holdings Limited

5 September 2014

Dear WTF Shareholder

On 7 July 2014, Wotif.com Holdings Limited (**WTF or the Company**) and Expedia Group announced that they had entered into an Implementation Agreement under which it is proposed that Expedia acquires all of the issued ordinary shares in the Company pursuant to a scheme of arrangement (**Scheme**).

If the Scheme is implemented, Scheme Shareholders will receive total cash of A\$3.30 per WTF Share comprising:

- A\$3.06 cash per share paid by Expedia; plus
- A\$0.24 Special Dividend paid by WTF, which is expected to be fully-franked.

If the Scheme is implemented, the total cash of A\$3.30 per Scheme Share will represent a:

- 30.7% premium to the volume weighted average price (VWAP) of WTF Shares during the five trading days leading up to and including 4 July 2014 of A\$2.53;
- 33.3% premium to the 1-month VWAP of A\$2.48; and
- 30.7% premium to the 3-month VWAP of A\$2.53.

For shareholders who are able to capture the full benefit of the franking credits associated with the Special Dividend there is a A\$0.10 per WTF Share franking credit attached to the Special Dividend, which is in addition to the A\$3.30 in cash per share provided to those shareholders. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their personal tax circumstances. You should consult with your own financial or tax adviser regarding the consequences of disposing of your Scheme Shares to Expedia in accordance with the Scheme in light of current tax laws and your particular investment circumstances.

In order for the Scheme to proceed, the Scheme Resolution must be passed by the requisite majorities of WTF Shareholders at the Scheme Meeting to be held on Thursday, 9 October 2014 and be approved by the Court. The Scheme is also subject to the satisfaction or waiver of various Conditions Precedent (summarised in Section 6.12).

The Directors (collectively, including Mr Graeme Wood, representing approximately 20.1% of fully-diluted issued shares) unanimously recommend that you vote in favour of the Scheme Resolution and approve the Scheme in the absence of a Superior Proposal. Subject to that same qualification, each Director who holds WTF Shares, or on whose behalf they are held, intends to vote in favour of the Scheme Resolution and approve the Scheme.

In reaching this conclusion, the Directors carefully assessed the changing dynamics of the markets in which the Wotif Group operates and the uncertainties and risks that the Wotif Group would face if it were to continue as an independent entity. Given these factors, the Directors believe that the significant premium and overall terms and conditions of Expedia's cash offer presents an excellent opportunity which delivers compelling value for WTF Shareholders. Importantly, if the Scheme becomes Effective, it eliminates the uncertainties and risks that will arise if the Company is to continue as an independent entity.

The Wotif Group, with assistance from its advisers have undertaken a comprehensive strategic review to explore all potential opportunities to maximise WTF Shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring the Wotif Group. Following the conclusion of that strategic review and the Board's assessment of recent changes in the online travel booking market, the Board is confident the proposed Scheme is in the best interests of all shareholders.

The Independent Expert, Grant Samuel & Associates Pty Limited, has assessed the full underlying value of the Company to be in the range of A\$3.06 to A\$3.41 per share, and has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders, in the absence of a Superior Proposal. The total cash of A\$3.30 per Scheme Share is within this range. The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this document.

Your vote is important and I encourage you to read this Scheme Booklet carefully and to vote either by attending the Scheme Meeting, to be held on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane, or by lodging a proxy vote. A proxy form is provided with this Scheme Booklet. Alternatively, you may lodge a proxy electronically by logging onto www.investorvote.com/au. Custodians and nominees may also lodge a proxy electronically by logging onto www.intermediaryonline.com.

If you have any questions in relation to the Scheme or this document, please contact the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (International) Monday to Friday between 9.00 am to 5.00 pm (Sydney time).

Yours sincerely,



Mr Dick McIlwain
Chairman
Wotif.com Holdings Limited

Timetable and key dates

Event	Time and Date
Last time and date for receipt of Proxy Forms, powers of attorney or certificates of appointment of body corporate representative for Scheme Meeting	10.00 am on Tuesday, 7 October 2014
Time and date for determining eligibility to vote at Scheme Meeting	7.00 pm (Sydney time) on Tuesday, 7 October 2014
Scheme Meeting	10.00 am on Thursday, 9 October 2014
If the Scheme is agreed to by the requisite majorities of WTF Shareholders:	
Second Court Date (Second Court Hearing for approval of the Scheme)	Tuesday, 14 October 2014
Ex-dividend date for the Special Dividend	Tuesday, 14 October 2014
Effective Date (Court order lodged with ASIC and announcement by WTF to ASX)	Wednesday, 15 October 2014
Suspension of trading in WTF Shares on the ASX	Close of trading on Wednesday, 15 October 2014
Dividend Record Date - time and date for determining entitlements to the Special Dividend	7.00 pm (Sydney time) on Thursday, 16 October 2014
Scheme Record Date - time and date for determining entitlements to Scheme Consideration	7.00 pm (Sydney time) on Monday, 20 October 2014
Payment of the Special Dividend/Dividend Payment Date	Friday, 24 October 2014
Implementation Date - transfer of WTF Shares to Expedia and despatching Scheme Consideration to Scheme Shareholders	Monday, 27 October 2014

Unless otherwise indicated, all references to time in the above table are to Brisbane time.

All dates in the above timetable are indicative only and are subject to change. The actual timetable will depend on many factors outside of the control of Wotif Group including the time at which the Conditions Precedent to the Scheme are satisfied or, if applicable, waived; or approvals from the Court and other regulatory authorities are received. Those conditions are summarised in Section 6.12 of this document. WTF (with the agreement of Expedia) has the right to vary the timetable set out above subject to the approval of such variation by the Court and the ASX where required. Any variation to the timetable set out above will be announced by WTF on ASX and published on the Wotif Group website at www.wotifgroup.com.

Your vote

Scheme Meeting

The Scheme Meeting will be held at 10.00 am on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane.

For the Scheme to proceed, it must be approved by a majority in number of WTF Shareholders present and voting at the Scheme Meeting (in person, by attorney, by proxy or, in the case of corporate shareholders, by authorised representative) and at least 75% of votes cast by WTF Shareholders entitled to vote at the Scheme Meeting. WTF Shareholders will be eligible to vote at the Scheme Meeting if they are registered as a shareholder on the Register at 7.00 pm (Sydney time) on Tuesday, 7 October 2014, other than Expedia and its Related Entities which are excluded from voting.

What should you do?

Read this document and the accompanying Notice of Scheme Meeting carefully.

If you have any questions, consult your broker, financial, legal or other professional adviser or call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (International).

Your Directors believe the Scheme is a matter of importance for all WTF Shareholders and therefore urge you to consider and vote on the Scheme.

Entitlement to vote

WTF Shareholders who are registered on the Register at 7.00 pm (Sydney time) on Tuesday, 7 October 2014 may vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative.

How to vote in person

If you are entitled to vote and wish to do so in person, you should attend the Scheme Meeting to be held at 10.00 am on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane.

Please bring your meeting registration forms with you to facilitate admission to the meeting. The meeting registration form for the Scheme Meeting is on page 1 of the Proxy Form included with this document.

A body corporate which is a WTF Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your authority.

How to vote by proxy

A Proxy Form is included with this document. If you wish to appoint a proxy to attend and vote at the Scheme Meeting, complete page 2 of the Proxy Form.

Your Proxy Form must be:

- sent to WTF Share Registry (using the reply paid envelope included with this document) at GPO Box 242, Melbourne, Victoria 3001;
- faxed to 1800 783 447 from within Australia or +61 3 9473 2555 from overseas; or
- lodged online via www.investorvote.com/au or www.intermediaryonline.com (custodians and nominees),

so that it is received by no later than 10.00 am on Tuesday, 7 October 2014.

If an attorney signs a Proxy Form on your behalf, a copy of the authority under which the Proxy Form was signed must be received by WTF Share Registry at the same time as the Proxy Form (unless you have already provided a copy of the authority to WTF).

If you complete and return a Proxy Form, you may revoke that proxy provided such revocation is received by the Registry by 10.00 am on Tuesday, 7 October 2014. If you revoke your proxy appointment, you may attend the meeting in person and vote at the meeting.

1. Frequently asked questions

This Section 1 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for WTF Shareholders. This Section 1 should be read together with all other Sections of this Scheme Booklet.

Question	Answer	Section(s)
THE SCHEME AT A GLANCE		
What is the transaction?	<p>The transaction involves Expedia acquiring all of WTF's issued ordinary shares which it does not already own by way of a scheme of arrangement. If the Scheme is implemented, Scheme Shareholders will receive:</p> <ul style="list-style-type: none"> • A\$3.06 for every WTF Share held as at the Scheme Record Date, to be paid by Expedia on the Implementation Date; and • the Special Dividend of A\$0.24, for every WTF Share held as at the Dividend Record Date that the Board has declared conditional on the Scheme becoming Effective, to be paid by WTF on the Dividend Payment Date. <p>This will result in eligible WTF Shareholders receiving total cash of A\$3.30 per Scheme Share.</p> <p>In addition, for Scheme Shareholders who are able to capture the full benefit of the franking credits associated with the Special Dividend there is a A\$0.10 per WTF Share franking credit attached to the Special Dividend. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their personal tax circumstances.</p> <p>In order for the Scheme to proceed, the Scheme Resolution must be passed by the requisite majorities of WTF Shareholders at the Scheme Meeting to be held on Thursday, 9 October 2014. The Scheme is also subject to the satisfaction or waiver of various Conditions Precedent (as applicable), as summarised in Section 6.12 and set out in full in clause 3 of the Implementation Agreement (refer to Annexure B of this document).</p>	2, 3 and 6
What is a "scheme of arrangement"?	<p>A "scheme of arrangement" is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme by certain majorities of shareholders at a meeting of shareholders and also requires Court approval.</p> <p>A detailed description of the Scheme is set out in Sections 2 and 6 of this document. The terms of the Scheme are set out in full in Annexure D of this document.</p>	2 and 6
What do the Directors recommend?	<p>The Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting. The Directors unanimously believe that the Scheme is in the best interests of WTF Shareholders.</p> <p>The reasons for this recommendation and other matters that you may wish to take into consideration are set out in Section 3 of this document.</p>	3
What are the intentions of the Directors?	<p>In the absence of a Superior Proposal, each of the Directors intends to vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting in relation to WTF Shares held by them or on their behalf.</p> <p>The Directors hold 42,615,000 WTF Shares, representing 20.1% of WTF Shares as detailed in Section 7.5 of this document.</p>	2.3, 2.4, 7.1, 7.2, and 7.5.
What are the intentions of Robert Andrew Brice?	<p>Mr Robert Andrew Brice and his Associates (who collectively represent approximately 15.58% of fully-diluted issued shares) intend to vote WTF Shares in their control in favour of the Scheme Resolution, in the absence of a Superior Proposal.</p>	7.4



Question	Answer	Section(s)
What are the reasons to vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are set out in Section 3.1 of this document.	3.1
What are the possible reasons not to vote in favour of the Scheme?	The possible reasons not to vote in favour of the Scheme are set out in Section 3.2 of this document.	3.2
What is the opinion of the Independent Expert?	The Independent Expert, Grant Samuel & Associates Pty Limited, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders in the absence of a Superior Proposal. The Independent Expert's Report is included in Annexure A of this document.	2.5 and Annexure A
What are the prospects of receiving a Superior Proposal?	Before the announcement of the Scheme, the Wotif Group, with assistance from its advisers, undertook a comprehensive strategic review to explore all potential opportunities to maximise WTF Shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring the Wotif Group. Since WTF announced the Scheme on Monday, 7 July 2014, no Superior Proposal to acquire the Wotif Group has emerged. Based on the Board's strategic review, the Directors have no basis for believing that a Superior Proposal will be forthcoming. WTF Shareholders should note that the Company has agreed to certain exclusivity and break fee provisions in favour of Expedia, which are summarised in Section 6.12 of this document. In addition, the two founders of the Wotif Group, Mr Graeme Wood and Mr Robert Andrew Brice have both entered into separate Call Option Deeds with Expedia, that enable Expedia, subject to conditions, to acquire up to 19.9% of the issued shares of WTF.	3.3(d) and 6.12
What should I do?	You should read this document carefully in its entirety and then vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out in Annexure E of this document.	Annexure E
WHAT YOU WILL RECEIVE UNDER THE SCHEME		
What will I receive if the Scheme is implemented?	If the Scheme is implemented, WTF Shareholders will receive: <ul style="list-style-type: none"> • A\$3.06 for every WTF Share held as at the Scheme Record Date from Expedia; and • the Special Dividend (of A\$0.24 per WTF Share held as at the Dividend Record Date) from WTF, that the Board intends to declare conditional on the Scheme becoming Effective. This will result in eligible WTF Shareholders receiving total cash of A\$3.30 per Scheme Share. In addition, for Scheme Shareholders who are able to capture the full benefit of the franking credits associated with the Special Dividend there is a A\$0.10 per WTF Share franking credit attached to the Special Dividend. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their personal tax circumstances. You should consult with your own financial or tax adviser regarding the consequences of disposing of your Scheme Shares to Expedia in accordance with the Scheme in light of current tax laws and your particular investment circumstances.	2.2

Question	Answer	Section(s)
Am I eligible to receive the Special Dividend and the Scheme Consideration?	<p>If you hold WTF Shares:</p> <ul style="list-style-type: none"> on the Dividend Record Date, you will be paid the Special Dividend by WTF on the Dividend Payment Date; and on the Scheme Record Date, you will be paid the Scheme Consideration by Expedia on the Implementation Date, subject to the Scheme becoming Effective. <p>If the Scheme is not approved by the required majorities of WTF Shareholders at the Scheme Meeting or by the Court, the Scheme Consideration and the Special Dividend will not be paid.</p>	6.5
When will the Special Dividend and Scheme Consideration be paid?	<p>If the Scheme becomes Effective, the Special Dividend will be paid by WTF on the Dividend Payment Date and the Scheme Consideration will be paid by Expedia on the Implementation Date.</p> <p>If the Scheme is not approved by the required majorities of WTF Shareholders at the Scheme Meeting or by the Court, the Special Dividend and the Scheme Consideration will not be paid.</p>	6.6
How will I be paid the Special Dividend and Scheme Consideration?	<p>WTF will pay the Special Dividend and Expedia will pay the Scheme Consideration by:</p> <ul style="list-style-type: none"> despatch of cheques in Australian currency drawn on an Australian bank account by pre-paid post to each eligible WTF Shareholder's address, as it appears in the WTF Share Register; or by electronic funds transfers (for eligible WTF Shareholders who have nominated a bank account that is currently used by WTF for the payment of dividends or notified prior to the relevant record date). <p>WTF Shareholders can change or nominate an Australian bank account in which to receive payment of the Scheme Consideration by visiting www.investorcentre.com/au and logging in using your unique SRN or HIN and passing a validation test.</p> <p>Alternatively WTF Shareholders may call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia) to request a hard copy direct credit instruction form. Banking instructions must be received by no later than 7.00 pm (Sydney time) on the Dividend Record Date (in the case of the Special Dividend) and 7.00 pm (Sydney time) on the Scheme Record Date (in the case of the Scheme Consideration).</p>	6.6
How will joint WTF Shareholders be paid for their WTF Shares?	<p>In the case of joint holders of Scheme Shares, if any of the Special Dividend or Scheme Consideration is paid for by:</p> <ul style="list-style-type: none"> cheque, that cheque will be in the names of those joint holders, and sent to the holder whose name appears first on the WTF Share Register; or by electronic funds transfer (for eligible WTF Shareholders who have nominated a bank account that is currently used by WTF for the payment of dividends or notified prior to the relevant record date), that payment will be made to the holder whose name first appears on the WTF Share Register. <p>Joint holders of WTF Shares can change or nominate an Australian bank account in which to receive payment of the Scheme Consideration by visiting www.investorcentre.com/au and logging in using your unique SRN or HIN and passing a validation test.</p> <p>Alternatively WTF Shareholders may call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia) to request a hard copy direct credit instruction form. Banking instructions must be received by no later than 7.00 pm (Sydney time) on the Dividend Record Date (in the case of the Special Dividend) and 7.00 pm (Sydney time) on the Scheme Record Date (in the case of the Scheme Consideration).</p>	6.6

Question	Answer	Section(s)
What are the tax consequences of the Scheme for me?	<p>Section 8 of this document provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Scheme Shareholders who dispose of their Scheme Shares to Expedia in accordance with the Scheme.</p> <p>You should consult with your own financial or tax adviser regarding the consequences of disposing of your Scheme Shares to Expedia in accordance with the Scheme in light of current tax laws and your particular investment circumstances.</p>	8
Will I have to pay brokerage or transfer fees?	No, you will not have to pay any brokerage or transfer fees in connection with the Scheme.	3.1(h), 8.5
VOTING TO APPROVE THE SCHEME		
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at 10.00 am on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane.	6.1
Am I entitled to vote at the Scheme Meeting?	The time for determining eligibility to vote at the Scheme Meeting is 7.00 pm (Sydney time) on Tuesday, 7 October 2014. Only those WTF Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.	6.2
What vote is required to approve the Scheme Resolution?	<p>For the Scheme to proceed, votes "in favour" must be received:</p> <ul style="list-style-type: none"> from a majority in number of WTF Shareholders who vote at the Scheme Meeting (in person, by attorney or by proxy or, in the case of corporate shareholders, by authorised representative); and at least 75% of the total number of WTF Shares voted on the resolution to approve the Scheme. <p>It is also necessary for the Court to approve the Scheme before it can become Effective.</p>	2.7 and 6.1
What choices do I have as a WTF Shareholder?	<p>As a WTF Shareholder you have the following choices:</p> <ul style="list-style-type: none"> you can vote in person, by attorney, by proxy or, in the case of corporate shareholders, by authorised representative; you can elect not to vote at the Scheme Meeting; or you can sell your WTF Shares on the ASX. If you sell your WTF Shares on the ASX you will receive cash and may incur brokerage costs. If the Scheme becomes Effective, WTF Shares will cease trading on the ASX at close of trading on the Effective Date. Accordingly, you can sell your WTF Shares on market at any time before the close of trading on the day that the Scheme becomes Effective. 	2.13, 6.1 and 6.2
Should I vote?	Voting is not compulsory. However, the Directors believe that the Scheme is important to all WTF Shareholders and the Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting.	3

Question	Answer	Section(s)
How do I vote?	<p>You may vote in person by attending the Scheme Meeting to be held at 10.00 am on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane. Alternatively, you may vote by completing and lodging the Proxy Form that is enclosed with this document. The Proxy Form can be lodged by mail, online or by fax – see the “How to Vote” section in Annexure E of this document.</p> <p>You can also vote by appointing an authorised representative (if you are a body corporate) or an attorney.</p> <p>Full details of how to vote and how to lodge the Proxy Form, authorised representative appointment or power of attorney are set out in the “How to Vote” section in Annexure E of this document.</p>	Annexure E
What happens if I do not vote, or I vote against the Scheme?	<p>The Scheme may not be approved at the Scheme Meeting by the requisite majorities. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration or the Special Dividend, and you will remain a WTF Shareholder.</p> <p>However, if the Scheme is approved and implemented, your WTF Shares will be transferred to Expedia under the Scheme and you will receive from Expedia the Scheme Consideration for every WTF Share you hold on the Scheme Record Date.</p> <p>If the Scheme becomes Effective, you will also receive from WTF the Special Dividend for each WTF Share you hold on the Dividend Record Date.</p> <p>This is so even if you did not vote at all or you voted against the Scheme.</p>	2.11, 3.3(b) and 6
What happens if the Scheme is not approved at the Scheme Meeting?	<p>If the Scheme does not proceed, WTF Shareholders will retain their WTF Shares, WTF will continue to operate as a stand-alone entity listed on the ASX and WTF Shareholders will not receive the Scheme Consideration or the Special Dividend. Wotif Group will continue to focus on its current business plan and strategy.</p> <p>If the Scheme does not proceed, WTF will not pay the Special Dividend. Any final dividend for FY14 will be considered by the Board.</p>	2.11
What happens if the Scheme is approved at the Scheme Meeting, but it is not approved by the Court?	<p>If the Scheme is approved at the Scheme Meeting, but is not approved by the Court, WTF Shareholders will retain their WTF Shares, WTF will continue to operate as a stand-alone entity listed on the ASX and WTF Shareholders will not receive the Scheme Consideration or the Special Dividend. Wotif Group will continue to focus on its current business plan and strategy.</p> <p>If the Scheme does not proceed, WTF will not pay the Special Dividend. Any final dividend for FY14 will be considered by the Board.</p>	2.11
When will the results of the Scheme Meeting be available?	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX once available.</p>	6.1
Will WTF still pay the Special Dividend if the Scheme does not proceed?	<p>If the Scheme does not proceed, WTF will not pay the Special Dividend. Any final dividend for FY14 will be considered by the Board.</p>	-
OTHER		
Who will manage Wotif Group following completion of the Scheme?	<p>Expedia will manage Wotif Group after implementation of the Proposal and completion of the Scheme.</p>	5.7

Question	Answer	Section(s)
What will happen to WTF business?	WTF will ultimately become a wholly owned subsidiary of Expedia, Inc. and will no longer be listed on ASX.	2.1 and 5.7(b)
Can I keep my shares in WTF?	If the Scheme is implemented, WTF Shares will be transferred to Expedia. This is so even if you did not vote at all or you voted against the Scheme.	3.3(b) and 6.7
Who is Expedia?	Expedia, Inc. is a global travel company listed on the NASDAQ Global Select Market. Further information on Expedia is set out in Section 5 of this document.	5
Can I acquire shares in Expedia?	Expedia, Inc. is listed on the NASDAQ Global Select Market in the US and you may be able to purchase shares in Expedia on that exchange.	5.1
Is the Scheme subject to any conditions?	There are a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Scheme can become Effective. In summary, as at the date of the Scheme Booklet, the outstanding Conditions Precedent include: <ul style="list-style-type: none"> • approval by the requisite majorities of WTF Shareholders at the Scheme Meeting; • approval of the Scheme by the Court; • approval by the Foreign Investment Review Board; • approval by the ACCC; • approval by the NZCC; and • no WTF Prescribed Occurrences occurring. These conditions are summarised in Section 6.12 of this document and set out in full in clause 3 of the Implementation Agreement (a copy of which forms Annexure B of this document).	6.12 and Annexure B
What happens if any of the Conditions Precedent are not satisfied or waived?	If any one of the Conditions Precedent are not satisfied or waived, the Scheme will not become Effective and will not be implemented. WTF Shareholders will retain their WTF Shares, WTF will continue to operate as a stand-alone entity listed on the ASX and WTF Shareholders will not receive the Scheme Consideration or the Special Dividend. Wotif Group will continue to focus on its current business plan and strategy.	2.6 and 2.11
What happens if a Superior Proposal emerges?	If a Superior Proposal emerges, your Directors will reconsider their recommendation in respect of the Scheme. Under the Call Option Deeds entered into by substantial shareholders in WTF, Expedia may have the option to acquire up to 19.9% of the issued shares in WTF where a Superior Proposal emerges. The terms of the Call Option Deeds are summarised in Section 3.3 of this document.	3.3
When will WTF Shares cease trading on the ASX?	Provided the Scheme becomes Effective, WTF Shares are expected to cease trading on the ASX at close of trading on the Effective Date (which is currently scheduled to be Wednesday, 15 October 2014) or such later date as determined by Expedia.	6.9
What if I have other questions?	If you have any further questions concerning the Proposal, please consult your broker, financial adviser, legal adviser, or other professional adviser or call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (International).	2.14

2. Key features of the Scheme

2.1 Overview

On 7 July 2014, WTF announced that it had entered into the Implementation Agreement in relation to the proposed acquisition of all of the issued ordinary shares of WTF by Expedia. A copy of the Implementation Agreement is set out in Annexure B of this document.

The proposed acquisition will be implemented by way of a scheme of arrangement to be approved by WTF Shareholders. If the Scheme is Effective, WTF will become a wholly owned subsidiary of Expedia and WTF will be delisted from the ASX.

A copy of the Scheme is set out in Annexure D of this document.

2.2 What you will receive if the Scheme is implemented

If the Scheme is implemented, WTF Shareholders will receive:

- A\$3.06 in cash for every WTF Share held as at the Scheme Record Date from Expedia; and
- the Special Dividend of A\$0.24 per WTF Share held as at the Dividend Record Date which will be paid by WTF and is expected to be fully franked.

This will result in Scheme Shareholders receiving total cash of A\$3.30 per WTF Share from a combination of the Scheme Consideration and the Special Dividend. The Special Dividend will be sent to Scheme Shareholders on the Dividend Payment Date, which is currently expected to be Friday, 24 October 2014, and the Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date, which is currently expected to be Monday, 27 October 2014.

In addition, for Scheme Shareholders who are able to capture the full benefit of the franking credits associated with the Special Dividend there is a A\$0.10 per WTF Share franking credit attached to the Special Dividend. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their personal tax circumstances. You should consult with your own financial or tax adviser regarding the consequences of disposing of your Scheme Shares to Expedia in accordance with the Scheme in light of current tax laws and your particular investment circumstances.

WTF Shareholders can change or nominate an Australian bank account in which to receive payment of the Scheme Consideration by visiting www.investorcentre.com/au and logging in using your unique SRN or HIN and passing a validation test.

Alternatively WTF Shareholders may call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia) to request a hard copy direct credit instruction form. Banking instructions must be received by no later than 7.00 pm (Sydney time) on the Dividend Record Date (in the case of the Special Dividend) and 7.00 pm (Sydney time) on the Scheme Record Date (in the case of the Scheme Consideration).

2.3 Directors' recommendation

The Directors unanimously recommend, in the absence of a Superior Proposal, that eligible WTF Shareholders vote in favour of the Scheme Resolution and approve the Scheme Resolution at the Scheme Meeting.

The reasons for this recommendation and other matters that you may wish to take into consideration are set out in Section 3 of this document.

In considering whether to vote in favour of the Scheme, the Directors encourage you to:

- carefully read all of this document (including the Independent Expert Report);
- consider the choices available to you as outlined in section 3 of this document;
- have regard to your individual risk profile, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

2.4 Voting intentions of the Directors

Each Director (collectively, including Mr Graeme Wood, representing approximately 20.1% of the fully-diluted issued shares) intends to vote in favour of the Scheme at the Scheme Meeting to be held on Thursday, 9 October 2014 in relation to the WTF Shares held or controlled by them, in the absence of a Superior Proposal.

Details of the Relevant Interests of each Director are set out in Section 7.5 of this document.

2.5 Independent Expert's opinion

WTF appointed Grant Samuel & Associates Pty Limited (**Grant Samuel**) as the Independent Expert to prepare a report on whether the Scheme is in the best interests of WTF Shareholders.

That report concludes that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is set out in full in Annexure A of this document.

2.6 Conditions precedent

Implementation of the Scheme is subject to a number of Conditions Precedent which are summarised in Section 6.12 of this document and set out in full in clause 3 of the Implementation Agreement (a copy of which forms Annexure B of this document).

Key Conditions Precedent to the Scheme becoming Effective are obtaining the approval of the Foreign Investment Review Board (provided by written notice issued by or on behalf of the Treasurer of the Commonwealth of Australia), obtaining the relevant clearances from the ACCC and the NZCC for the acquisition by Expedia of all of the issued shares in WTF, and no WTF Prescribed Occurrences occurring.

If any one of the Conditions Precedent are not satisfied or waived, the Scheme will not become Effective and will not be implemented. WTF Shareholders will retain their WTF Shares, WTF will continue to operate as a stand-alone entity listed on the ASX and WTF Shareholders will not receive the Scheme Consideration or the Special Dividend. Wotif Group will continue to focus on its current business plan and strategy.

2.7 Key steps to implement the Proposal and approvals required

As part of the Conditions Precedent set out in Section 6.12 of this document and clause 3 of the Implementation Agreement, the Scheme will only become Effective and implemented if it is:

- agreed to by the requisite majority of WTF Shareholders at the Scheme Meeting to be held on Thursday, 9 October 2014; and
- approved by the Court at the Second Court Hearing.

The requisite majority of WTF Shareholders requires the Scheme Resolution to be agreed to by:

- a majority in number (more than 50%) of WTF Shareholders present and voting at the Scheme Meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Scheme Resolution by WTF Shareholders present and voting at the Scheme Meeting (either in person or by proxy).

As such, the key steps to implement the Proposal are as follows:

- Scheme Meeting - The Court has ordered WTF to convene the Scheme Meeting at which WTF Shareholders will be asked to approve the Scheme Resolution by the requisite majority. WTF has convened the Scheme Meeting to be held on Thursday, 9 October 2014 at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane commencing at 10.00 am;
- WTF Shareholders will vote on whether to approve the Scheme at the Scheme Meeting;
- if the requisite majorities (as outlined above) of WTF Shareholders approve the Scheme Resolution, then WTF:
 - will announce the record date to determine those WTF Shareholders who are eligible to receive the Special Dividend conditional on the Scheme becoming Effective. The Dividend Record Date is currently expected to be Thursday, 16 October 2014; and
 - will apply to the Court to approve the Scheme at the Second Court Hearing (currently expected to be held on Tuesday, 14 October 2014). The Corporations Act and the relevant Court rules provide a procedure for WTF Shareholders to oppose the approval by the Court of the Scheme. Any WTF Shareholder who wishes to oppose the approval of the Scheme on the Second Court Hearing may do so by filing with the Court and serving on WTF a notice of appearance in the

prescribed form, together with any affidavit on which the WTF Shareholder will seek to rely on the Second Court Hearing;

- if all Conditions Precedent to the Scheme have been satisfied or waived, and the Court approves the Scheme at the Second Court Hearing, WTF will lodge with ASIC an office copy of the Court order approving the Scheme. WTF intends to lodge this with ASIC on the date immediately after the Second Court Date (currently expected to be Wednesday, 15 October 2014);
- with effect from the day on which the office copy of the Court order is lodged with ASIC, WTF Shares will be suspended from trading on the ASX;
- if the Scheme becomes Effective, WTF Shareholders will be entitled to receive the Special Dividend from WTF if they are registered as the holder of WTF Shares at 7.00 pm (Sydney time) on the Dividend Record Date (currently expected to be Thursday, 16 October 2014) and they will be entitled to receive the Scheme Consideration under the Scheme if they are registered as the holders of WTF Shares at 7.00 pm (Sydney time) on the Scheme Record Date (currently expected to be Monday, 20 October 2014);
- on the Dividend Payment Date (currently expected to be Friday, 24 October 2014), WTF will despatch cheques or electronically transfer funds for the Special Dividend to eligible WTF Shareholders;
- on the Implementation Date (currently expected to be Monday, 27 October 2014), Expedia will pay the Scheme Consideration in respect of, and acquire, all existing Scheme Shares;
- at the close of trading on the Implementation Date (currently expected to be Monday, 27 October 2014), or such later date as determined by Expedia, WTF will apply for termination of the official quotation of WTF Shares on the ASX and to have itself removed from the official list of the ASX, with effect from the Business Day following the Implementation Date (currently expected to be Tuesday, 28 October 2014).

Section 6 of this document contains further details of the Scheme, including the approvals required in order for the Scheme to proceed.

2.8 Exclusivity arrangements

WTF has agreed in the Implementation Agreement that it will comply with certain restrictions in relation to soliciting alternative or competing proposals with third parties, and responding to approaches by third parties in relation to the Wotif Group.

Further details about these arrangements are set out in Section 6.12 of this document and the relevant provisions are set out in full in clause 8 of the Implementation Agreement.

2.9 Break Fee

WTF has agreed under the Implementation Agreement to pay the Break Fee to Expedia in certain circumstances. The Break Fee is a calculation of 1% of the Transaction Value. That figure is approximately A\$7.03 million.

Further details about the Break Fee are set out in Section 6.12 of this document and the relevant provisions are set out in full in clause 9 of the Implementation Agreement.

2.10 Taxation implications

A general guide to the taxation implications of the Proposal is set out in Section 8 of this document. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any WTF Shareholder.

2.11 If the Scheme does not proceed

If the Scheme does not proceed, WTF Shareholders will retain their WTF Shares, WTF will continue to operate as a stand-alone entity listed on the ASX and WTF Shareholders will not receive the Scheme Consideration nor the Special Dividend. Wotif Group will continue to focus on its current business plan and strategy.

If the Scheme does not proceed, WTF will not pay the Special Dividend. Any final dividend for FY14 will then be considered by the Board.

2.12 Action to be taken by WTF Shareholders

You should read this document in its entirety. If you are in any doubt as to how to deal with this document, please consult your broker, legal adviser or financial adviser.

Details of your entitlement to vote at the Scheme Meeting and instructions on how to vote are set out on page 7 and in the Notice of Meeting, which is set out at Annexure E of this document.

2.13 WTF Shareholders may sell their WTF Shares on the ASX at any time before the suspension of WTF Shares from trading

WTF Shareholders should take into account that they may sell their WTF Shares on the ASX at any time before the suspension of WTF Shares from trading if they do not wish to hold them and participate in the Scheme (although normal brokerage and other expenses on sale may be incurred). It is expected that suspension of trading in WTF Shares on the ASX will occur from close of trading on the Effective Date. This is expected to occur on Wednesday, 15 October 2014.

2.14 Further information for WTF Shareholders

If you have any further questions concerning the Proposal or the Scheme, please consult your broker or your financial, legal, or other professional adviser or call WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (International).

3. Recommendations and matters relevant to your vote

3.1 Reasons to vote in favour of the Scheme

- ✓ Your Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders, in the absence of a Superior Proposal
- ✓ A\$3.30 cash represents a significant premium for your Scheme Shares
- ✓ The A\$3.30 cash per Scheme Share payable under the Scheme would provide you with the certainty of cash for your Scheme Shares
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet
- ✓ If the Scheme does not proceed and no Superior Proposal emerges, the WTF Share price is likely to fall
- ✓ If the Scheme does not proceed, and no Superior Proposal emerges, WTF Shareholders will continue to be subject to the specific risks associated with Wotif Group business and other general risks
- ✓ No brokerage or transfer costs are payable on the disposal of your Scheme Shares under the Scheme

Reasons to vote in favour of the Scheme are discussed in more detail below.

a. Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

Your Board unanimously recommends that you vote in favour of the Scheme and approve the Scheme Resolution at the upcoming Scheme Meeting on Thursday, 9 October 2014, in the absence of a Superior Proposal. Subject to that same qualification, each Director who holds Scheme Shares, or on whose behalf Scheme Shares are held, intends to vote in favour of the Scheme Resolution and approve the Scheme.

In reaching this conclusion, the Directors carefully assessed the changing dynamics of the markets in which the Wotif Group operates and the uncertainties and risks that the Wotif Group would face if it were to continue as an independent company. Given these factors, the Directors believe that the significant premium and overall terms and conditions of Expedia's cash offer present an excellent opportunity which delivers compelling value for WTF Shareholders. Importantly, if the Scheme becomes effective, it eliminates the uncertainties and risks that will arise if the Company is to continue as an independent entity.

The Wotif Group, with assistance from its advisers have undertaken a comprehensive strategic review to explore all potential opportunities to maximise WTF Shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring the Wotif Group.

Following the conclusion of that strategic review and the Board's assessment of recent changes in the online travel booking market, the Board is confident the proposed Scheme is in the best interests of all shareholders.

b. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders, in the absence of a Superior Proposal

Your Directors appointed Grant Samuel & Associates Pty Limited as Independent Expert to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is in the best interests of WTF Shareholders.

The Independent Expert has assessed the full underlying value of WTF to be in the range of A\$3.06 to A\$3.41 per share. The total cash of A\$3.30 per Scheme Share is within this range.

Accordingly, the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of WTF Shareholders, in the absence of a Superior Proposal.

A copy of the Independent Expert's Report is included in Annexure A of this document.

c. A\$3.30 cash represents a significant premium for your share

The A\$3.30 cash per Scheme Share payable under the Scheme, excluding the potential benefit of franking credits associated with the Special Dividend, represents a:

- 30.7% premium to the VWAP of WTF Shares during the five trading days leading up to and including 4 July 2014 of A\$2.53;
- 33.3% premium to the 1-month VWAP of A\$2.48; and
- 30.7% premium to the 3-month VWAP of A\$2.53.



Figure 1 - Premium over historical trading prices of WTF Shares

Source: IRESS

d. The A\$3.30 cash per Scheme Share payable under the Scheme would provide you with the certainty of cash for your WTF Shares

The offer from Expedia is a 100% cash offer. If implemented, the total cash of A\$3.30 per Scheme Share provides a high degree of certainty of value and timing.

Specifically, if all the Conditions Precedent for the Scheme are satisfied or waived, as applicable, Scheme Shareholders will receive total cash of A\$3.30 per Scheme Share from a combination of the Scheme Consideration from Expedia and the Special Dividend from WTF. In addition, for Scheme Shareholders who are able to capture the full benefit of the franking credits associated with the Special Dividend there is a A\$0.10 per WTF Share franking credit attached to the Special Dividend. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their personal tax circumstances. You should consult with your own financial or tax adviser regarding the consequences of disposing of your Scheme Shares to Expedia in accordance with the Scheme in light of current tax laws and your particular investment circumstances.

In contrast, if the Scheme does not proceed, the amount which WTF Shareholders will be able to realise for their investment in WTF Shares will necessarily be uncertain. The Scheme removes this uncertainty for Scheme Shareholders. For details of risks relating to an investment in WTF Shares, see Section 4.5.

e. No Superior Proposal has emerged as at the date of this Scheme Booklet

Before the announcement of the Scheme, the Wotif Group, with assistance from its advisers undertook a comprehensive strategic review to explore all potential opportunities to maximise WTF Shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring the Wotif Group.

Since WTF announced the Proposal on Monday, 7 July 2014, no Superior Proposal to acquire the Wotif Group has emerged. Based on the Board's strategic review, the Directors have no basis for believing that a Superior Proposal will be forthcoming.

f. If the Scheme does not proceed and no Superior Proposal emerges, the WTF Share price is likely to fall

If the Scheme is not implemented, and in the absence of a Superior Proposal, it is likely that WTF Shares will fall below the value of the total cash of A\$3.30 to be received in respect of each Scheme Share (being the Scheme Consideration together with the Special Dividend).

In addition, the future trading price of WTF Shares will continue to be subject to any market volatility, versus the certain value of this cash payment.

g. If the Scheme does not proceed, and no Superior Proposal emerges, WTF Shareholders will continue to be subject to the specific risks associated with Wotif Group business and other general risks

If the Scheme does not proceed, the amount which WTF Shareholders will be able to realise for their investment in WTF Shares in terms of price and future dividends, will necessarily be uncertain and subject to a number of risks outlined in Section 4.5. Among other things, this will be subject to the performance of Wotif Group's business from time to time (in particular, the uncertainties associated with Wotif Group's outlook as described in Section 4.5), general economic conditions and movements in the share market.

h. No brokerage or transfer costs are payable on the disposal of your Scheme Shares under the Scheme

No brokerage or transfer costs will be payable on the disposal of your Scheme Shares under this Proposal.

3.2 Possible reasons not to vote in favour of the Scheme

Although the Scheme is recommended by your Directors (in the absence of a Superior Proposal) factors which may lead you to consider voting against the Scheme include the following.

- ✗ You may disagree with the recommendation of your Directors and the conclusion of the Independent Expert
- ✗ If the Scheme proceeds, you will no longer be a WTF Shareholder and you will not participate in any potential upside that may result from being a WTF Shareholder
- ✗ You may consider that there is potential for a Superior Proposal to emerge in the foreseeable future
- ✗ The tax consequences of the Scheme for you may not be suitable to your financial position

Reasons to vote against the Scheme are discussed in more detail below.

a. You may disagree with the recommendation of your Directors and the conclusion of the Independent Expert

You may hold a different view to the Directors and the Independent Expert and believe that the Scheme Consideration and the Special Dividend is inadequate.

b. If the Scheme proceeds, you will no longer be a WTF Shareholder and you will not participate in any potential upside that may result from being a WTF Shareholder

If the Scheme is approved and implemented, you will cease to be a WTF Shareholder. As such, you will no longer be able to participate in Wotif Group's future financial performance, including by benefitting from the payment of dividends, or the future prospects of its ongoing business. However, as with all investments in securities, there can be no guarantee as to Wotif Group's future performance.

If the Scheme is approved and implemented, WTF will be removed from the official list of the ASX. Following delisting, investors will no longer be able to acquire or trade in WTF Shares. Expedia will have the sole right to determine the future direction of the Wotif Group following implementation of the Scheme.

c. You may consider that there is potential for a Superior Proposal to emerge in the foreseeable future

It is possible that a more attractive proposal for WTF Shareholders could materialise in the future, e.g. a takeover bid with a higher offer price than the Scheme Consideration and the Special Dividend combined. However, as at the date of this document, your Directors have not received or become aware of any alternative proposal and have no basis for believing that an alternative proposal will be received.

d. The tax consequences of the Scheme for you may not be suitable to your financial position

Implementation of the Scheme may have tax consequences for WTF Shareholders. A general guide to the taxation implications of the Proposal is set out in Section 8 of this document. This guide is expressed in general terms and individual WTF Shareholders should seek professional advice regarding the tax consequences applicable to their own circumstances.

3.3 Other relevant considerations

a. Implications of a failure to approve the Scheme

If the Scheme is not approved by WTF Shareholders or the Court, WTF Shareholders will retain their WTF Shares. Under this scenario, and in the absence of a Superior Proposal, the market price for WTF Shares may fall.

b. The Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of WTF Shareholders at the Scheme Meeting and the Court. If this occurs, your WTF Shares will be transferred to Expedia and you will receive from Expedia A\$3.06 for every WTF Share you hold as at the Scheme Record Date and from WTF the Special Dividend of A\$0.24 for every WTF Share you hold as at the Dividend Record Date, even though you did not vote on, or voted against, the Scheme.

c. Conditionality of the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent, including:

- approval of the Foreign Investment Review Board;
- approval of the ACCC and NZCC;
- WTF Shareholder and Court approvals of the Scheme;
- all outstanding Options are:
 - to the extent the exercise price of the Option is equal to or less than the Scheme Consideration, either vested and converted into WTF Shares by 5.00 pm on the Scheme Record Date; or
 - cancelled or any agreements required to acquire or cancel the Options are executed before 8.00 am on the Second Court Date; and
- No WTF Prescribed Occurrences have occurred between 5 July 2014 (being the day the Implementation Agreement was entered in to) and 8.00 am on the Second Court Date.

These conditions are summarised in Section 6.12 of this document and set out in full in clause 3 of the Implementation Agreement (a copy of which forms Annexure B of this document).

d. Call Option Deeds

Two of WTF's substantial shareholders have entered into separate agreements which grant Expedia options to acquire some of their shares (**Call Option Deeds**).

In particular, Expedia Investments and Expedia, Inc. (as guarantor) have entered into the Call Option Deeds with:

- Mr Graeme Thomas Wood; and
- Mr Robert Andrew Brice and his Related Entities.

The Call Option Deeds offer Expedia the option to acquire, in aggregate, 19.9% of issued WTF Shares. Under the Call Option Deeds, subject to Expedia having received Foreign Investment Review Board approval, Expedia Investments can exercise its option to acquire the full 19.9% of the issued shares in WTF if:

- i. a Competing Proposal is proposed by a third party which results in a matching right notification being sent by WTF to Expedia under clause 8.6 of the Implementation Agreement, and Expedia provides an irrevocable offer of a matching or superior counter proposal to the Board (**Expedia Counter Proposal**); and
- ii. within 48 hours of receiving the Expedia Counter Proposal, the Board has not advised Expedia Investments that it will not recommend the Expedia Counter Proposal on the basis that the terms and conditions of the Expedia Counter Proposal taken as a whole are less favourable than those of the Competing Proposal which gave rise to the matching right under clause 8.6 of the Implementation Agreement.

In circumstances where Foreign Investment Review Board approval has not been received, Expedia will only be able to exercise their options to acquire "Tranche A" of the optioned shares under each of the Call Option Deeds, which in aggregate amounts to 14.9% of the issued shares in WTF. Expedia will then have the right to acquire the further 5% once Expedia has received the Foreign Investment Review Board approval.

Expedia lodged a notice of initial substantial holder with ASX on 7 July 2014 setting out the Relevant Interest in WTF Shares held by Expedia and its Associates as a result of entering into the Call Option Deeds. The notice annexes (in full) copies of the Call Option Deeds.

Neither Mr Graeme Wood nor Mr Robert Andrew Brice are contractually obliged to vote in favour of the Scheme Resolution under the terms of the Call Option Deeds.

In the absence of a Superior Proposal, each of Mr Graeme Wood and Mr Robert Andrew Brice and their respective Associates intend to vote WTF Shares in their control in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting.

4. Information on Wotif Group

4.1 Overview of Wotif Group

Wotif Group operates leading online travel brands in the Asia Pacific region, including Wotif.com, lastminute.com.au, travel.com.au, AsiaWebDirect, LateStays.com, GoDo.com.au and Arnold Travel Technology, and a network of other travel content and destination websites, such as Phuket.com and Bangkok.com.

Wotif.com launched in 2000, and listed on the ASX in June 2006 as Wotif.com Holdings Limited, trading under the ASX code "WTF". As at 31 August 2014, Wotif Group had a market capitalisation of A\$698.7 million.






Wotif Group has offices in Australia, including its head office in Brisbane, with additional offices in China, Indonesia, Malaysia, New Zealand, Singapore, Thailand, the United Kingdom and Vietnam. Wotif Group employs more than 600 people globally.

Wotif Group had A\$1.1 billion in TTV¹ and A\$150 million in revenue, generating over 6.0 million room nights, during the twelve months ended 30 June 2014.²

4.2 Overview of Wotif Group Brands

Wotif Group's leading portfolio of online travel brands focuses primarily on accommodation and flights, with over 29,000 bookable properties globally. In addition, the Wotif Group provides a range of other travel related offerings including packages, car hire, travel insurance and "things to do" at customer destinations.

The following table summarises Wotif Group's portfolio of online brands and provides summary information on each.

	Wotif.com is Australasia's leading travel website offering accommodation, flights and packages online in more than 69 countries.
	lastminute.com.au is Australia's leading travel and lifestyle website, offering accommodation, flights, packages, travel insurance, car hire, gifts and experiences.
	travel.com.au is a full service travel agency focused on the leisure travel market.
	AsiaWebDirect is a Bangkok based online accommodation business providing multi-lingual capabilities.
	LateStays.com promotes last-minute accommodation deals for travel destinations worldwide.
	GoDo is a leading provider in the "things to do" marketplace, offering more than 2,000 activities through godo.com.au, as well as a network of online affiliates and third party distributors.
	The ARNOLD Corporate system is a customisable online booking platform for the Australasian market that allows large corporates and small-to-medium businesses alike to manage their own travel needs.

¹ Total Transaction Value (TTV) represents the price at which accommodation and flights and other travel services have been sold across the Wotif Group's operations. TTV is stated net of any GST/VAT payable. TTV does not represent revenue in accordance with Australian Accounting Standards.

² Extracted from Wotif Group's 2014 Annual Report.

4.3 Board and senior management

a. Board

The Board is comprised of the following members:

Name	Position
Mr Dick Mclwain	Chairman and Independent Non-Executive Director
Mr Scott Blume	Managing Director and Chief Executive Officer
Mr Graeme Wood	Non-Executive Director
Mr David Do	Independent Non-Executive Director
Ms Kaylene Gaffney	Independent Non-Executive Director
Mr Ben Smith	Independent Non-Executive Director

b. Senior management team

Key members of Wotif Group's senior management team include:

Name	Position
Mr Scott Blume	Managing Director and Chief Executive Officer
Mr David Barnes	Chief Commercial Officer
Mr Sean Simmons	General Counsel, Company Secretary & Head of Corporate Development
Mr Gordon Timm	Chief Financial Officer
Ms Janet Sutherland	Chief Information Officer
Ms Helen Demetriou	Executive General Manager – Flights and Packages
Mr Daniel Finch	Executive General Manager – Asia

4.4 Capital structure

As at the date of this Scheme Booklet, WTF had the following securities on issue:

- 211,736,244 Fully Paid Shares; and
- 2,818,462 Options

Refer to section 7.9 of this document in relation to the impact of the Scheme on the Options.

4.5 Risk

In considering the Scheme, you should be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Wotif Group, the value of the WTF Shares and future dividends. These risks will only continue to be relevant to you if the Scheme does not proceed and you retain your current investment in Wotif Group.

If the Scheme is implemented (after, amongst other things, satisfaction of the Conditions Precedent, approval of the Scheme Resolution by WTF Shareholders and approval of the Scheme by the Court), Scheme Shareholders will receive the Transaction Value, will cease to be a WTF Shareholder and will also no longer be exposed to the risks set out below.

Before deciding how to vote in relation to the Scheme, you should have a sufficient understanding of these matters and should consider whether continuing to hold WTF Shares is appropriate for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Scheme Booklet or are in any doubt as how to vote in relation to the Scheme, it is recommended that you seek professional guidance from your broker, legal, financial or other independent and qualified professional adviser before deciding how to vote.

This section describes potential risks associated with Wotif Group's business and risks associated with continuing to hold WTF Shares. It does not purport to list every risk that may be associated with an investment in WTF Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section may be partially or completely outside the control of Wotif Group, its Directors and senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the date of this Scheme Booklet but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

General risks

As with any entity with ordinary shares listed on the ASX, the market price of WTF Shares is influenced by a variety of general business cycles and economic and political factors in Australia and overseas, including economic growth, interest rates, exchange rates, inflation, employment levels, changes in government fiscal, monetary and regulatory policy in relevant jurisdictions and changes to accounting or financial reporting standards. In addition to these factors, deterioration of general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, natural disasters and catastrophic events may also affect Wotif Group's operating environment, operational performance, reputation, financial performance and/or financial position.

Specific risk factors relating to Wotif Group

a. Competition

Given the Wotif Group operates in a predominately online environment, competition from existing or new sites and business models and the introduction of new mobile booking apps is considered to be a risk to the Wotif Group's market share. The fast release nature of new online technologies and development of apps could impact the Wotif Group's business model, profitability and market share.

b. Market risk

The Wotif Group's revenue is primarily derived from the sale of online accommodation in Australia and New Zealand. The domestic Australian and New Zealand retail outlook remains challenging in the face of broader economic challenges. Notwithstanding the Wotif Group's position as a leading provider of online accommodation, the Wotif Group is exposed to changes in consumer sentiment across key markets. Consequently, a failure by Wotif Group to predict or respond to any such changes could adversely impact Wotif Group's future financial performance.

c. Technology risk

A major IT platform upgrade project is underway as a key element of Wotif Group's strategic plan. The decision to develop the Wotif Group's IT platforms, mobile device apps and websites in-house allows the Wotif Group to respond quickly to changes in the increasingly competitive mobile device and app landscape. The rollout of in-house developed apps and mobile platforms has come at a time when there is significant increase in mobile and mobile-device bookings and searches, allowing the Wotif Group to respond to changes and improvements quickly and in line with market trends. Change programs of this nature inherently contain risks as Wotif Group transitions from old IT systems to new systems. Risks related to this project include the potential failure of old IT systems prior to completion of the platform upgrades, extensions to project timeframes and lower than forecast, and/or deferred, business benefits being realised. Technology risk may arise from disruption through the emergence of new technologies and platform capabilities of competitors.

d. Online booking market

Wotif Group is exposed to the significant influence of Google in both search results and as a key element in the online marketing space. Notwithstanding Wotif.com's significant brand awareness and depth of product, Wotif Group continues to bid aggressively for key search terms in Google in order to defend its current position. Changes to any element in the online booking market, including changes imposed by Google, may cause Wotif Group's marketing costs to materially increase which could adversely impact financial performance and position.

e. FX risk

A shift in the value of the Australian dollar, particularly against the US dollar, can impact domestic consumer spending and in turn, impact the domestic and international travel markets. Despite the Wotif Group's strong position in online accommodation in Australia and New Zealand, the Wotif Group is unable to accurately predict the lead-in time or flow-on effect of any movement in the Australian dollar and impact on consumer spending.

As such, fluctuations in a number of exchange rates, including the Australian dollar/US dollar exchange rate, may adversely impact upon the financial performance and position of the Wotif Group.

f. People risk

If not managed effectively, Wotif Group's ability to attract and retain key talent in its management and operational staff could have a negative effect on its reputation and performance.

g. Supplier Relationships

A key element of Wotif Group's business model is the strength of the relationships it has established with its accommodation suppliers. The retention of these existing suppliers and the sourcing of new suppliers is a key factor that underpins the Wotif Group's business model.

Factors that reduce the willingness of suppliers to use Wotif.com are a key risk to the prospects of the Wotif Group. These factors may relate to the increased activity of Wotif.com's competitors or be driven by the actions of the supplier directly. For example, accommodation suppliers may establish their own online booking capabilities and look to use this facility rather than Wotif.com to sell accommodation online. A change in the relationship with Wotif Group's suppliers may adversely impact on the financial performance and position of Wotif Group.

h. Security

As with all e-commerce businesses the Wotif Group is heavily reliant on the security of its websites and associated payment systems to ensure that customers are confident of transacting online. Breaches of security could impact customer satisfaction and confidence in the Wotif Group and could impact the financial performance of Wotif Group and/or its Share price.

i. Maintenance of Professional Reputation and Brand Name

The success of the Wotif Group is heavily reliant on its reputation and branding. Unforeseen issues or events, which place WTF's reputation at risk, may impact on its future growth and profitability. Many customers of the Wotif Group are currently obtained by referrals from existing customers. Any factors that diminish WTF's reputation or that of any of its personnel could impede its ability to compete successfully and result in adverse effects on its future business plans.

j. Diminution of Customer Satisfaction and Loyalty

The business of the Wotif Group is a customer service business and is therefore dependent on customer satisfaction and loyalty. Any diminution in customer sentiment towards Wotif.com may have an adverse impact on the financial performance and position of the Wotif Group.

4.6 Recent WTF share price performance

The Proposal was announced to the market prior to the opening trade on ASX on Monday, 7 July 2014. The last recorded closing price for WTF Shares on ASX before the public announcement of the Proposal was A\$2.64 (on 4 July 2014).

During the three months ended 4 July 2014:

- the highest recorded sale price for WTF Shares on ASX was A\$2.65 on 4 July 2014; and
- the lowest recorded sale price for WTF Shares on ASX was A\$2.26 on 21 May 2014.

The following chart highlights the movements in WTF share price performance over the last 12 months ending on 4 July 2014.

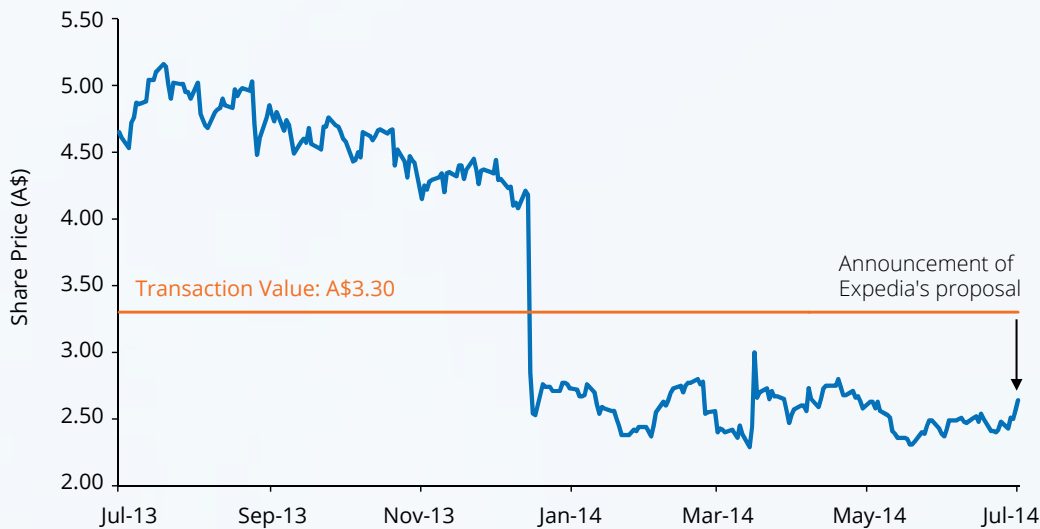


Figure 2 - WTF share price performance

Source: IRESS

There can be no guarantee as to the performance of the price of WTF Shares in the future.

4.7 Historical financial overview

Summary financial statements

a. Basis of preparation

The following Section summarises certain historical financial information about the Wotif Group for the year ended 30 June 2014.

The financial information in this Section is a summary only and is prepared for the purpose of this Scheme Booklet. The information has been extracted from the audited financial report of WTF for the year ended 30 June 2014. The 30 June 2014 financial report was audited by Ernst & Young and an unqualified audit report was issued.

Further detail on WTF's financial performance for the year ended 30 June 2014 is provided in the results announcement to the ASX dated 12 August 2014. These documents are available as follows:

- from ASX on its website at www.asx.com.au; and
- from Wotif Group's website at www.wotifgroup.com.

Historical financial information

a. Consolidated Statement of Financial Performance

The summarised historical consolidated statements of financial performance of WTF which are set out:

- in the second column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2014, being the last audited financial statements prior to the Scheme Booklet;
- in the third column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2013 as disclosed in the WTF 2013 Annual Report; and
- in the fourth column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2012 as disclosed in the WTF 2012 Annual Report.

Consolidated	30-Jun-14 A\$'000	30-Jun-13 A\$'000	30-Jun-12 A\$'000
Revenue			
Accommodation revenue	129,301	126,915	126,136
Flights and other revenue	17,561	15,093	13,584
Interest received	2,833	4,640	5,589
Total revenue	149,695	146,648	145,309
Other income			
Profit on sale of investment property	816	-	-
Total other income	816	-	-
Expenses			
Advertising and marketing expenses	31,401	20,418	17,663
Business development expenses	11,519	10,958	9,898
Operations and administration expenses	43,567	41,689	36,472
Total expenses	86,487	73,065	64,033
Profit from continuing operations before income tax	64,024	73,583	81,276
Income tax expense	20,840	22,546	23,272
Profit for the year	43,184	51,037	58,004

Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the parent:	2014 per share	2013 per share	2012 per share
Basic earnings per share	20.40 cents	24.10 cents	27.42 cents
Diluted earnings per share	20.27 cents	23.98 cents	27.38 cents

b. Consolidated Statement of Financial Position

The summarised historical consolidated statements of financial position of WTF which are set out:

- in the second column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2014, being the last audited financial statements prior to the Scheme Booklet;
- in the third column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2013 as disclosed in the WTF 2013 Annual Report; and
- in the fourth column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2012 as disclosed in the WTF 2012 Annual Report.

Consolidated	30-Jun-14 A\$'000	30-Jun-13 A\$'000	30-Jun-12 A\$'000
CURRENT ASSETS			
Cash and cash equivalents	91,082	132,000	140,871
Trade and other receivables	8,423	10,851	8,481
Total current assets	99,505	142,851	149,352
NON-CURRENT ASSETS			
Receivables	143	149	138
Investment in joint venture	1,083	523	163
Property, plant and equipment	17,294	17,346	18,140
Investment property	-	3,443	3,579
Deferred tax assets	8,309	7,411	7,222
Intangible assets and goodwill	96,649	95,359	89,797
Total non-current assets	123,478	124,231	119,039
Total assets	222,983	267,082	268,391
CURRENT LIABILITIES			
Trade and other payables	116,572	156,562	157,330
Income tax payable	5,177	5,978	7,734
Provisions	2,226	1,860	1,399
Total current liabilities	123,975	164,400	166,463
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	102	112	112
Deferred tax liabilities	2,177	2,189	2,685
Provisions	837	483	649
Total non-current liabilities	3,116	2,784	3,446
Total liabilities	127,091	167,184	169,909
Net assets	95,892	99,898	98,482
EQUITY			
Contributed equity	30,001	30,001	30,001
Retained earnings	62,319	64,633	66,530
Reserves	3,572	5,264	1,951
Total equity	95,892	99,898	98,482

c. Consolidated Statement of Cash Flows

The summarised historical consolidated statements of cash flows of WTF which are set out:

- in the second column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2014, being the last audited financial statements prior to the Scheme Booklet;
- in the third column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2013 as disclosed in the WTF 2013 Annual Report; and
- in the fourth column of the table have been extracted from the audited financial results of WTF for the year ended 30 June 2012 as disclosed in the WTF 2012 Annual Report.

Consolidated	30-Jun-14 A\$'000	30-Jun-13 A\$'000	30-Jun-12 A\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)	1,234,951	1,271,373	1,257,314
Payments to suppliers and employees (inclusive of GST)	(1,204,160)	(1,198,745)	(1,178,247)
Interest received	2,878	4,620	5,535
Income tax paid	(22,587)	(25,093)	(19,332)
Net cash flows from operating activities	11,082	52,155	65,270
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	-	-	28
Payments for property, plant and equipment	(3,527)	(2,796)	(3,200)
Proceeds from sale of investment property	4,250	-	-
Payments for web development	(7,229)	(6,893)	(5,868)
Contribution to joint venture	(865)	(481)	(195)
Net cash flows used in investing activities	(7,371)	(10,170)	(9,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	-	-	1,054
Dividends paid	(45,524)	(52,934)	(50,754)
Net cash flows used in financing activities	(45,524)	(52,934)	(49,700)
Net (decrease)/increase in cash and cash equivalents	(41,813)	(10,949)	6,335
Net foreign exchange differences	895	2,078	1,005
Cash and cash equivalents at beginning of year	132,000	140,871	133,531
Cash and cash equivalents at end of year	91,082	132,000	140,871

The Wotif Group's cash balance of A\$91.1m is down A\$40.9m from 30 June 2013. This variance almost entirely relates to a A\$36.1 million decrease in hotel creditors arising from the implementation of Virtual Credit Card (VCC), whereby payment terms to hotels have been improved with the implementation of a new efficient payment solution. The implementation of VCC has led to a "one-time" cash impact, however is overall EBIT-positive taking into account reduced cash, reduced interest income, improved payment efficiencies and commercial arrangements with the VCC provider.

4.8 Material change in WTF's financial position since the last published accounts (30 June 2014)

Other than the accumulation of profits in the ordinary course of trading or as otherwise disclosed to the ASX by WTF, within the knowledge of the WTF Board, the financial position of WTF has not materially changed since 30 June 2014, being the date of the WTF full year 2014 Financial Report.

A copy of WTF's financial statements for the financial year ended 30 June 2014 has been published on the ASX on 12 August 2014 and has also been posted to the Company's website: www.wotifgroup.com.

4.9 Publicly available information

WTF is listed on the ASX.

As such, WTF is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. As a company listed on the ASX, WTF is subject to the ASX Listing Rules which require immediate disclosure to the market of any information of which WTF is aware which a reasonable person might expect to have a material impact on the price or value of its securities.

ASIC also maintains a record of documents lodged with it by WTF, and these may be obtained from or inspected at any office of ASIC. Information is also available on the Company's website at www.wotifgroup.com.

5. Information on Expedia, Inc.

5.1 General

Expedia, Inc. is a leading online travel company headquartered in Washington, United States.

Expedia, Inc. trades on the NASDAQ Global Select Market (EXPE), with a market capitalisation as at 31 August 2014 of US\$10.93 billion (A\$11.69 billion). Expedia, Inc. has an extensive global network of subsidiaries and affiliates, with approximately 120 subsidiaries as at 30 June 2014. The Expedia Group employs approximately 14,570 part time and full time employees worldwide, including approximately 3,490 employees of eLong, Inc.

In the financial year ended 31 December 2013, the consolidated Expedia Group generated gross bookings of approximately US\$39.43 billion (A\$40.72 billion) and revenue of approximately US\$4.77 billion (A\$4.93 billion).

5.2 Overview of Expedia Group's business

The Expedia Group operates both in the United States of America and internationally. It provides travel products and services to leisure and corporate travellers, offline retail travel agents, and travel service providers through a portfolio of brands.

The Expedia Group's brand portfolio currently includes:

- Expedia.com, a full service online travel agency with sites in 31 countries;
- Hotels.com, a hotel-only booking service with sites in more than 60 countries;
- Hotwire.com, a discount travel provider with sites in 12 countries;
- Egencia (formerly Expedia Corporate Travel), the world's fifth largest corporate travel management company;
- eLong, China's second largest online travel company;
- Venere.com, a European online hotel specialist;
- trivago GmbH, a Dusseldorf, Germany-based leading hotel metasearch company with sites in 47 countries;
- Expedia Local Expert, a destination services and concierge services provider;
- Classic Vacations, a luxury travel specialist;
- Expedia CruiseShipCenters, with agents and retail locations in the United States and Canada; and
- CarRentals.com, an online car rental marketing and retail firm offering a diverse selection of car rentals direct to consumers.

The Expedia Group operates more than 150 travel booking sites in more than 70 countries. The Expedia Group also powers travel bookings for over 7,500 partners, including airlines and hotels, consumer brands, and high traffic websites through the Expedia Affiliate Network.

In Australia, the Expedia Group maintains two local offices in Sydney and has two primary Australian operating subsidiaries, Expedia Australia Pty Ltd ACN 101 694 946 and Egencia Australia Pty Limited ACN 128 937 342. Expedia Group sites focused on the Australia travel market include Expedia.com.au (Expedia's largest Australian point of sale), au.Hotels.com, Egencia.com.au, Hotwire.com.au, and trivago.com.au.

Further details about the Expedia Group can be found on the website, www.expediainc.com.

5.3 Directors and management

Expedia, Inc.

The board of directors of Expedia, Inc. is currently comprised of the following members:

- Barry Diller – Chairman and Senior Executive;
- Victor Kaufman – Director and Vice Chairman;
- Dara Khosrowshahi – Chief Executive Officer, President and Director;
- A. George Battle – Director;
- Pamela L. Coe – Director;
- Jonathan L. Dolgen – Director;
- Craig A. Jacobson – Director;
- Peter M. Kern – Director;
- John C. Malone – Director; and
- Jose A. Tazon – Director.

5.4 Rationale for the Expedia Group's proposed acquisition of Wotif

The Expedia Group's proposed acquisition of WTF (the **Acquisition**) is consistent with its long-term growth strategy of owning and powering the best travel brands in the world. In addition, the Acquisition aligns with the Expedia Group's primary growth drivers of global expansion and technology and product innovation.

Based on the information available as at the date of this Scheme Booklet, the Expedia Group expects the Acquisition will result in synergy benefits over time. In particular, the Expedia Group views the Acquisition as an opportunity to:

- a. add to its portfolio of travel's most trusted brands;
- b. share best practices and technology with WTF to improve conversion on WTF sites;
- c. grow WTF's international accommodations business by enabling it to access the Expedia Group's global supply network; and
- d. connect to the WTF network of Australian accommodations to drive additional accommodations bookings into Australia from its family of global sites.

5.5 Acquiring entity

Expedia Investments was incorporated on 2 July 2014, as an indirect, wholly owned subsidiary of Expedia, Inc. for the sole purpose of acquiring all of the WTF Shares under the Scheme.

As at the date of this Scheme Booklet, the directors of Expedia Investments are Georg Ruebensal, Robert Dzielak, Frances Erskine, Lance Soliday and Steven Loudon.

5.6 Funding arrangements for Scheme Consideration

a. Scheme Consideration

If the Scheme becomes Effective, Expedia Investments will pay, or procure the provision of, the Scheme Consideration to the Scheme Shareholders, in accordance with the terms of the Scheme and the Deed Poll.

Based on WTF's issued share capital as at the date of this Scheme Booklet, the maximum number of performance rights that may vest on or before the Scheme Record Date (see Section 7.9 of this Scheme Booklet) and the Scheme Consideration of A\$3.06 cash per Scheme Share, the maximum amount of cash required to be paid by Expedia Investments to Scheme Shareholders under the Scheme is approximately A\$652 million.

b. Overview of funding arrangements

The Scheme Consideration will be funded entirely through the Expedia Group's current cash reserves.

As at 30 June 2014, Expedia, Inc. had net assets of US\$1.99 billion (A\$2.11 billion) and cash reserves in excess of US\$1.43 billion (A\$1.51 billion) held through it and its subsidiaries. Of these cash reserves, approximately US\$1.37 billion (A\$1.45 billion) are not subject to security interests, rights of set off or other arrangements that might materially affect the Expedia Group's ability to use them to pay the Scheme Consideration.

Expedia, Inc. will ensure that Expedia Investments provides all funds necessary to meet its payment obligations under the Implementation Agreement or Deed Poll, as and when such payments are required to be made, whether through loans, capital contributions or other means as appropriate.

5.7 The Expedia Group's intentions if the Scheme is implemented

This Section 5.7 sets out the present intentions of the Expedia Group in relation to the continuation of WTF's business, any major changes to the WTF business, the future employment of the present employees of WTF and any redeployment of the fixed assets of WTF, in each case, if the Scheme is implemented.

The intentions set out in this section have been formed on the basis of facts and information concerning the Expedia Group and the general business environment which is known to the Expedia Group as at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by the Expedia Group in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

References in this Section 5.7 to the intentions of the Expedia Group include reference to Expedia Investments' intentions.

a. Review of Operations

If the Scheme is implemented, the Expedia Group intends to undertake a general review of WTF's operations covering strategic, financial and operational matters. Decisions about the future operating plan of the business will be made following completion of this review.

The review will seek to measure performance and identify areas which may be improved. It is anticipated that the review is likely to be substantially completed within approximately 6 months of the Scheme.

The Expedia Group's focus will be to ensure that WTF continues to deliver leading accommodation, activity and flight booking services to customers, and to leverage the Expedia Group's global reach and technological investments to deliver growth.

b. WTF to be delisted

If the Scheme is implemented, the Expedia Group will cause WTF to request the ASX to remove it from the ASX's official list. Following delisting, investors will no longer be able to acquire or trade in WTF Shares.

c. Senior Management team and Board

The Expedia Group recognises the knowledge and experience of the WTF senior management team and looks forward to working with them following implementation of the Scheme.

With respect to directors of WTF, the Expedia Group intends to reconstitute the WTF Board with representatives of the Expedia Group and to make similar changes to the boards of WTF's subsidiaries.

d. Employees

The Expedia Group considers WTF's employees to be an integral part of the success of the business. Any decisions about staffing will be made following completion of the general review described in paragraph (a) above. The general review may lead to some redeployment of resources and / or redundancies to address the potential duplication of roles across the Expedia Group's operations. However, a final decision will not be made on those matters until completion of the general review.

The Expedia Group believes that the proposed acquisition of WTF should offer benefits for WTF employees by bringing together the businesses of the Expedia Group and WTF with the potential to create exciting growth opportunities across the combined group.

e. Head Office

If the Scheme is implemented, it is currently intended that WTF's head office will remain in Brisbane, Australia.

f. Business continuity / major changes

If the Scheme is implemented, the Expedia Group intends to work quickly to integrate WTF's supply offerings into the Expedia Group's global offering. The Expedia Group is eager to engage with WTF's existing supplier base to maintain existing supply relationships.

Any final decisions regarding operations, including redeployment of any fixed assets of WTF, will be made following completion of the general review described in paragraph (a) above.

5.8 Information on WTF securities

a. Expedia Group's interest in WTF

As at the date of this Scheme Booklet, Expedia, Inc. and Expedia Investments and their Associates each hold a Relevant Interest in approximately 19.9% of the WTF Shares. These interests arise from the call option arrangements described below.

On 5 July 2014, Expedia Investments and Expedia, Inc. (as guarantor) entered into the Call Option Deeds with:

- Mr Graeme Wood; and
- Mr Robert Andrew Brice and his Related Entities, pursuant to which Expedia Investments was granted options to acquire the Call Option Shares.

The Call Option Deeds were lodged with ASX on 7 July 2014 by Expedia, Inc. as Annexure A to its notice of initial substantial holder. Accordingly, as at the date of this Scheme Booklet, Expedia, Inc., Expedia Investments and their Associates, have a Relevant Interest in:

- 42,135,514 WTF Shares; and
- 19.9% voting power.

For further details regarding the Call Option Deeds, please refer to Section 3.3(d).

b. No dealings in WTF Shares in the previous four months

Other than in respect of the Call Option Deeds and the consideration to be provided under the Scheme, during the period of four months prior to the date of this Scheme Booklet, none of Expedia, Inc., Expedia Investments or any of their Associates have provided, or agreed to provide, consideration for WTF Shares under a purchase agreement.

c. Benefits to holders of WTF Shares

During the period of four months prior to the date of this Scheme Booklet, none of Expedia Inc., Expedia Investments or any of their Associates gave or offered or agreed to give a benefit to another person which is likely to induce the other person, or an associate of the other person, to:

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

and which is not offered to all WTF Shareholders.

d. Benefits to WTF directors

Other than the benefits payable by WTF to the Directors, as detailed in Section 7.6, none of Expedia Inc., Expedia Investments, or any of their Associates will be making any payment or giving any benefit to any current member of the Board as compensation or consideration for, or otherwise in connection with, their resignation from the Board, if the Scheme is implemented and the Board is accordingly reconstituted.

5.9 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Expedia, Inc. or Expedia Investments, at the date of this Scheme Booklet, which has not previously been disclosed to WTF Shareholders.

5.10 Expedia's Disclosure

Expedia Investments is a wholly owned subsidiary of Expedia, Inc., a US Company listed on the NASDAQ Global Select Market. Expedia Investments is a proprietary company and does not have continuous disclosure obligations. Expedia will provide a copy of any of the following documents, free of charge, to any WTF Shareholder who requests a copy before the Scheme Meeting:

- the annual financial reports for Expedia Group for the year ended 31 December 2013; and
- a copy of Expedia Investments' and Expedia, Inc.'s constitution.

These documents (other than Expedia Investments' constitution) can also be accessed through Expedia Group's website at www.expediainc.com.

6. Implementation of the Scheme

All dates referred to in this Section 6 are indicative only. The actual dates on which events referred to in this Section 6 occur will depend upon the time at which the conditions precedent to the Scheme are satisfied or, if applicable, waived. Those conditions are summarised in Section 6.12. WTF (with the agreement of Expedia) has the right to vary all dates subject to the approval of such variation by the Court and the ASX where required. Any variation to the dates referred to in this Section 6 will be announced to the ASX.

6.1 Scheme Meeting

In accordance with an order of the Court dated 5 September 2014, WTF Shareholders will be asked to approve the Scheme Resolution at the Scheme Meeting to be held at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane on Thursday, 9 October 2014 commencing at 10.00 am. The notice convening the Scheme Meeting is set out in Annexure E of this document.

At the Scheme Meeting, WTF Shareholders will be asked to consider and, if thought fit, to pass a resolution approving the Scheme. For the acquisition of all WTF Shares by Expedia to proceed and the Scheme Consideration and Special Dividend to become payable, the Scheme must be approved by a majority in number of WTF Shareholders voting at the Scheme Meeting (whether in person or by proxy) who must together hold at least 75% of the votes cast on the Scheme Resolution.

The results of the voting at the Scheme Meeting will be announced shortly after the conclusion of the Scheme Meeting. The results will be announced through the ASX and available on WTF's website at www.wotifgroup.com.

6.2 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 7.00 pm (Sydney time) on Tuesday, 7 October 2014. Only those WTF Shareholders entered on the WTF Share Register at that time will be entitled to attend and vote at the Scheme Meeting.

6.3 Second Court Hearing

If the Scheme is approved by WTF Shareholders, and all other Conditions Precedent to the Scheme (other than approval by the Court) and any other conditions to be imposed by the Court under section 411(6) of the Corporations Act have been satisfied or waived, WTF will apply to the Court for orders approving the Scheme following the Scheme Meeting (currently expected to be held on Thursday, 9 October 2014).

The Corporations Act and the relevant Court rules provide a procedure for WTF Shareholders to oppose the approval by the Court of the Scheme. Any WTF Shareholder who wishes to oppose the approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on WTF a notice of appearance in the prescribed form together with any affidavit on which a WTF Shareholder will seek to rely at the Second Court Hearing.

The Second Court Hearing is currently expected to be held on Tuesday, 14 October 2014. Any change to this date will be announced through the ASX and notified on Wotif Group's website at www.wotifgroup.com.

6.4 Effective Date

If the Court approves the Scheme, WTF will lodge with ASIC an office copy of the Court order approving the Scheme. WTF intends to lodge this with ASIC on Wednesday, 15 October 2014. The Scheme comes into effect on the date on which WTF lodges the Court order approving the Scheme with ASIC. This date is referred to in this document as the Effective Date. The Effective Date is currently expected to be Wednesday, 15 October 2014.

6.5 Entitlement to Participate in the Special Dividend and the Scheme

The Board has resolved for WTF to pay the fully franked Special Dividend, conditional on the Scheme becoming Effective, on the Dividend Payment Date. WTF Shareholders will be eligible to receive the Special Dividend if they are registered as a WTF Shareholder on the Dividend Record Date. WTF Shares will trade ex-dividend from Tuesday, 14 October 2014 being 2 Business Days before the Dividend Record Date.

Scheme Shareholders will be entitled to participate in the Scheme. A "Scheme Shareholder" is a WTF Shareholder as at the Scheme Record Date.

For the purposes of establishing who Scheme Shareholders are, dealings in WTF Shares will be recognised by WTF provided that:

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

WTF will not accept full registration or recognise any transfer or transmission applications in respect of WTF Shares received after the Scheme Record Date. As from the Scheme Record Date (and other than for Expedia following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the Register at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

The Special Dividend and the Scheme Consideration will not be paid if the Scheme is not approved by WTF Shareholders and the Court.

6.6 Payment of the Special Dividend and the Scheme Consideration

It is expected that on the Dividend Payment Date, WTF will pay to each WTF Shareholder on the Register on the Dividend Record Date the Special Dividend for each of their WTF Shares. The Special Dividend is expected to be paid on Friday, 24 October 2014.

It is expected that on the Implementation Date, Expedia will pay each WTF Shareholder on the WTF Share Register on the Scheme Record Date the Scheme Consideration for each of their WTF Shares. The Scheme Consideration is expected to be paid on Monday, 27 October 2014.

Both the Special Dividend and the Scheme Consideration will be paid:

- where the WTF Shareholder has nominated an Australian bank account that is currently used by WTF for the payment of dividends prior to the Dividend Record Date, by electronic funds transfer in Australian currency into that account; or
- otherwise, by cheque in Australian currency to the WTF Shareholder by prepaid post to their registered address.

In the case of joint holders of Scheme Shares, if the Special Dividend and/or Scheme Consideration is paid for by:

- cheque, that cheque will be in the names of those joint holders, and sent to the holder whose name appears first on the WTF Share Register; or
- by electronic funds transfer (for eligible WTF Shareholders who have nominated a bank account that is currently used by WTF for the payment of dividends or notified prior to the relevant record date), that payment will be made to the holder whose name first appears on the WTF Share Register.

WTF Shareholders can change or nominate an Australian bank account in which to receive payment of the Scheme Consideration by visiting www.investorcentre.com/au and logging in using your unique SRN or HIN and passing a validation test.

Alternatively WTF Shareholders may call the WTF Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia) to request a hard copy direct credit instruction form. Banking instructions must be received by no later than 7.00 pm (Sydney time) on the Dividend Record Date (in the case of the Special Dividend) and 7.00 pm (Sydney time) on the Scheme Record Date (in the case of the Scheme Consideration).

6.7 Implementation Date

The Implementation Date is the date which is 5 Business Days after the Scheme Record Date. On the Implementation Date, Expedia will pay the Scheme Consideration and the Scheme Shares will be transferred to Expedia.

6.8 Warranty by WTF Shareholders about their WTF Shares

Under the Scheme all WTF Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to Expedia Investments that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer to Expedia Investments, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances, and interests of third parties of any kind, whether legal or otherwise, and

restrictions on transfer of any kind and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlement attaching to those WTF Shares) to Expedia Investments.

If the warranty is breached, WTF Shareholders may be liable to pay to Expedia Investments any amounts paid by Expedia to acquire clear title to their WTF Shares.

6.9 Suspension of trading in WTF Shares

It is expected that suspension of trading in WTF Shares on the ASX will occur from close of trading on the Effective Date. This is expected to occur on Wednesday, 15 October 2014.

On the Implementation Date or a later date to be determined by Expedia, WTF will apply for termination of the official quotation of WTF Shares on the ASX and to have itself removed from the official list of the ASX.

6.10 Effect of the Scheme on creditors

The Scheme, if implemented, will not materially prejudice Wotif Group's ability to pay its creditors as it involves the purchase of WTF Shares rather than Wotif Group's underlying assets. No new liability (other than transaction costs) is expected to be incurred by Wotif Group as a consequence of the implementation of the Scheme.

6.11 Stamp duty

WTF does not expect that any stamp duty will be payable on the transfer of the Scheme Shares to Expedia. However, if stamp duty is payable, Expedia has an obligation under the Implementation Agreement to pay such stamp duty.

6.12 Key terms of the Implementation Agreement

a. Overview

WTF, Expedia Investments (the wholly owned subsidiary of Expedia, Inc. acting as the bidder) and Expedia, Inc. entered into the Implementation Agreement on 5 July 2014. Key terms of the Implementation Agreement are summarised below and the agreement is set out in full at Annexure B of this document.

b. Conditions precedent

Implementation of the Scheme is subject to conditions precedent which include the following:

- **(Regulatory Approvals)** All necessary regulatory approvals have been obtained by the party required to obtain them including:
 - **(ASIC and the ASX)** before 8.00 am on the Second Court Date, ASIC and ASX must have provided all of the consents or approvals required to implement the Scheme (we note that ASIC has already provided certain relief to Wotif Group as set out in section 7.13;

- **(the Foreign Investment Review Board)** before 8.00 am on the Second Court Date, Expedia, Inc. or Expedia Investments must receive a written notice from the Treasurer or the Treasurer's delegate specifying that they have no objection to the Scheme (or the Treasurer must become precluded from making an order in respect of the Scheme);
 - **(the Australian Competition and Consumer Commission)** before 8.00 am on the Second Court Date, the Commissioner of the ACCC must indicate to Expedia in writing that it does not intend to object to the Scheme on the basis that it will substantially lessen competition in the Australian market (and therefore that the ACCC believes that implementation of the Proposal will not result in a breach of section 50 of the Competition and Consumer Act (Cth) 2010); and
 - **(the New Zealand Commerce Commission):** before 8.00 am on the Second Court Date, the NZCC must give clearance to Expedia to implement the Scheme from a New Zealand competition law perspective.
 - **(Shareholder Approvals)** WTF Shareholders approve the Scheme Resolution by the majorities required under the Corporations Act;
 - **(No Prescribed Occurrence)** No WTF Prescribed Occurrence has occurred or becomes known to Expedia Investments before 8.00 am on the Second Court Date.
- A **WTF Prescribed Occurrence** is defined in the Implementation Agreement and includes:
- WTF converts all or any of its securities into a larger or smaller number of securities;
 - WTF or another member of the Wotif Group (other than a wholly-owned subsidiary of WTF) resolves to reduce its capital in any way or resolves to buy-back, re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares;
 - any member of the Wotif Group issues shares, or grant an option over its shares or agrees to make such an issue or grant such an option other than in accordance with Options in existence as of 11:59pm on the day immediately preceding the date of this agreement;
 - any member of the Wotif Group issues, or agrees to issue, convertible notes or any other security convertible into shares or debt securities;
 - any member of the Wotif Group agrees to pay, declares or pays a dividend or any other form of distribution (whether in cash or in kind) of profits or return of capital to its members, other than:
 - ♦ the declaration and payment by WTF of the Special Dividend; or
 - ♦ the declaration and payment by a member of the Wotif Group of a dividend where the recipient of that dividend is WTF or a wholly-owned subsidiary of WTF;
 - any member of the Wotif Group disposes of the whole, or a substantial part, of its business or property;
 - any member of the Wotif Group creates any encumbrances over, or declares itself the trustee of, the whole, or a substantial part, of its business or property;
 - an Insolvency Event occurs in relation to WTF or any subsidiary of WTF material to the Wotif Group or any operating subsidiary of WTF;
 - any member of the Wotif Group acquires or disposes of, or agrees to acquire or dispose of, any assets, business or shares outside of the ordinary course of business of the Wotif Group that:
 - ♦ is material to the business; or
 - ♦ would require the approval of, or would customarily be referred to, the Board under existing delegations and practices;
 - loss or revocation of any licence or authorisation held by a member of the Wotif Group which is material to enable WTF to conduct its business;
 - WTF adopts a new constitution or modifies or repeals its constitution or a provision of it;
 - any member of the Wotif Group:
 - ♦ enters, or proposes to enter, into or amends, in any material respect, any joint venture, partnership or similar agreement;
 - ♦ enters, or proposes to enter, into or amends any other agreement with any person other than a member of the Wotif Group involving or reasonably likely to involve expenditure or other commitment on the part of a member of the Wotif Group in excess of \$2 million (other than in the ordinary course);
 - WTF or any of its subsidiaries:
 - ♦ other than as disclosed to Expedia Investments in the due diligence materials, increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees (other than ordinary course increases, not to exceed the higher of \$10,000 per individual and, for no more than 5 individuals, 20% of the individual's respective remuneration as disclosed in the due diligence material, and \$2 million in the aggregate);
 - ♦ other than in respect of any Options as contemplated by this agreement, accelerates the rights of any of its directors or employees to compensation or benefits of any kind; or
 - ♦ other than as disclosed to Expedia Investments in the due diligence materials, pays any of its directors or employees a termination or retention payment (other than in accordance with an existing contract in place as at the date of this agreement or other than payments to employees other than officers in an amount not to exceed \$15,000 per individual (plus up to \$30,000 for 2 individuals) and \$500,000 in the aggregate);
 - any member of the Wotif Group (other than in the ordinary course);

- ♦ enters into any contract or commitment involving potential revenue or expenditure (including termination payments or break fees) or more than \$2 million over the term of the contract or commitment;
 - ♦ (without limiting the foregoing) enters into any contracts or commitments relating to the same matter or project involving revenue or expenditure of more than \$2 million in aggregate over the term of the contract or commitment;
 - ♦ terminates or amends in any material manner any material contract;
 - ♦ waives in writing any material third party default; or
 - ♦ accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$1 million) less than the full compensation due to a member of the Wotif Group;
 - any member of the Wotif Group raises or borrows any new financial indebtedness from a party other than a member of the Wotif Group (for the avoidance of doubt, new financial indebtedness does not include WTF drawing down under its existing facilities as disclosed in the due diligence materials in the ordinary course in an aggregate amount not to exceed \$2 million);
 - WTF or another member of the Wotif Group makes, changes or revokes any material tax election, changes any material method of tax accounting or adopts any annual accounting period, settles any tax proceeding for a material amount of taxes, prepares or files any material tax return in a manner inconsistent with past practice, enters into any agreement with any taxing authority, files any amended tax return or surrenders any claim for a material tax refund;
 - any event outside the ordinary course of business of WTF in respect of capital expenditure to the extent it is material; and
 - any reconstruction or reorganisation of the Wotif Group,
- other than an event:
- contemplated or required to be undertaken or procured by the Wotif Group pursuant to the Implementation Agreement, Scheme or Deed Poll (including, but not limited to, the payment by WTF of the Special Dividend, and the vesting or exercise or cancellation of the Options);
 - to which Expedia Investments has provided its prior written consent; or
 - fairly disclosed in the due diligence materials or any announcement to the ASX made by WTF, since 30 June 2013 regarding the Wotif Group prior to the parties entering into this agreement, except to the extent the parties otherwise agree.
- **(No Restraints):** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by the Implementation Agreement is in effect as at 8.00 am on the Second Court Date;
 - **(Warranties):** That before 8.00 am on the Second Court Date, the warranties given by Expedia Investments, Expedia, Inc. and WTF:
 - that are qualified as to materiality are true and correct; and
 - that are not so qualified, are true and correct in all material respect,
 as at the time that they are given.
 - **(Options):** all outstanding Options are:
 - either vested and converted into WTF Shares by 5.00 pm on the Scheme Record Date; or
 - cancelled or any agreements required to acquire or cancel the Options are executed before 8.00 am on the Second Court Date.
- c. Guarantee by Expedia, Inc.**
- The obligations of Expedia, Inc.'s wholly owned subsidiary Expedia Investments have been guaranteed under the Implementation Agreement by Expedia, Inc. Under the guarantee, Expedia, Inc. irrevocably and unconditionally guarantees the due and punctual performance by Expedia Investments of its obligations under the Implementation Agreement, the Deed Poll and the Scheme.
- Expedia, Inc. additionally agrees to pay any indemnified loss suffered by Wotif Group due to non-performance by Expedia, Inc. or Expedia Investments of any of their obligations under the Implementation Agreement, the Deed Poll or the Scheme on the due date.
- d. WTF to declare the Special Dividend**
- Under the Implementation Agreement, WTF must declare, fund and pay the Special Dividend if the Scheme is approved at the Second Court Hearing to those WTF Shareholders who hold WTF Shares on the Dividend Record Date.
- e. No shop**
- During the period in which:
- the Implementation Agreement has not been terminated by either party;
 - the End Date has not passed without an extension by the parties; and
 - the Scheme has not been implemented
- (Exclusivity Period),**
- WTF has agreed it will not, and will ensure that its Representatives and Related Bodies Corporate and each of their respective Representatives do not directly or indirectly solicit, invite, initiate or encourage:
- any Competing Proposal; or

- any inquiry, expression of interest, offer or proposal, negotiations or discussions with any third party that may lead to a Competing Proposal.

WTF notes that the current End Date under the Implementation Agreement is 28 February 2015.

f. No talk and No due diligence

During the Exclusivity Period, WTF has agreed it will not, and will ensure that its Representatives and its Related Bodies Corporate do not directly or indirectly:

- participate in any negotiations or discussions or enter into any agreements with a third party in relation to, or that may be reasonably expected to lead to a Competing Proposal;
- provide or make available any non-public information about Wotif Group that could assist with the formulation of a Competing Proposal; or
- communicate to any person an intention to do any of the above.

The exception to this restriction is where the Board determines in good faith, after taking advice from WTF's lawyers and financial advisers, that the Competing Proposal is or could reasonably be considered to become a Superior Proposal and the Board has not solicited or encouraged the Superior Proposal through a breach of the no shop restrictions discussed at (e) above.

g. Matching Right

During the Exclusivity Period, if a Competing Proposal emerges, Expedia will be given 5 business days to match the offer being made by the third party.

h. Break Fee

A break fee of 1% of the total Transaction Value is payable in the following circumstances:

- a Competing Proposal is announced during the Exclusivity Period and in the 12 months following the announcement that Competing Proposal is implemented or an agreement is entered into by the Board to implement it;
- any Director publicly changes their recommendation with regard to the Scheme, qualifies their recommendation (other than the qualifications already set out) or publicly recommends a Superior Proposal;
- if, before the date on which the Implementation Agreement is terminated, any Director recommends that WTF Shareholders accept, vote in favour of, or otherwise support a Competing Proposal;
- WTF materially breaches the Implementation Agreement and the Implementation Agreement is terminated; or
- a WTF Prescribed Occurrence occurs which, alone or together which one or more other WTF Prescribed Occurrences, is likely to have a material effect on WTF and the Implementation Agreement is terminated.

The Break Fee will not be payable in the circumstances described under the second bullet point in this Section 6.12(h) if the Independent Expert concludes that the Scheme is not in the best interests of WTF Shareholders and the reason for the Independent Expert's opinion is not the existence of a Superior Proposal.

i. Termination by Expedia

Expedia Investments may terminate the Implementation Agreement at any time before 8.00 am on the Second Court Date if:

- WTF is in material breach of the Implementation Agreement;
- if the warranties given by WTF:
 - that are qualified as to materiality were not true and correct; and
 - that are not so qualified were not true and correct in all material respects,
 at the time they were given;
- if a WTF Prescribed Occurrence occurs; or
- if a Director publicly changes, withdraws, modifies or qualifies their recommendation or voting intention or publicly recommends a Superior Proposal.

j. Termination by WTF

WTF may terminate the Implementation Agreement at any time before 8.00 am on the Second Court Date if:

- Expedia Investments or Expedia, Inc. are in material breach of the Implementation Agreement; or
- if the warranties given by Expedia Investments or Expedia, Inc.:
 - that are qualified as to materiality were not true and correct; and
 - that are not so qualified were not true and correct in all material respects,
 at the time they were given.

k. Termination by either party

Either party may terminate the Implementation Agreement at any time before 8.00 am on the Second Court Date if:

- the Conditions Precedent are not satisfied or cannot be satisfied or the Scheme has not become effective by the End Date and the parties cannot agree on how to proceed within 5 business days of that event occurring; or
- if a Director publicly changes, withdraws, modifies or qualifies their recommendation or voting intention or publicly recommends a Superior Proposal where the action taken was in accordance with WTF's and the Directors' rights and obligations under the Implementation Agreement.

6.13 Deed Poll

Expedia, Inc. and Expedia Investments have entered into a Deed Poll in favour of the Scheme Shareholders as set out in Annexure C of this document.

Under the terms of the Deed Poll, Expedia Investments undertakes in favour of each Scheme Shareholder (and Expedia, Inc. undertakes to procure Expedia Investments) to perform its obligations to pay the Scheme Consideration under the Implementation Agreement and comply with its other obligations under the Scheme.

The Deed Poll may be relied upon by any Scheme Shareholder, despite the fact that they are not a party to it, and each Scheme Shareholder appoints WTF under the Scheme as its agent and attorney to enforce their rights under the Deed Poll against Expedia, Inc and Expedia Investments.

The Deed Poll is governed by the laws of Queensland and is set out in full in Annexure C of this document.

6.14 Copy of Share Register

Under sections 169 and 173 of the Corporations Act, any WTF Shareholder has a right to inspect, and to ask for a copy of, the WTF Share Register which contains details of the name and address of each WTF Shareholder. WTF may require a WTF Shareholder to provide reasons for their request prior to providing a copy of the WTF Share Register, and a WTF Shareholder must not use any information obtained for an improper purpose. A copy of the WTF Share Register will be given to any WTF Shareholder upon request and payment of the prescribed fee under the Corporations Act where WTF is satisfied that the details provided are not likely to be used for an improper purpose. For further information, please contact the Shareholder Information Line on 1300 721 953 (within Australia) or +61 3 9415 4802 (outside Australia).

7. Additional information

7.1 Wotif Group Directors' recommendation

The Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting. The Directors unanimously believe that, for the reasons set out in Section 3, the Scheme is in the best interests of WTF Shareholders.

In the absence of a Superior Proposal, each of the Directors (who, including Mr Graeme Wood, collectively represent approximately 20.1% of fully-diluted shares outstanding) intends to vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting in relation to WTF Shares held by them or on their behalf. The interests of Directors in WTF Shares are set out in Section 7.5 of this document.

The Directors believe that the reasons for WTF Shareholders to vote in favour of the Scheme Resolution outweigh the reasons to vote against the Scheme Resolution, in the absence of a Superior Proposal. These reasons and other relevant considerations are set out in Section 3. You should also read the Independent Expert's Report which is set out in full in Annexure A of this document.

7.2 Intentions of WTF Directors concerning the business of Wotif Group

If the Scheme is implemented, the existing Directors will resign from the Board provided that a proper board is constituted at all times. Accordingly, the resigning Directors are not able to make any statements of intentions regarding:

- the continuation of Wotif Group business or how the business will be conducted after the implementation of the Scheme;
- any major changes to Wotif Group business, including any redeployment of the fixed assets of Wotif Group; or
- the future employment of present Wotif Group employees.

7.3 Capital structure of WTF

At the date of this document, WTF has 211,736,244 ordinary shares on issue and 2,818,462 Options.

In accordance with the arrangements described in Section 7.9 of this document, if the Scheme becomes Effective the Board intends to issue a further 1,322,462 WTF Shares to satisfy the obligations that WTF has under its executive share option plan in relation to the acceleration of the vesting and exercise of performance rights held by WTF employees.

7.4 Notifiable interests

As at 31 August 2014, the following persons had notified WTF that they had a Relevant Interest in 5% or more of WTF Shares.

Name	Number of WTF Shares	Percentage of WTF Shares on issue
Expedia ³		
Mr Graeme Wood (Director)	41,861,000	19.80%
R A C Brice and J D Brice/ JDB Services Pty Ltd ⁴	33,000,000	15.58%
Sumitomo Mitsui Trust Holdings, Inc.	13,957,982	6.59%
Lazard Asset Management Pacific Co	13,917,550	6.57%
National Australia Bank	10,799,533	5.10%

7.5 Marketable securities held by Directors

No marketable securities of WTF are held by or on behalf of Directors and no such persons are otherwise entitled to such securities as at the date of this document other than as listed below, all of which are held beneficially.

³ Expedia, Inc. has lodged a substantial holder notice with ASX in relation to its Relevant Interest in 42,135,514 WTF Shares as a result of Expedia, Inc. entering into the Call Option Deeds. Refer to Section 3.3 for further detail.

⁴ Mr Robert Andrew Brice and his associated entities intend to vote shares in their control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert determining that the Scheme is in the best interests of WTF Shareholders.

Director	Number of WTF Shares	Number of Options
Mr Dick Mclwain	600,000	-
Mr Scott Blume	4,000	450,000
Mr Graeme Wood	41,861,000	-
Mr David Do	-	-
Ms Kaylene Gaffney	-	-
Mr Ben Smith	150,000	-

As detailed in Section 7.9 of this document, Mr Scott Blume will receive 450,000 WTF Shares in respect of those Options that the parties have agreed will vest, which will occur after the Scheme becomes Effective and before the Dividend Record Date.

In the absence of a Superior Proposal, each of the Directors intends to vote all WTF Shares held by them or on their behalf in favour of the Scheme.

No marketable securities of Expedia or the Expedia Group are held by or on behalf of Directors as at the date of this document.

7.6 Agreements or arrangements with WTF Directors

Save for the Call Option Deed with Mr Graeme Wood discussed at section 3.3 and the circumstances set out below, there are no agreements or arrangements made between any Director and any other person, including any member of the Expedia Group, in connection with or conditional upon the outcome of the Scheme.

The relevant agreements or arrangements are as follows:

- a. WTF has a standing agreement to indemnify each Director against liabilities incurred by such Director in connection with the Proposal and the Director's involvement in the process that resulted in the Proposal, and legal costs reasonably incurred in defending an action for any such liability. WTF has the right to control any such claim against a Director that could result in a payment being made to that Director under the indemnity.
- b. Mr Scott Blume will receive 450,000 WTF Shares in respect of those Options that the parties have agreed will vest, which will occur after the Scheme becomes Effective and before the Dividend Record Date.
- c. if the Scheme becomes Effective, Mr Scott Blume, as Managing Director of WTF, will receive:
 - i. a transaction completion payment of 12 months annual salary, being \$787,500; and
 - ii. the maximum annual short term cash incentive payable under his employment contract, being \$315,000.

7.7 Payments or other benefits to Directors and Wotif Group executive officers

Save as set out in Section 7.6 of this document and below, it is not proposed that any payment or other benefit will be made or given to any Director, secretary or executive officer of WTF, or any body corporate related to WTF, as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as Director, secretary or executive officer of WTF or a body corporate connected with WTF.

7.8 Interests of Directors in contracts entered into by a member of the Expedia Group

Save for the Call Option Deed executed by Mr Graeme Wood (refer to Section 3.3(d) for detail), no Director has any interest in a contract entered into by any member of the Expedia Group.

7.9 Impact of the Transaction on the WTF Executive Share Option Plan

WTF operates an executive share option plan pursuant to which it made grants of Options to WTF employees, which are subject to vesting conditions based on performance criteria and maintaining employment in the Wotif Group.

It is a condition of the Implementation Agreement that by 8.00 am on the Second Court Date, arrangements have been put in place so that all Options that were outstanding as at the date of the Implementation Agreement will either vest or have lapsed or been cancelled before the Scheme Record Date. There were 2,825,762 Options on issue as at the date of the Implementation Agreement and 2,818,462 Options on issue as at the date of this document. The number of Options may further reduce in the event any holders of Options depart from the employment of the Wotif Group prior to the vesting and exercise of the Options into WTF Shares, or agree to cancel their Options.

Prior to the Second Court Date, the Company intends to enter into the following arrangements with the holders of Options:

- a. the Company intends to enter into an agreement with the holders of Options totalling 1,496,000 whose exercise price for the Option exceeds the Transaction Value, to have their Options cancelled; and
- b. in relation to the remaining 1,322,462 Options that could be exercised, the Board intends to resolve (in accordance with its executive share option and performance rights plan) that the 1,322,462 Options are exercisable and to issue 1,322,462 WTF Shares in respect of those Options, subject to the Scheme becoming Effective.

All other Options will have lapsed or been cancelled by 8.00 am on the Second Court Date.

In respect of those Options that vest, WTF Shares will be allocated or issued prior to the Dividend Record Date, ensuring that the holders of those WTF Shares are entitled to receive the Special Dividend and participate in the Scheme on the same basis as all other holders of WTF Shares. All those Options that do not vest will be cancelled.

WTF and each holder of Options have entered into an agreement in respect of their Options, pursuant to which they have agreed to the arrangements described above.

7.10 Consents and disclaimers

a. Consent to be named

The following parties have given and have not, before the time of registration of this document by ASIC, withdrawn their written consent to be named in this document in the form and context in which they are named:

- Goldman Sachs as financial adviser to WTF;
- Ernst & Young as auditor to WTF;
- Clayton Utz as legal adviser to WTF; and
- Computershare Investor Services Pty Limited as WTF Share Registry.

b. Consent to be named and to the inclusion of information

The Independent Expert, Grant Samuel & Associates Pty Limited, has given and has not, before the time of registration of this document by ASIC, withdrawn its written consent to be named as the Independent Expert in this document and to the inclusion of the Independent Expert's Report set out in Annexure A of this document and other statements in this document said to be based on statements made by Grant Samuel, in each case in the form and context in which they appear in this document.

c. Disclaimers of responsibility

Each person named in Sections 7.10(a) and 7.10(b) of this document:

- does not make, or purport to make, any statement in this document or any statement on which a statement in this document is based other than, in the case of Grant Samuel, a statement included in this document with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this document, other than a reference to its name and, in the case of Grant Samuel, any statement or report which has been included in this document with the consent of that party.

7.11 Independent Expert

Grant Samuel has prepared the Independent Expert's Report set out in Annexure A of this document advising as to whether, in its opinion, the Proposal is in the best interests of WTF Shareholders.

Grant Samuel will be paid a fee of A\$350,000 (excluding GST) in relation to the preparation of its report.

7.12 Expedia Investments and Expedia, Inc. consent

Expedia Investments and Expedia, Inc. have given and have not, before the time of registration of this document by ASIC, withdrawn their written consent to the inclusion of the statements set out in Section 5 in the form and context in which those statements appear.

7.13 ASIC Relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Directors, the financial position of WTF has materially changed since the date of the last balance sheet laid before or sent to WTF Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2013. ASIC has granted Wotif Group relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of Wotif Group Directors, the financial position of Wotif Group has materially changed since 30 June 2014, being the date of its audited financial statements for the full year ended 30 June 2014. A copy of those audited financial statements were released to the ASX and will be given free of charge to anyone who requests them before the Scheme is approved by order of the Court.

7.14 Foreign selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Wotif Group disclaims all liabilities to such persons. WTF Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Proposal in any jurisdiction outside of Australia.

7.15 Other information material to the making of a decision in relation to the Scheme

Except as set out in this document, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director which has not previously been disclosed to WTF Shareholders.

7.16 Supplementary information

WTF will issue a supplementary document to this document if it becomes aware of any of the following between the date of lodgement of this document for registration by ASIC and the Effective Date:

- a. a material statement in this document is false or misleading;
- b. a material omission from this document;
- c. a significant change affecting a matter included in this document; or
- d. a significant new matter has arisen and it would have been required to be included in this document if it had arisen before the date of lodgement of this document for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, WTF may circulate and publish any supplementary document by:

- a. approaching the Court for a direction as to what is appropriate in the circumstances;
- b. placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- c. posting the supplementary document on the Wotif Group's website; or
- d. making an announcement to the ASX.

8. Taxation implications

8.1 Introduction

This Section provides a guide as to the potential Australian income tax, Goods and Services Tax (**GST**) and stamp duty consequences for Scheme Shareholders under the Scheme.

This Section is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for WTF Shareholders. Specifically, it summarises the likely Australian tax implications for WTF Shareholders who:

- a. receive the Special Dividend; and
- b. participate in the Scheme and dispose of their Scheme Shares to Expedia.

The information contained in this Section is directed towards Australian resident and foreign resident Scheme Shareholders who hold their Scheme Shares on capital account for income tax purposes.

This Section does not consider the consequences for WTF Shareholders who:

- a. hold their Scheme Shares on revenue account or as trading stock;
- b. are Australian tax residents who hold their Scheme Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- c. are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- d. are subject to the taxation of financial arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Scheme Shares;
- e. acquired their Scheme Shares through or as a result of an executive share option or performance rights plan; or
- f. acquired their Scheme Shares through or as the result of an employee share plan or employee share option plan.

The information contained in this Section is based on the facts set out in the Scheme Booklet and the tax law at the date of this Scheme Booklet. The tax consequences outlined in this Section may alter if there is a change in the tax law after the date of this Scheme Booklet. The law is complex and subject to change periodically as is its interpretation by the Australian courts and Australian Tax Office. This summary does not take into account or anticipate any changes in the law, whether by way of judicial decision or legislative action. Nor does it take into account tax legislation of other countries apart from Australia.

The information contained in this Section is general in nature and should not be relied upon by WTF Shareholders as tax advice. This Section is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every WTF Shareholder. WTF Shareholders should obtain their own

independent professional advice concerning the tax consequences of receiving the Special Dividend and disposing of their Scheme Shares under the Scheme.

8.2 ATO Class Ruling

WTF has lodged a Class Ruling request with the Australian Taxation Office (**ATO**).

The Class Ruling request seeks the ATO's views on specific income tax consequences in relation to the Scheme Consideration and the Special Dividend.

The Class Ruling has not been issued by the ATO as at the date of this Scheme Booklet. When issued, the final Class Ruling will be available on the ATO website at www.ato.gov.au.

If any statements in this Section are the subject of the Class Ruling request, this is noted where relevant. WTF anticipates the views the ATO will express in the Class Ruling should be generally consistent with the commentary in this Section. However, it is possible that the ATO may conclude differently and it is therefore important that this Section be read in conjunction with the final Class Ruling issued by the ATO.

8.3 Australian Income Tax Implications – Special Dividend

a. Receipt of the Special Dividend – Australian Tax Residents

WTF Shareholders who are Australian tax residents and are entitled to receive the Special Dividend should include the amount of the Special Dividend as assessable income. The amount should be included in their tax return for the income year in which the dividend payment is received (being the 2015 income tax year). This should be confirmed in the Class Ruling.

WTF Shareholders who receive the Special Dividend may also receive the associated franking credits. The associated franking credits should also generally be included in the assessable income of each WTF Shareholder who receives the Special Dividend.

A WTF Shareholder may claim a tax offset for the amount of the franking credit where the “holding period” rule is satisfied by the WTF Shareholder. The holding period rule requires that the WTF Shareholder holds their shares “at risk” for a continuous period of at least 45 days during a prescribed period.

The holding period rule is subject to the related payments rule. The related payments rule operates where the WTF Shareholder is under an obligation to pass on the benefit of the Special Dividend to other persons. It is considered that the related payments rule is likely to apply in respect of the Special Dividend as the effect of payment of the Special Dividend on the Scheme Consideration is likely to constitute an act that passes the benefit of the Special Dividend to another person.

Assuming a Dividend Record Date of 16 October 2014⁵, and subject to confirmation in the Class Ruling, any WTF Shareholder who acquires their Scheme Shares after

⁵ This date is based on the proposed transaction timetable and may be subject to change.

5 September 2014 should not be entitled to a tax offset for the franking credits.

The Class Ruling request will confirm whether:

- the WTF Shareholders will satisfy the relevant holding period rule with respect to the Special Dividend if the WTF Shareholders acquired their Scheme Shares on or before 5 September 2014 and hold the Scheme Shares until the Scheme Record Date, and whether the related payments rule applies; and
- the ATO will not seek to apply any integrity provisions so as to prevent the WTF Shareholders from receiving the benefit of the franking credits.

The franking credits attached to the Special Dividend may be used to offset the income tax otherwise payable by a WTF Shareholder. The integrity and anti-avoidance provisions should not apply to deny or limit the availability of those credits to WTF Shareholders receiving the Special Dividend. However, these issues should be confirmed by the Class Ruling.

The extent to which the WTF Shareholders will be able to access the franking credit tax offset will depend on their status and specific circumstances, as outlined below. The discussion below assumes that the WTF Shareholders will satisfy the holding period and related payment rules as outlined above in respect of the Special Dividend.

b. Individuals and complying superannuation funds

WTF Shareholders that are individuals and complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend.

Individuals and complying superannuation funds that have franking credits in excess of their tax liability in respect of the income may be entitled to a refund for any franking credits in excess of their total tax liability.

c. Companies

WTF Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits. As a result, companies should not pay any additional income tax on the Special Dividend.

WTF Shareholders that are companies should also receive a credit to their franking account equal to the amount of the franking credits.

d. Trusts

Where there are no beneficiaries that are presently entitled to the income of a trust, the trustee will bear the tax liability in respect of the Special Dividend and should be entitled to a tax offset equal to the franking credits attached to the Special Dividend.

Where beneficiaries are presently entitled to the income of a trust, the Special Dividend and attached franking credit benefits should flow through to those beneficiaries. The tax treatment of the Special Dividend and any franking credits in the hands of those beneficiaries will depend upon the tax status of the beneficiaries.

e. Receipt of the Special Dividend – Foreign Tax Residents

WTF Shareholders that are foreign residents for tax purposes should not be subject to tax in Australia in respect of the Special Dividend (provided they do not hold their WTF Shares through an Australian permanent establishment).

On the basis and to the extent that the Special Dividend will be fully franked, WTF Shareholders who are foreign residents for tax purposes should not be subject to any Australian dividend withholding tax.

8.4 Australian Income Tax Implications of Disposal

Australian Income Tax Implications of Disposal – Australian Tax Residents

In the event that the Scheme is approved and becomes Effective, Expedia will acquire 100% of the issued capital of WTF. The income tax implications for Australian Tax resident shareholders are outlined below.

a. Capital Gains Tax (“CGT”) event

If the Scheme is approved, CGT event A1 (disposal of a CGT asset) will occur for WTF Shareholders when they dispose of their WTF Shares to Expedia under the Scheme on the Implementation Date. The Class Ruling is expected to confirm that the applicable event is CGT event A1 and that the timing of the event will occur on the Implementation Date.

Scheme Shareholders will:

- make a capital gain if the capital proceeds received from the disposal of their WTF Shares exceeds their cost base; or
- make a capital loss if the capital proceeds received from the disposal of their WTF Shares is less than their reduced cost base.

The cost base (or reduced cost base) of WTF Shares should generally be the amount paid to Scheme Shareholders to acquire the WTF Shares plus incidental costs of ownership (provided the costs have not previously been claimed as a tax deduction).

b. Capital Proceeds

Under the Scheme, the Scheme Consideration is the amount of A\$3.06 per Scheme Share.

Whether the payment of the Special Dividend forms part of the capital proceeds for the disposal of the Scheme Shares is addressed as part of the Class Ruling application. Where the Special Dividend is not considered to form part of the capital proceeds on the disposal of the Scheme Shares, the capital proceeds will be equal to A\$3.06.

Conversely, where the Special Dividend is considered to form part of the capital proceeds for the disposal of the Scheme Shares, there is an “anti-overlap” rule which ensures any capital gain made by the Scheme Shareholders on the disposal of a Scheme Share should be reduced (but not below nil) by the Special Dividend included in the Scheme Shareholder’s assessable income. No reduction is made for the amount of franking credits attached to the Special Dividend.

However, where a capital loss arises for a Scheme Shareholder from a disposal of their WTF Shares, the “anti-overlap” rule does not apply. Consequently, if a Scheme Shareholder’s reduced cost base exceeds A\$3.30, the effect of including the Special Dividend in the capital proceeds is that the capital loss made by the Scheme Shareholder will be less (by the amount of the Special Dividend) than would otherwise be the case. If a Scheme Shareholder’s reduced cost base is between A\$3.06 and A\$3.30, the effect of including the Special Dividend in the capital proceeds is that capital loss will be reduced (by the amount of the excess of the reduced cost base over A\$3.06).

On the basis that the Special Dividend is to be paid at the discretion of WTF, and is not a condition of the approval of the Scheme, and is not funded (directly or indirectly) by Expedia the capital proceeds should not include the amount of the Special Dividend. The Class Ruling lodged with the ATO should confirm this position.

c. CGT discount

The CGT discount is available to Scheme Shareholders who are individuals, trusts or complying superannuation entities.

The discount is available to Scheme Shareholders who have held their Scheme Shares for at least 12 months prior to the date of disposal.

The CGT discount rules enable Scheme Shareholders to reduce their capital gain (after the application of current and prior year capital losses) by 50% for individuals and 33⅓% for complying superannuation funds.

The CGT discount is not available to Scheme Shareholders that are companies or have elected the indexation method. The availability of the discount to relevant Scheme Shareholders will be confirmed in the Class Ruling.

d. Capital Losses

Capital losses will arise where the capital proceeds received are less than the reduced cost base of the Scheme Share. The treatment of the Special Dividend is discussed previously in this Section.

A capital loss can offset other capital gains made by Scheme Shareholders in the 2015 income tax year. Where the capital losses are not utilised in that year, they may be carried forward to future income years (subject to any specific loss recoupment rules).

Scheme Shareholders should seek their own tax advice in relation to the operation of these rules.

e. Australian Income Tax Implications of Disposal – Foreign Tax Residents

Scheme Shareholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment and who do not own 10% or more of the shares in WTF should be exempt from CGT on the disposal of their Scheme Shares.

Foreign resident Scheme Shareholders should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

8.5 Stamp duty

No stamp duty should be payable by the Scheme Shareholders in respect of the disposal of their Scheme Shares.

8.6 Goods and Services Tax (GST)

No GST should be payable by a Scheme Shareholder in respect of the disposal of their Scheme Shares, regardless as to whether the Scheme Shareholder is registered for GST. In the event the Scheme Shareholder is registered for GST, the disposal of the Scheme Share should be considered an input taxed financial supply.

In addition, no GST should be payable by shareholders in respect of the Special Dividend, as such transactions are considered outside the scope of GST.

Scheme Shareholders may incur GST on costs (such as third party brokerage and adviser fees) that relate to their participation in the Scheme. Scheme Shareholders that are registered, or required to be registered, for GST may not be entitled to full input tax credits for any GST payable on such costs, but may be entitled to reduced input tax credits for some acquisitions. This will depend on each Scheme Shareholder’s individual circumstances.

Scheme Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme.

9. Defined terms

In this document:

A\$ or **AUD** means Australian Dollars.

ACCC means the Australian Competition and Consumer Commission.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act.

ASX means the Australian Securities Exchange or ASX Limited ACN 008 624 691, as the context requires.

ASX Listing Rules means the listing rules of the ASX from time to time as modified by any express written waiver or exemption given by the ASX.

Board means the board of directors of WTF.

Break Fee means 1% of the total Transaction Value of the Scheme, or approximately A\$7.03 million.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Queensland.

Call Option Deeds means:

- a. the document entitled "Call Option Deed" between Expedia, Inc., Expedia Investments, RAC and JD Brice Superannuation Pty Ltd as trustee of the Brice Superannuation Fund and Mr Robert Andrew Brice entered into on 5 July 2014; and
 - b. the document entitled "Call Option Deed" between Expedia, Inc., Expedia Investments and Mr Graeme Thomas Wood entered into on 5 July 2014,
- as described in section 3.3(d).

Call Option Shares means the 42,135,514 WTF Shares which are the subject of the Call Option Deeds.

CGT means capital gains tax.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of WTF Shares and other financial products operated by ASX Settlement Pty Ltd ACN 008 504 532.

Competing Proposal means any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a third party (either alone or together with any Associate) would:

- a. directly or indirectly acquire a Relevant Interest in, or have the right to acquire, a legal, beneficial or economic interest in, or control of, more than 20% of WTF Shares;
- b. acquire Control of WTF;
- c. otherwise acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an exclusive economic interest in all or a material part of Wotif Group's business or assets or the business or assets of the Wotif Group;
- d. otherwise acquire (whether directly or indirectly) WTF; or
- e. enter into any agreement, arrangement or understanding requiring WTF to abandon, or otherwise fail to proceed with, the Proposal,

whether by way of takeover bid, scheme of arrangement, security holder approved acquisition, capital reduction or buy back, sale or purchase of shares, securities or assets, global assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement.

Conditions Precedent means the conditions precedent set out in clause 3 of the Implementation Agreement.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Counsel means counsel engaged by WTF in respect of the implementation of the Scheme.

Court means the Supreme Court of Queensland or such other court as is agreed between WTF and Expedia.

Deed Poll means a deed poll executed by Expedia Investments and Expedia, Inc. in favour of Scheme Shareholders in the form set out in Annexure C of this document.

Directors means the directors of WTF whose names are set out in Section 4.3 of this document.

Dividend Payment Date means Friday, 24 October 2014, or such other date agreed between Expedia and WTF.

Dividend Record Date means 7.00 pm on Thursday, 16 October 2014, or such other date agreed between Expedia and WTF.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(1) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective. The Effective Date is currently expected to be Wednesday, 15 October 2014.

End Date means, under the current Implementation Agreement, 28 February 2015.

Exclusivity Period means the period commencing on 5 July 2014 and ending on the earliest of:

- a. the End Date;
- b. the date the Implementation Agreement is terminated in accordance with its terms; and
- c. the Implementation Date.

Expedia means Expedia Inc., a company registered in Delaware, United States of America or Expedia Inc., together with or through its wholly owned subsidiary Expedia Investments, as the context requires.

Expedia Counter Proposal means a proposal that is provided by Expedia Investments to the Board under clause 8.6 of the Implementation Agreement and which is for a price per WTF Share at least equal to the price offered under a Competing Proposal.

Expedia, Inc. means Expedia, Inc., a corporation organised and existing under the laws of the State of Delaware, USA.

Expedia Group means collectively, Expedia, Inc., Expedia Investments and each of their Related Bodies Corporate.

Expedia Investments means Expedia Australia Investments Pty Ltd ACN 600 494 086, formerly Emu Australia Investments Pty Ltd, a wholly owned subsidiary of Expedia, Inc.

First Court Date means the day on which an application made to the Court for orders, pursuant to section 411(1) of the Corporations Act, convening the Scheme Meeting is determined and, if the application is adjourned or subject to appeal for any reason, the day on which the application is determined after adjournment or the appeal is determined.

Grant Samuel means Grant Samuel & Associates Pty Limited ACN 050 036 372.

GST means goods and services tax applicable in Australia.

HIN means the Holder Identification Number on a broker-sponsored sub-register.

Implementation Agreement means the Scheme Implementation Agreement entered into between WTF, Expedia Investments and Expedia, Inc. dated 5 July 2014 as set out in Annexure B of this document.

Implementation Date means the fifth Business Day after the Scheme Record Date, currently expected to be Monday, 27 October 2014.

Independent Expert's Report means the report from the Independent Expert in respect of the Scheme, a copy of which is set out in Annexure A of this document.

Independent Expert means Grant Samuel.

Insolvency Event means in relation to an entity:

- a. the entity resolving that it be wound up or the making of an application or order for the winding up or dissolution of the entity, other than where the application or order (as the case may be) is set aside within 14 days;
- b. a liquidator or provisional liquidator of the entity being appointed;
- c. a court making an order for the winding up of the entity;
- d. an administrator of the entity being appointed;
- e. the entity ceasing, or threatening to cease to, carry on the business that it conducts as at the date of the Implementation Agreement;
- f. the entity being or becoming unable to pay its debts when they fall due;
- g. the entity executing a deed of company arrangement;
- h. a receiver, or a receiver and manager, being appointed in relation to the entity, or a substantial part, of the property of the entity;
- i. the entity being deregistered as a company or otherwise dissolved; or
- j. any thing having a substantially similar effect to any event or circumstance referred to in subparagraphs (a) to (i) above happens in respect of the entity under the law of any jurisdiction.

Notice of Scheme Meeting means that notice attached to this document as Annexure E of this document.

NZCC means the New Zealand Commerce Commission.

Options means an option or performance right granted under the WTF executive share option and performance rights plan to acquire a WTF Share subject to the terms of such plan.

Proposal means the proposed acquisition by Expedia Investments of all the outstanding WTF Shares under the Scheme, as contemplated in the Implementation Agreement.

Proxy Form means the proxy form for the Scheme Meeting accompanying this document.

Register means the share register of WTF kept pursuant to the Corporations Act.

Regulatory Authority includes:

- a. a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;
- b. a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;
- c. any regulatory organisation established under statute; and
- d. in particular, the ASX and ASIC.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Related Entity means:

- a. in relation to a body corporate, any entity that is related to that body corporate within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that body corporate; and
- b. in relation to an individual means an economic entity (as defined in any approved Australian accounting standard) Controlled by that individual.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representatives means, in relation to a party, all directors, officers, employees, professional advisers and agents of the party or of its Related Bodies Corporate.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between WTF and Scheme Shareholders, the form of which is contained in Annexure D of this document subject to changes recommended by Counsel, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Expedia and WTF.

Scheme Booklet means this scheme booklet, including the annexures to it.

Scheme Consideration means A\$3.06 per Scheme Share in cash to be paid by Expedia.

Scheme Meeting means the meeting of WTF Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act. It includes any adjustment of that meeting.

Scheme Record Date means 7.00 pm on Monday, 20 October 2014, or such other date (after the Effective Date) as WTF and Expedia may agree in writing.

Scheme Resolution means the resolution set out in the Notice of Scheme Meeting to agree to the terms of the Scheme, as set out in Annexure E of this document.

Scheme Share means each WTF Share on issue on the Scheme Record Date.

Scheme Shareholder means each person who is a WTF Shareholder as at 7.00 pm on the Scheme Record Date, other than Expedia or any of its Associates.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Second Court Hearing means the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Special Dividend means a fully franked cash dividend of A\$0.24 per WTF Share, provided that the franking account of WTF will not be in deficit after the payment of any such dividends, that the Board has resolved for WTF to pay, conditional on the Scheme becoming Effective, on the Dividend Payment Date.

SRN means the Securityholder Reference Number on an issuer-sponsored sub-register.

Superior Proposal means a bona fide Competing Proposal which in the determination of the Board, acting in good faith, and after receiving advice from its external legal and external financial advisers, would, if it is completed, be more favourable to WTF Shareholders (as a whole) than the Proposal, taking into account all aspects of the Competing Proposal, including:

- a. the value of the consideration payable to WTF Shareholders under the Competing Proposal (as compared to the consideration available under the Proposal);
- b. the conditions of the Competing Proposal, the likelihood of those conditions being satisfied and the level of certainty in respect of the funding required for the Competing Proposal;
- c. the identity, reputation and financial standing of the party making the Competing Proposal; and
- d. the likely timing required to implement or complete the Competing Proposal.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax (including royalty withholding tax), impost or withholding obligation of whatever nature, whether direct or indirect, (including any tax payable under a country's foreign source income attribution or anti-tax-deferral rules) by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction but excluding any stamp duty payable on any transfer of the WTF Shares.

Transaction Value means the total value of the Scheme Consideration and the Special Dividend.

VWAP means the volume weighted average price.

Wotif Group means collectively WTF and each of its Related Bodies Corporate.

WTF or Company means Wotif.com Holdings Limited ACN 093 000 456.

WTF Prescribed Occurrence has the meaning given to that term in the Implementation Agreement and is set out in summary at 6.12(b).

WTF Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

WTF Share means an issued, fully paid ordinary share in the capital of WTF.

WTF Shareholder means each person who is in the Register as the holder of WTF Shares.

Annexure A – Independent Expert's Report

GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

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5 September 2014

The Directors
Wotif.com Holdings Limited
7 Baroona Road
Milton QLD 4064

Dear Directors

Offer by Expedia, Inc.

1 Introduction

On 7 July 2014, Wotif.com Holdings Limited ("Wotif Group") announced that it had entered into a Scheme Implementation Agreement with Expedia, Inc. ("Expedia") under which a wholly owned subsidiary of Expedia will acquire all of the issued share capital¹ in Wotif Group by way of a scheme of arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act") ("the Scheme"). If the Scheme is implemented, Wotif Group shareholders will receive cash consideration of \$3.30 per share comprising:

- \$3.06 cash per share; plus
- a special dividend of \$0.24 per share paid by Wotif Group on or before implementation of the Scheme, which is expected to be fully franked.

The Scheme is subject to a number of conditions which are set out in full in the Notice of Meeting and Explanatory Memorandum ("Scheme Booklet") to be sent by Wotif Group to shareholders.

Subject to an independent expert determining that the Scheme is in the best interests of shareholders and in the absence of a superior proposal:

- the directors of Wotif Group (including Mr Graeme Wood) who collectively represent approximately 20.12% of the fully diluted shares on issue; and
- Mr Andrew Brice and his associated entities who collectively represent 15.58% of the fully diluted shares on issue,

intend to vote shares in their control in favour of the Scheme.

Separately, Expedia has entered into call option deeds with Mr Graeme Wood and Mr Andrew Brice which enable it to acquire up to 19.9% of Wotif Group's issued share capital².

The directors of Wotif Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of shareholders. A copy of the report (including this letter) will accompany the Scheme Booklet to be sent to shareholders by Wotif Group. This letter contains a summary of Grant Samuel's opinion and main conclusions.

¹ Performance rights (nil exercise price options) granted under the Executive Share Option Plan are expected to be exercised into ordinary shares and be subject to the Scheme. Other options outstanding under the Executive Share Option Plan are "out of the money" and will be cancelled. Therefore, shares on issue are expected to total 213.1 million upon implementation of the Scheme.

² Subject to having received approval under the Foreign Acquisitions and Takeovers Act, 1975 ("FIRB Approval") for the proposed acquisition of Wotif Group shares, Expedia can exercise the call options for the full 19.9% of the issued shares if a competing proposal has been made for Wotif Group, it has made a counter proposal under its matching right and within 48 hours of receiving Expedia's counter proposal, the Wotif Group board has not advised that it will not recommend the counter proposal on the basis that its terms and conditions taken as a whole are less favourable than those of the relevant competing proposal. If FIRB Approval is not received, Expedia can only exercise the call options in relation to 14.9% of the issued share capital. The call options will lapse if not validly exercised by 28 February 2015 (or such other date as is agreed by the parties), Wotif Group shareholders approve the Scheme by the requisite majorities, Expedia terminates the call options deeds or the Scheme Implementation Agreement is terminated.

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2 Opinion

In Grant Samuel's opinion, the Scheme is fair and reasonable and, therefore, in the best interests of Wotif Group shareholders, in the absence of a superior proposal.

3 Key Conclusions

■ **The value of Wotif Group is subject to considerable uncertainty.**

The value of Wotif Group is subject to considerable uncertainty at the present time as a result of various factors impacting the business:

- the online travel segment in Australia is in a state of flux with global operators such as The Priceline Group Inc. ("Priceline") and Expedia aggressively building market share at Wotif Group's expense. The competitive pressures are unlikely to abate in the foreseeable future;
- Wotif Group faces a need to materially increase expenditure on marketing and information technology ("IT") to remain competitive but the extent of these cost increases is unknown; and
- the online travel segment is subject to continued disruption from new participants and technologies that can rapidly change the competitive dynamics and industry structure. Continued structural changes and new competitors are inevitable, particularly given the relatively low barriers to entry.

Accordingly, it is difficult to project future earnings for Wotif Group over the medium term or even the short term (e.g. FY15) with any degree of confidence. Given the uncertainty, Wotif Group has advised that there is no board endorsed budget or forecast for FY15 or beyond.

In addition, the market evidence from comparable acquisitions and comparable listed companies as to valuation parameters is sparse and of limited applicability because of the material differences in growth outlook. These issues mean any valuation conclusions have to be treated with caution.

■ **Grant Samuel estimates the full underlying value of Wotif Group to be in the range \$3.06-3.41 per share.**

Grant Samuel has valued Wotif Group in the range \$651-726 million which corresponds to a value of \$3.06-3.41 per share. The valuation is summarised below:

Wotif Group – Valuation Summary (\$ millions)			
	Full Report Section Reference	Value Range	
		Low	High
Business operations (net of listed company cost savings)	5.3	650.0	725.0
Other assets and liabilities	5.4	1.1	1.1
Value of equity		651.1	726.1
Fully diluted shares on issue (millions)		213.1 ¹	
Value per share		\$3.06	\$3.41

The valuation represents the estimated full underlying value of Wotif Group assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Wotif Group shares to trade on the ASX in the absence of a takeover offer.

The value attributed to the business operations of \$650-725 million is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA³, EBIT⁴ and NPAT⁵) and discounted cash flow ("DCF")

³ EBITDA is earnings before interest expense, tax, depreciation and amortisation, investment income and significant and non-recurring items. EBITDA includes interest income which is an inherent part of the business model, representing income of cash paid in advance by customers (with a matching liability).

⁴ EBIT is earnings before interest expense, tax, investment income and significant and non-recurring items.

⁵ NPAT is net profit after tax.

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analysis. Greater weight was placed on the multiples of earnings with the DCF used more in the nature of a cross check.

The valuation takes into account potential synergies including the potential for saving listed company costs.

■ **The value of Wotif Group represents multiples of earnings that appear relatively low.**

The earnings multiples implied by the valuation of Wotif Group's business operations and the value of the equity in Wotif Group are summarised below:

Wotif Group – Implied Valuation Parameters			
	Variable ⁶ (\$ million)	Range of Parameters	
		Low	High
Multiple of EBITDA (times) – Business Operations			
FY14 (actual)	72.0	9.0	10.1
FY15 (broker median) ⁷	71.3	9.1	10.2
FY16 (broker median) ⁷	72.0	9.0	10.1
Multiple of EBIT (times) – Business Operations			
FY14 (actual)	64.3	10.1	11.3
FY15 (broker median) ⁷	62.2	10.5	11.7
FY16 (broker median) ⁷	63.5	10.2	11.4
Multiple of NPAT (times) - Equity			
FY14 (actual)	43.8	14.9	16.6
FY15 (broker median) ⁷	42.6	15.3	17.0
FY16 (broker median) ⁷	44.4	14.7	16.3

At one level these multiples appear relatively low. Wotif Group is a well established technology based company and market leader in a growth market segment (online travel services). However, the reality is that Wotif Group's business is now relatively mature and competes in a segment where the structurally advantaged global operators are "flexing their muscles". Wotif Group will find it increasingly hard to maintain its competitiveness and its earnings capacity. The business has lost its growth momentum and turning the situation around will be difficult and fraught with uncertainty.

In Grant Samuel's view, the implied multiples are reasonable, even in a "control" transaction, taking into account the competitive position of Wotif Group, the pressures on short term earnings and the structural challenges it faces.

Listed global peers such as Priceline and Expedia are trading at much higher multiples but have very strong earnings growth trajectories, both historically and looking forward (see Section 5.3.2 of the full report). In contrast, Wotif Group's net earnings were essentially flat from FY10 to FY13 and fell by approximately 15% in FY14. The outlook is for further downward pressure on earnings in FY15 even if Wotif Group can halt the slide in room nights sold because of the anticipated increase in marketing and IT expenditure. The contributing factors (intense competition and increasing marketing and IT costs) are likely to continue into the foreseeable future.

⁶ After allowing for savings in listed company costs. Before tax savings in FY14 of \$0.8 million and in FY15 of \$1.0 million.

⁷ Wotif Group has advised Grant Samuel that, given the uncertainties facing the company, there is no board endorsed budget or forecast for FY15 (or beyond). Accordingly, it has not provided to Grant Samuel any budget, forecasts or projections for Wotif Group. In order to provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Wotif Group (see Appendix 1). However, it needs to be recognised that:

- as Wotif Group has not provided any forecasts, the broker forecasts cannot be benchmarked to gain comfort as to their reasonableness;
- the uncertainties impacting Wotif Group's business make it difficult for any party to forecast earnings with a high degree of confidence;
- only 11 of the 17 brokers known to follow Wotif Group have updated their forecast subsequent to the announcement of the FY14 results on 12 August 2014; and
- there is a wide range of broker forecasts for the key parameters and they tend to fall into two divergent groups. Considerable caution is therefore warranted in using broker median forecasts.

Accordingly, the broker forecasts cannot be relied on for the purposes of valuation but they do provide some useful insights into the valuation parameters.

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Wotif Group has a number of positive attributes that underpin its strong market position including:

- market leadership in Australian and New Zealand online accommodation bookings with the largest portfolio of accommodation inventory;
- a powerful and well established brand with strong consumer awareness that generates high levels of “free traffic” and high conversion rates;
- successful entry into new online activities such as flights and packaging with potential to grow strongly in the next few years; and
- low direct distribution costs for suppliers.

On the other hand, Wotif Group faces a number of challenges and structural disadvantages, particularly in its core business:

- Wotif Group competitors have greater capacity and willingness to spend aggressively on marketing;
- relative to its key competitors, Wotif Group is already in catch up mode in terms of IT and, in the long term, is structurally disadvantaged as global operators can amortise IT spend over a much larger customer base; and
- Wotif Group’s business model (cash payment up front, booking fees paid by customers, lower commissions) creates a number of structural disadvantages in relation to:
 - arrangements with accommodation suppliers;
 - rankings on search/metasearch engines; and
 - being competitive in paid search.

These factors suggest that the medium term risks to earnings are weighted to the downside and therefore a cautious approach to valuation (in terms of multiples of current earnings) is warranted.

■ **DCF analysis generates values for Wotif Group’s business operations less than \$650-725 million based on standalone earnings.**

Grant Samuel has prepared a high level DCF analysis of Wotif Group’s business operations (see Section 5.3.3 of the full report). While the inherent uncertainties mean that it must be treated with caution, the analysis can provide useful insights into value and the key drivers of value.

The key parameters of the DCF model are:

- ten year cash flows from 1 July 2014. The cash flows are nominal, ungeared and after tax;
- inflation of 2.5%;
- a terminal growth rate of 2.5%;
- a corporate tax rate of 30%; and
- discount rates (weighted average cost of capital) of 10-11%.

A number of different scenarios were examined. The key operating assumptions for Scenario A are:

- accommodation room nights sold decrease by 4% in FY15 and 2% in FY16 after which they grow at 2.0% per annum;
- accommodation room rates increase by inflation and no change to commission rates or booking fees;
- growth in flights and other revenue of 20% in FY15 and FY16 tapering to 4% by FY21 and held constant thereafter;
- interest income equal to 1.5% of accommodation, flights and other revenue;
- advertising and marketing expenses of \$38 million in FY15 and \$42 million in FY16 reflecting a 30% increase in online advertising costs, an increase in offline advertising in FY15 and marketing overheads increasing by inflation. From FY17 online and offline advertising costs increase at a rate 3% higher than the revenue growth and overheads increase in line with inflation;
- web maintenance costs increase at 5% per annum while business development and other operations and administration expenses increase by inflation;

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- technology related capital expenditure increases at 5% per annum plus a \$4 million infrastructure upgrade in FY15 and every four years thereafter (growing by inflation). Other capital expenditure grows by inflation;
- Australian carried forward income tax losses (\$18.3 million) are recouped over 10 years; and
- \$1 million of annual listed company costs saved, increasing by inflation.

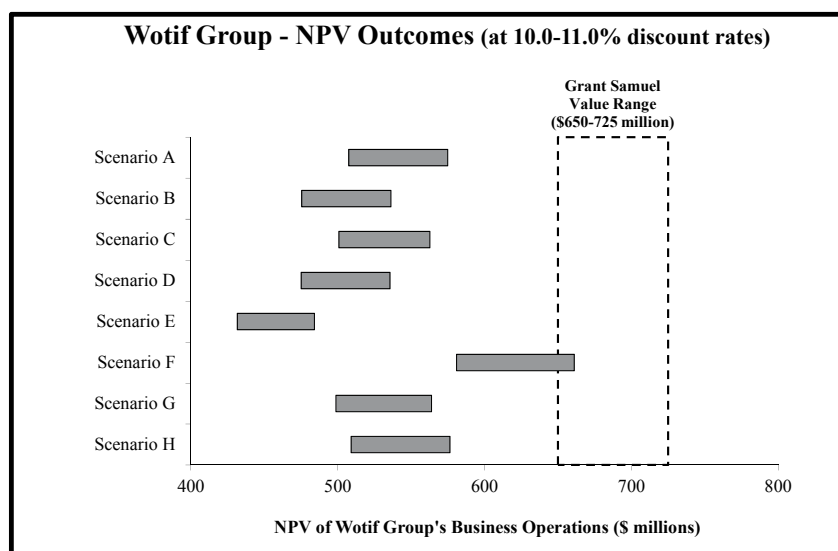
Overall, these assumptions result in:

- EBITDA margin decreasing to 43% in FY15, 41% in FY16 and remaining relatively flat thereafter; and
- advertising and marketing expenses growing as a proportion of the cost base from around 40% in FY14 to over 50% by FY24.

Grant Samuel developed a number of additional scenarios to review the impact of certain assumptions on NPV as outlined below:

Wotif Group – DCF Scenarios	
Scenario	Description
Scenario B	Scenario A except that room nights sold increase by 1.0% per annum from FY17
Scenario C	Scenario A except that room nights sold remain constant at FY14 levels (6 million)
Scenario D	Scenario A except that online/offline advertising costs grow 5% faster than revenue from FY17
Scenario E	Scenario B except that online/offline advertising costs grow 5% faster than revenue from FY17
Scenario F	Scenario A except that from FY17 online/offline advertising costs grow in line with revenue
Scenario G	Scenario A except that web maintenance costs increase at 7.5% per annum
Scenario H	Scenario A except that technology capital expenditure increases at 6.5% per annum and infrastructure upgrades are \$5 million (grown at inflation) every four years

The NPV outcomes of the scenarios are depicted diagrammatically below relative to Grant Samuel's value range (\$650-725 million):



Virtually all of the scenarios examined produced NPV outcomes materially below Grant Samuel's value range for the Wotif Group business of \$650-725 million. This is not surprising as the NPV outcomes represent a standalone value for Wotif Group and it is Grant Samuel's view that the Scheme consideration of \$3.30 (which implies a value of \$703 million) incorporates a significant payment by Expedia for synergies that it may be able to realise by acquiring 100% of Wotif Group.

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■ **The offer of \$3.30 falls within Grant Samuel's value range and, therefore, the Scheme is fair.**

Grant Samuel has estimated the full underlying value in Wotif Group, including a premium for control, to be in the range \$3.06-3.41 per share. The offer of \$3.30 per share falls within the range. Accordingly, the Scheme is fair. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer falls.

In considering the fairness of the Scheme, shareholders should also take into account:

- the uncertainty and risks attaching to the future earnings of Wotif Group on a standalone basis in an intensely competitive industry. The Scheme provides a meaningful premium over equity market assessments of value;
- the Scheme is the end result of a comprehensive process undertaken over several months through which Wotif Group and its advisers sought proposals from a wide range of potential acquirers and investors. Accordingly, it is likely that the price of \$3.30 represents the maximum arm's length value for Wotif Group at the present time;
- Mr Graeme Wood and Mr Andrew Brice (founders of Wotif Group) have agreed to sell their respective interests at a price of \$3.30 per share (subject to certain conditions); and
- given the uncertainties relating to the value and future prospects of Wotif Group, it is useful to assess what "you have to believe" for the consideration to be "not fair" based on the DCF analysis. For example, based on the assumptions adopted in the analysis set out in Section 5.3.3 of the full report, holding all other assumptions constant and using a midpoint discount rate of 10.5%, in order to calculate a standalone NPV in excess of \$703 million (\$3.30) it would be necessary for:
 - room nights sold to grow from FY14 levels at more than 2.3% per annum in perpetuity; or
 - room nights sold to grow by 5.0% per annum from FY17 if room nights sold initially drop as they do in Scenario A (i.e. by 4% in FY15 and 2% in FY16); or
 - advertising and marketing costs to grow from FY14 levels at less than 3.8% per annum.

Alternatively, a discount rate of 8.6% or less would be necessary to calculate a standalone NPV in excess of \$703 million (\$3.30) under Scenario A.

In Grant Samuel's view, it would be imprudent to reject the Scheme on the basis that scenarios such as these occur.

■ **As the Scheme is fair, it is also reasonable.**

As the Scheme is fair, it is also reasonable. In any event, there are a number of factors that support the reasonableness of the Scheme:

- the consideration of \$3.30 per share represents a substantial premium over the Wotif Group share price prior to the announcement of the Scheme:

Wotif Group – Premiums Implied by the Scheme Consideration		
Period	Wotif Group Price/VWAP	Premium
4 July 2014 – Pre-Scheme price	\$2.64	25.0%
1 week prior to 4 July 2014 (VWAP ⁸)	\$2.53	30.4%
1 month prior to 4 July 2014 (VWAP)	\$2.48	33.1%
3 months prior to 4 July 2014 (VWAP)	\$2.51	31.5%
6 months prior to 4 July 2014 (VWAP)	\$2.55	29.4%
12 months prior to 4 July 2014 (VWAP)	\$3.20	3.1%

Source: IRESS and Grant Samuel analysis

⁸ VWAP is volume weighted average price.

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In this case, premiums based on share prices over the six month period are most relevant as they reflect Wotif Group's profit guidance of 18 December 2013 (which resulted in a 38% drop in the share price). On this basis, the premiums implied by the Scheme are consistent with those normally seen in takeover offers which tend to fall in the range 20-35%.

- it is likely that, in the absence of the Scheme or a similar transaction and under current market conditions, Wotif Group shares would trade at prices well below \$3.30 and, given the revisions to broker forecasts following the FY14 results announcement, quite possibly below the prices prevailing prior to announcement of the Scheme (circa \$2.50-2.60) in which case the effective premium would be higher than 25-30%. However, speculation as to the future ownership of Wotif Group could remain (given the willingness of its major shareholders to sell) and this could positively affect the share price; and
- while Expedia has a right to match any unsolicited competing proposal, it is theoretically possible that a third party could make a higher offer for Wotif Group. Expedia has no shareholding in Wotif Group (although it holds call options over 19.9% of the issued shares exercisable in certain circumstances) and the break fee is not of a magnitude to represent a barrier to alternate proposals. However, it must be recognised that the Scheme is the outcome of a comprehensive sale process. To this extent, it would be reasonable to assume the likelihood of a counter bidder emerging with a superior proposal is, at this stage, relatively unlikely (but not impossible). In any event, the opportunity to put forward a superior proposal remains until the Scheme meeting.

■ **There are few issues other than price with a cash offer.**

Other factors that shareholders should take into consideration are:

- depending on their tax position, shareholders may realise additional value as a consequence of the franking credits attaching to the special dividend of \$0.24 per share (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain);
- shareholders will be treated as having disposed of their Wotif Group shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Wotif Group shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes;
- if the Scheme is not implemented, Wotif Group will incur transaction costs of around \$1.5 million (less than \$0.01 per share). In certain circumstances, Wotif Group will also be liable to pay Expedia a \$7.03 million break fee; and
- Wotif Group shares have generally traded around \$3.30 since the announcement of the Scheme (in the range of \$3.27-3.34, at a VWAP of \$3.30). Consequently, a cash price of around \$3.30 could be achieved by selling on market currently rather than waiting until implementation of the Scheme which is not due until the end of October 2014. However, transaction costs would be incurred and selling shareholders would lose the value of franking credits that may be available to them under the Scheme and the opportunity to receive any higher price that might be offered.

4 **Other Matters**

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Wotif Group shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Wotif Group in relation to the Scheme.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Wotif Group. In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax

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position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Wotif Group. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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**Financial Services Guide
and
Independent Expert's Report
in relation to the Offer by
Expedia, Inc.**

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

5 September 2014

GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Wotif.com Holdings Limited ("Wotif Group") in relation to the offer by Expedia, Inc. ("the Wotif Group Report"), Grant Samuel will receive a fixed fee of \$350,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Wotif Group Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Wotif Group Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Wotif Group Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Wotif Group or Expedia or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$350,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Wotif Group Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Wotif Group Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372 AFS LICENCE NO 240985

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Appendices

- 1 Broker Consensus Forecasts**
- 2 Market Evidence**



1 Details of the Scheme

On 7 July 2014, Wotif.com Holdings Limited (“Wotif Group”) announced that it had entered into a Scheme Implementation Agreement with Expedia, Inc. (“Expedia”) under which a wholly owned subsidiary of Expedia will acquire all of the issued share capital¹ in Wotif Group by way of a scheme of arrangement (“the Scheme”). If the Scheme is implemented, Wotif Group shareholders will receive cash consideration of \$3.30 per share comprising:

- \$3.06 cash per share; plus
- a special dividend of \$0.24 per share paid by Wotif Group on or before implementation of the Scheme, which is expected to be fully franked.

Expedia is a global online travel company headquartered in Bellevue, Washington in the United States. It operates a portfolio of online travel brands including *Expedia.com*®, *Hotels.com*®, *Hotwire.com*® and *trivago*® and has annual revenue in excess of US\$4.8 billion. Expedia is listed on The NASDAQ Global Select market (“NASDAQ”) and has a market capitalisation of approximately US\$9.4 billion.

The Scheme is subject to a number of conditions which are set out in full in the Notice of Meeting and Explanatory Memorandum (“Scheme Booklet”) to be sent by Wotif Group to shareholders. In summary, the key conditions are:

- that an independent expert concludes that the Scheme is in the best interests of Wotif Group shareholders;
- that Wotif Group shareholders approve the Scheme by the requisite majorities under Section 411 of the Corporations Act, 2001 (“Corporations Act”);
- approval under the Foreign Acquisitions and Takeovers Act, 1975 (“FIRB Approval”); and
- clearance by the Australian Competition and Consumer Commission and the New Zealand Commerce Commission.

Other elements of the Scheme include:

- Wotif Group has agreed to certain exclusivity arrangements (including no-shop, no-talk and no-due diligence restrictions and a notification obligation) that apply during the exclusivity period². The no-talk and no-due diligence provisions are subject to a carve out in respect of the fiduciary and statutory obligations of Wotif Group directors;
- Expedia has been granted the right to match a competing proposal³;
- a break fee equal to 1% of the consideration under the Scheme is payable by Wotif Group to Expedia if the Scheme does not become effective in certain circumstances including (but not limited to):
 - a competing proposal is announced during the exclusivity period and within 12 months such a proposal is implemented or consummated or an arrangement or understanding is entered into with Wotif Group with respect to such competing proposal; and

¹ Performance rights (nil exercise price options) granted under the Executive Share Option Plan are expected to be exercised into ordinary shares and be subject to the Scheme. Other options outstanding under the Executive Share Option Plan are “out of the money” and will be cancelled. Therefore, shares on issue are expected to total 213,058,706 upon implementation of the Scheme.

² The period from 5 July 2014 to the earlier of the implementation date for the Scheme, the date the Scheme Implementation Agreement is terminated and 28 February 2015 (or such later date as may be agreed in writing by the parties).

³ A competing proposal means a transaction or arrangement which, if entered into, would mean that a third party would:

- acquire a relevant interest in or have a right to acquire a legal, beneficial or economic interest in, or control of, more than 20% of Wotif Group shares;
- acquire control of Wotif Group;
- otherwise acquire or become the holder of, or have a right to acquire or have an exclusive economic interest in, all or a material part of Wotif Group’s business or assets;
- otherwise acquire Wotif Group; or
- enter into any arrangement requiring Wotif Group to abandon, or otherwise fail to proceed with, the Scheme.

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- any Wotif Group director fails to recommend the Scheme or publicly changes, withdraws, modifies or qualifies their recommendation or publicly recommends a superior proposal (except if the independent expert concludes that the Scheme is not in the best interests of Wotif Group shareholders); and
- a sunset date of 28 February 2015 or such later date as may be agreed in writing by the parties.

Subject to an independent expert determining that the Scheme is in the best interests of shareholders and in the absence of a superior proposal:

- the directors of Wotif Group (including Mr Graeme Wood) who collectively represent approximately 20.12% of the fully diluted issued shares; and
- Mr Andrew Brice and his associated entities who collectively represent 15.58% of the fully diluted issued shares,

intend to vote shares in their control in favour of the Scheme.

Separately, Expedia has entered into call option deeds with Mr Graeme Wood and Mr Andrew Brice which enable it to acquire up to 42,135,514 of the outstanding shares of Wotif Group (or 19.9% of the issued share capital). Subject to having received FIRB Approval for the proposed acquisition of Wotif Group shares, Expedia can exercise the call options for the full 19.9% of the issued shares if:

- a competing proposal has been made for Wotif Group;
- Expedia has made a counter proposal under its matching right; and
- within 48 hours of receiving Expedia's counter proposal, the Wotif Group board has not advised that it will not recommend the counter proposal on the basis that its terms and conditions taken as a whole are less favourable than those of the relevant competing proposal.

If FIRB Approval is not received, Expedia can only exercise the call options in relation to 31,548,701 shares in Wotif Group (or 14.9% of the issued capital).

The call options may only be exercised before the later of the fifth business day after Expedia's counter proposal is announced or the tenth business day after FIRB Approval has been received. The call options will lapse if not validly exercised by 28 February 2015 (or such other date as is agreed by the parties), Wotif Group shareholders approve the Scheme by the requisite majorities, Expedia terminates the call options deeds or the Scheme Implementation Agreement is terminated.

2 Scope of the Report

2.1 Purpose of the Report

Under Section 411 of the Corporations Act, the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Wotif Group shareholders, the Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to such schemes. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the Australian Securities Exchange ("ASX") Listing Rules, the directors of Wotif Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Wotif Group shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet to be sent to shareholders by Wotif Group.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Wotif Group shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Wotif Group.

Voting for or against the Scheme is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Wotif Group. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders. For most other transactions, the expert is required to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Scheme is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Scheme as a control transaction and formed a judgement as to whether the proposal is "fair and reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and

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assets. 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. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Scheme is fair by comparing the estimated underlying value range of Wotif Group with the offer price. The Scheme will be fair if it falls within the estimated underlying value range. In considering whether the Scheme is reasonable, the factors that have been considered include:

- the existing shareholding structure of Wotif Group;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Wotif Group shares in the absence of the Scheme; and
- other advantages and disadvantages for Wotif Group shareholders of approving the Scheme.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts);
- annual reports of Wotif Group for the nine years ended 30 June 2014 (FY14⁴);
- press releases, public announcements, media and analyst presentation material and other public filings by Wotif Group including information available on its website;
- brokers' reports and recent press articles on Wotif Group and the online travel industry;
- sharemarket data and related information on Australian and international listed companies engaged in the online travel industry and on acquisitions of companies and businesses in this industry; and
- information relating to the Australian and international online travel industry including industry research studies and reports and public filings by other listed companies engaged in the online travel industry.

⁴ FYXX = financial year end 30 June 20XX.

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Non Public Information provided by Wotif Group

- management accounts for Wotif Group for the period from 1 July 2012 to 30 June 2014; and
- other confidential documents, board papers, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Wotif Group and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Wotif Group and its advisers. Grant Samuel has considered and relied upon this information. Wotif Group has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of Wotif Group shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Wotif Group. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

Wotif Group has advised Grant Samuel that, due to the uncertainties facing the company, there is no board endorsed budget or forecast for FY15 (or beyond). Accordingly, it has not provided to Grant Samuel any budget, forecasts or projections for Wotif Group. In order to provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Wotif Group (see Appendix 1). Grant Samuel has used the median brokers' forecasts in its analysis but has not relied upon them for the purposes of this report.

As part of its analysis, Grant Samuel prepared a discounted cash flow valuation of Wotif Group's business operations. In connection with that analysis, Grant Samuel has reviewed the sensitivity

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of net present values to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Wotif Group and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are accurate and complete;
- the information set out in the Scheme Booklet sent by Wotif Group to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Scheme are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



3 Overview of the Online Travel Bookings Segment

The Travel and Tourism Industry

The travel and tourism industry comprises:

- providers of accommodation, transportation, vehicle rental and tourist attractions (“suppliers”);
- travel wholesalers and retailers such as tour operators, travel agencies and travel packagers (“distributors”); and
- ancillary travel service providers (e.g. insurance).

The direct contribution of the industry to the global economy has increased on average by 5.2% per annum since 2000, reaching US\$2.2 trillion in 2013⁵. Including indirect expenditure (e.g. related services such as employment, investment, promotion and marketing), the industry is one of the world’s largest, contributing nearly US\$7.0 trillion in 2013.

Over the past two decades, international arrivals worldwide have more than doubled from 435 million in 1990 to 940 million in 2010 while domestic tourism generates up to ten times more movements. Growth in travel has mainly been driven by improved standards of living, technology and air travel affordability, notwithstanding challenges such as natural disasters, health scares and terrorism. In recent years, industry growth has outpaced that of the world economy and this trend is expected to continue in 2014 with improved economic conditions and consumer confidence.

With a total contribution of approximately US\$2.1 trillion, the Asia Pacific region accounts for nearly 30% of global travel and tourism. As a result of population growth, growing middle class wealth, increased Asian business activity and the emergence of new travel destinations, the industry in the region is growing faster than more established destinations such as Europe. Total growth in travel in the region has averaged 7.9% per annum over the past five years and is forecast to be 7.2% for 2014, driven primarily by countries such as China, Indonesia and Thailand.

Mature Asia Pacific markets such as Australia and New Zealand have experienced lower (but steady) growth compared to the wider region. Australia accounts for around 8% of the Asia Pacific region and has grown on average at 3.8% per annum over the past five years while New Zealand has grown at 1.3% per annum. Domestic travel is the largest component of the Australian market (around 80%). Although inbound arrivals to Australia are expected to grow by 4.5% per annum over the next ten years (mainly driven by China), the rate of growth in 2014 is forecast to be lower than for domestic travel, mainly due to the strength of the Australian dollar. On the other hand, outbound international travel continues to be strong as Australians take advantage of the high dollar.

Growth in travel and tourism is expected to continue to be strong over the medium to long term, particularly in the Asia Pacific region which is forecast to grow in real terms (i.e. excluding inflation) at more than 5% per annum through to 2024. In the same period, real growth in Australia and New Zealand is expected to be in the range of 2-3% per annum.

Wotif Group primarily provides online travel bookings and associated services. Therefore, the remainder of this section focuses on the travel bookings sector.

The Travel Bookings Sector

Traditionally, travel accommodation, flights and packages were arranged by consumers either directly or through travel agents. However, technological change, including personal access to the internet, has fundamentally changed the way travel products and services are distributed to consumers.

Over the past decade, online commerce has seen substantial growth and development. Consumers are increasingly using online functionality to communicate, research and transact and technological advances have enabled them to also do so with mobile devices. Although considered relatively embryonic in terms

⁵ Information in this report on the travel and tourism industry is from a range of sources including the World Travel & Tourism Council and Tourism Research Australia.

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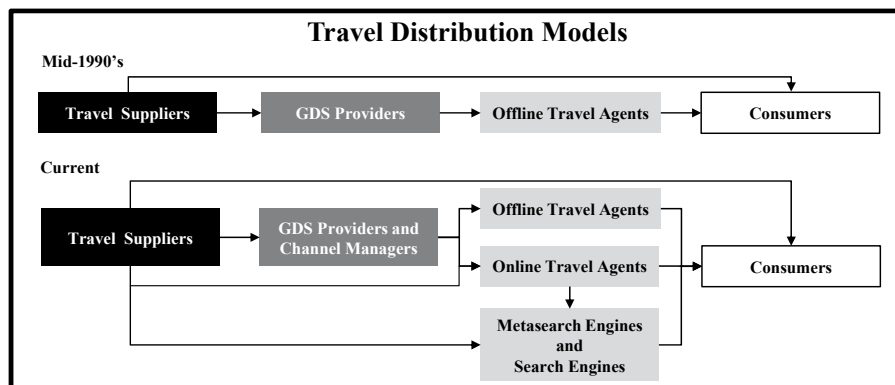


of scale, technology and potential, online commerce has resulted in structural change in a number of sectors including retailing and travel bookings.

The emergence of online travel bookings has intensified competition between the various categories of travel distributors for a greater share of travel spend. Beyond providing suppliers with a more effective distribution platform, online channels have enabled suppliers to better manage inventory and yields and shift away from traditional, higher cost channels. Correspondingly, consumers have become willing to modify their purchasing behaviour and utilise the internet to meet travel requirements. In particular, the internet has provided consumers with:

- access to a broader offering of destinations and activities;
- improved visualisation of destinations, products and services;
- increased transparency of prices;
- the ability to compare multiple options and providers;
- access to research and reviews;
- an opportunity to share opinions and make recommendations; and
- the ability to source special and last minute offers.

Prior to the mid-1990s, consumers typically arranged travel bookings directly from suppliers or through traditional offline travel agents (such as Thomas Cook Group plc and Flight Centre Travel Group Limited (“Flight Centre”)) via GDS⁶ providers. However, increased internet use and website innovation has broadened the number of channels through which travel services are distributed to consumers:



Source: Grant Samuel analysis

The distribution channels for travel services have expanded to include:

- **Online Travel Agents (also referred to as “OTAs”):** Internet based intermediaries that provide consumers with the ability to search and view multiple travel alternatives and book directly online. Online travel agents emerged in the mid to late 1990s initially with a focus on local or regional markets or on particular segments of the online market (such as air travel or accommodation). However, as technology has improved a number of global operators have emerged (e.g. Expedia, The Priceline Group Inc. (“Priceline”) and Orbitz Worldwide, Inc. (“Orbitz”) each of whom operate multiple online brands) to challenge the market positions of incumbent local operators. Although generally successful in entering new markets due to the scale of their resources and online platforms,

⁶ Global distribution systems (“GDS”) are computerised platforms (now internet based) used by travel booking distributors (offline travel agents) and provide access to real time inventory availability, pricing and booking functionality. The main GDS providers are Travelport, Amadeus and Sabre.



significant investment has been required to be made by the global operators in markets where local operators have strong established positions with high brand awareness, such as Wotif Group in Australia and Rakuten Travel in Japan. In addition, there are also:

- online booking services provided by traditional offline travel agencies; and
- large numbers of specialist online travel agents focussed on particular sectors or activities;
- **Metasearch Engines (also referred to as “aggregators”):** Online search engines that were developed in mid-2000s and allow consumers to search across the multiple online travel agent and travel supplier websites at once. These providers have become increasingly popular with consumers due to the ease and transparency of the comparison process and price discovery. Depending on the travel metasearch engine, bookings are either made directly or consumers are redirected to the underlying website.

The major metasearch engines are *HotelsCombined* (independent operator), *KAYAK* (owned by Priceline) and *trivago* (61.6% owned by Expedia) as well as TripAdvisor, Inc. (“TripAdvisor”), the world’s most visited travel website which commenced in 2000 as an aggregator of destination, accommodation, restaurant and activity reviews and introduced metasearch functionality in 2013;

- **Search Engines:** Major search engine providers such as *Google*, *Yahoo!* and *Bing* (owned by Microsoft) have extended their activities to include travel planning, shopping and booking capabilities (e.g. *Bing Travel*, *Google Hotel Finder*) as well as arrangements to redirect consumers to other travel booking sector participants.

Online travel agents generate revenue from booking commissions while search engines and metasearch engines generate revenue from advertising, generally paid search advertising⁷ from either online travel agents or the accommodation suppliers themselves. However, the distinction between these online distribution channels is becoming increasingly blurred as the global online travel agents expand vertically (acquiring metasearch engines) and other online travel operators diversify their offering. For example, TripAdvisor’s platform includes travel booking services.

More recently, online marketplaces such as HomeAway, Inc. (“HomeAway”) and privately owned Airbnb, Inc. (“Airbnb”) have emerged in the online travel bookings segment albeit focused on non hotel accommodation such as vacation houses and apartments. These websites, while based on connecting individuals, have the potential to impact existing accommodation distribution channels. Other emerging distribution channels include group buying platforms and social networking sites (such as *Facebook*)

The depth of accommodation inventory available to online travel agents has also increased with the emergence of channel managers, such as *SiteMinder*. Previously accommodation suppliers allocated inventory amongst each of their contracted online travel agents. Channel managers provide accommodation suppliers with a single, user-friendly interface to distribute and update inventory pricing and availability across a range of online travel agents (i.e. a “virtual front desk”). This “pooled” approach to inventory management has substantial benefits for suppliers and, to a lesser extent, online travel agents. Over time, growth of these platforms has the potential to place pressure on the online travel agents as accommodation suppliers regain control of their distribution channel.

Growth by online distribution platforms has, in part, been at the expense of traditional offline travel agents although the offline channel has retained market relevance due to:

- a lack of trust or understanding in the online model by some consumers;
- not all travel products and services being available or easily arranged online; and
- some consumers preferring the advice and assistance offered by offline travel agents.

In any case, intensified competition and the commoditisation of internet based booking software has resulted in many traditional offline travel agencies developing their own websites to minimise loss of market share.

⁷ Paid search advertising refers to a method of online advertising provided by major search engines where the advertiser is only required to pay for the advertisement when it is clicked by the user. Advertisements are linked to keywords (typically bid for by the advertiser) and appear alongside the search engine results when those keywords are searched.

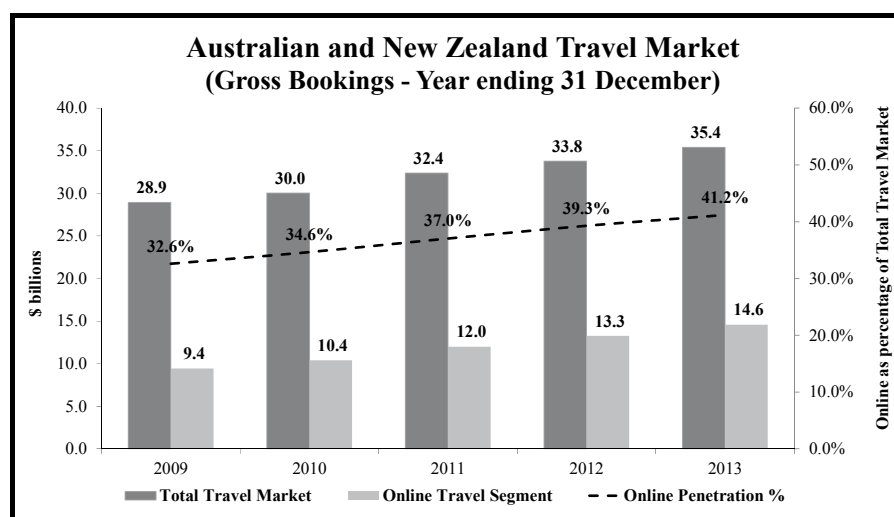


Similarly, in the “direct” channel, major travel suppliers (airlines and larger hotel chains) have put considerable resources into developing their online presence (and booking capability) to minimise the fees paid to online intermediaries and drive loyalty. This development creates a situation where suppliers are both providing inventory to online agents and competing directly against them. The effectiveness of the direct channel is being enhanced by the development of channel managers and services such as TripAdvisor’s *TripConnect* which, together with software commoditisation, provide the ability for even small independent accommodation suppliers to strengthen their direct bookings.

The Australian and New Zealand Online Travel Segment

(i) Market Overview

PhoCusWright estimates the Australian and New Zealand travel market at \$35.4 billion in 2013, of which the online travel segment⁸ accounted for around 41% (or \$14.6 billion)^{9,10}:



Source: PhoCusWright

Notes: Gross bookings represent the retail value of bookings sold after cancellations. Figures shown for the period 2009 to 2012 are based on actual results and selected projections for 2012 while for 2013 are PhoCusWright projections.

However, there are substantial differences between the components of the online travel segment. Reflecting the consolidated structure of the domestic aviation industry (two airlines dominate the Australian domestic air travel while one dominates in New Zealand) and the emphasis placed on reducing distribution costs, the online channel (which includes the airlines’ own online booking systems) accounts for approximately half of all air travel bookings in the Australian and New Zealand markets, the highest in the Asia Pacific region. Consequently, air travel accounts for around 80% of the Australian and New Zealand online travel segment although growth has slowed in recent times.

⁸ The online travel segment includes online leisure and unmanaged business travel services (booked through either travel suppliers or distributors) but excludes corporate online booking systems.

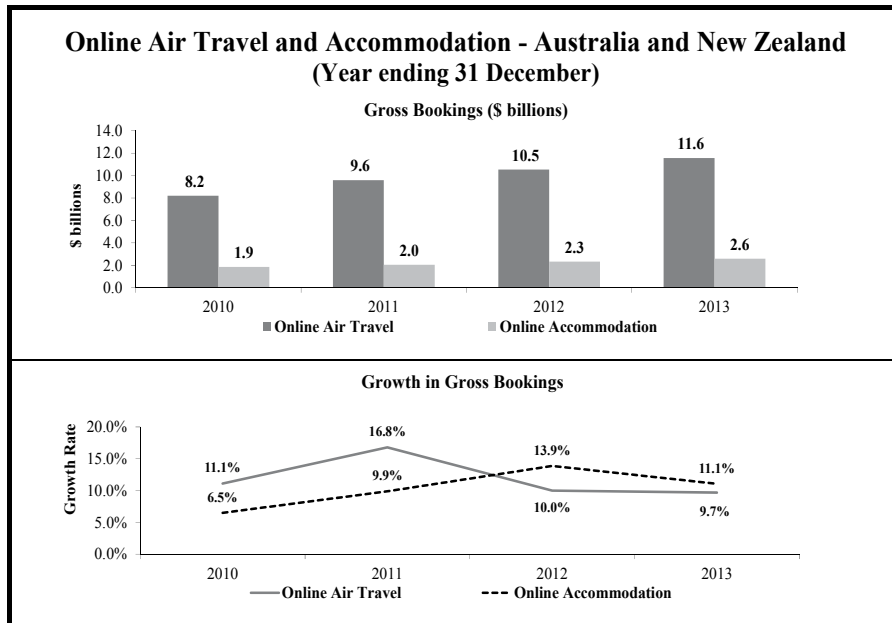
⁹ Data on the Australia and New Zealand travel market is based on information published by PhoCusWright, an independent travel research authority that provides quantitative and qualitative analysis on sector segmentation, sizing, trends and forecasts. Data on the Australian and New Zealand travel market is also available from a range of other market commentators, including Euromonitor International and IBISWorld, although differences in research methodologies make comparisons between providers difficult. Nevertheless, data trends and views in relation to key sector developments are generally consistent across commentators.

¹⁰ References to travel market sizing are based on gross bookings net of cancellations. Gross bookings are attributed to the geographic market where the travel supplier is headquartered (e.g. Qantas Airways Limited revenue is attributed to Australia) and include bookings with foreign travel suppliers made through travel agents based in Australia and New Zealand.

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In comparison, online accommodation represents only around 20% of the Australian and New Zealand online travel segment. Due to the fragmented nature of supply and the volume absorbed through offline corporate bookings and wholesalers, online penetration in accommodation is not as high as air travel (around 20-25% compared to around 50%) but in recent years has been growing at a faster rate:



Source: PhoCusWright

(ii) Market Participants

The major participants in the Australian and New Zealand online travel segment (excluding the domestic airlines and large hotel chains) include:

- local and regionally focused online travel agents, Wotif Group and Webjet Limited (“Webjet”);
- global online travel operators, Expedia, TripAdvisor, Priceline, Orbitz and HomeAway; and
- offline travel agents including Flight Centre, House of Travel Limited (“House of Travel”) and Helloworld Limited (“Helloworld”).

Characteristics of these participants and their key brands are set out in the table below:

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Major Participants in the Australian and New Zealand Online Travel Segment			
Company	Market Capitalisation (millions)	Focus	Key Brands
<i>Australia and New Zealand</i>			
Flight Centre	A\$4,750	Diversified	<i>Flight Centre Escape Travel Corporate Traveller</i>
Wotif Group	A\$560 ¹¹	Accommodation	<i>Wotif.com lastminute.com.au travel.com.au</i>
Webjet	A\$240	Flights	<i>Webjet</i>
Helloworld	A\$130	Diversified	<i>Helloworld Harvey World Travel Jetset Travel</i>
House of Travel	- ¹²	Diversified	<i>House of Travel</i>
<i>Global</i>			
Priceline	US\$65,400	Diversified	<i>Booking.com Priceline.com Agoda.com KAYAK</i>
TripAdvisor	US\$14,500	Diversified	<i>TripAdvisor</i>
Expedia	US\$11,400	Diversified	<i>Expedia Hotels.com Egencia Trivago</i>
HomeAway	US\$3,300	Accommodation	<i>HomeAway Stayz VacationRentals Homelidsays</i>
Orbitz	US\$900	Diversified	<i>Orbitz CheapTickets ebookers HotelClub</i>

Source: Company reports, Grant Samuel analysis

Webjet and Wotif Group benefited from first mover advantage and established leading online market positions and strong brands by pursuing segments of the online travel segment. Webjet focused on domestic air travel while Wotif Group targeted the accommodation market (initially the “distressed inventory” segment). Success in their respective markets, improvements in technology and increased competition have contributed to both diversifying beyond their core specialisations to offer other travel services (international flights and accommodation for Webjet and air travel and packages for Wotif Group). Through acquisitions both have also increased their Asian footprint.

A number of Australian and New Zealand traditional offline travel agents have leveraged their “bricks-and-mortar” business models to establish significant online travel positions. In particular, Flight Centre, Australia and New Zealand’s largest offline travel agent with around 1,600 retail outlets in Australia and New Zealand (more than 2,600 globally), has invested significantly in its online platform and brands. Similarly, House of Travel (a privately owned offline travel agent based in New Zealand) has developed a multi-channel approach leveraging its network of 70 franchise outlets in New Zealand.

Although global online travel operators (including Priceline, TripAdvisor, Expedia and Orbitz) have had a presence in Australia and New Zealand for some time (primarily in relation to outbound travel or travel reviews), the market footprints established by the local online operators have constrained their growth in the domestic market. However, the low online travel penetration in Australia relative to more mature markets (such as the United States) and the high profit margins earned by the local operators has

¹¹ Based on prices prior to announcement of the Scheme on 7 July 2014.

¹² House of Travel is privately owned.

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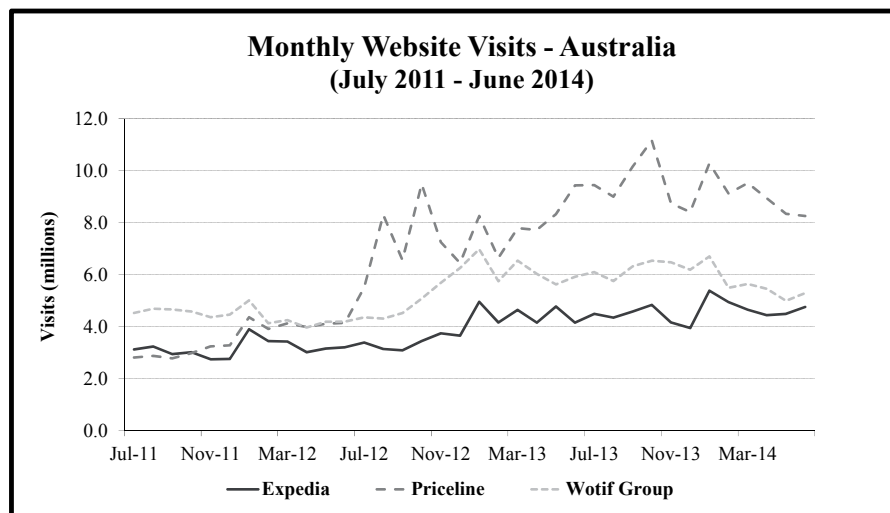


increased the focus of the global operators on Australia and New Zealand since 2011. The global operators have increased their presence (and market shares) by:

- leveraging their competitive advantages in relation to inbound travel and their more “consumer friendly” business models (e.g. no booking fees and, predominantly, post paid bookings);
- building out their portfolio of local accommodation inventory (Priceline has been particularly active in regional Australia);
- forming strategic alliances with offline travel agents and providing them with access to global technology platforms (e.g. Orbitz entered a ten year strategic alliance with Helloworld in November 2013 to strengthen its online and mobile offering); and
- increasing promotion of their websites to Australian and New Zealand consumers (offline media spend in the segment nearly doubled to \$33 million in FY14 driven solely by the increased spend of the global operators). The success of this expenditure is seen in the growth in unprompted brand awareness of Expedia’s *Expedia* and *Hotels.com* websites in Australia from around 2% in June 2009 to around 6-7% at March 2014 and of Priceline’s *Booking.com* website from nil% to around 7% (and to 40-50% on a prompted basis).

Beyond the major operators, the Australian and New Zealand online travel segment also includes many smaller privately owned, specialty travel companies.

The increasing presence of the major global operators can be seen in the chart below which shows monthly visits (from Australian based users) to the various websites of Wotif Group, Expedia and Priceline over the last three years:



Source: Hitwise (Experian) and Grant Samuel analysis

Note: Based on the Expedia, Priceline and Wotif Group websites which ranked in the top 50 travel websites in Australia on the basis of visits to 19 July 2014. Expedia includes *Expedia Australia*, *Hotels.com* and *Trivago* (61.6% owned by Expedia), Priceline includes *Agoda* and *Booking.com*, Wotif Group includes *Wotif.com* and *lastminute.com.au*. Orbitz’s websites did not rank in the top 50 travel websites.

Market shares are difficult to determine, however, Wotif Group is considered the leader in Australian online accommodation bookings.

(iii) Industry Issues and Outlook

The structural changes in the travel bookings sector and the more recent intensification of competition in the Australian and New Zealand online travel segment have increased focus on:

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- **marketing and advertising expenditure:** to the extent that major hotel groups adopt a “rate parity” policy (i.e. where certain hotel stock is available to all intermediaries at the same price) the ability of online accommodation operators to differentiate their offerings¹³ to consumers may be limited. Consequently, marketing and advertising spend has become the critical factor in driving traffic to the websites of individual online travel agents. Advertising expenditure falls into two main categories:
 - paid search (i.e. advertising on search engines such as *Google* or *Yahoo!* and metasearch engines such as *TripAdvisor*, *trivago* or *KAYAK*); and
 - offline advertising in mainstream media (e.g. television, radio, outdoor) designed to build awareness of, and trust in, the brand.

With the advantage of scale, global operators are leading this trend particularly as they seek to build their presence in Australia and New Zealand. Amplifying the competitive situation, the cost of paid search advertising with the major search engines has also increased. The result is a strong upward trend in the proportion of revenue required to be spent on marketing and advertising (with global operators now spending in the order of 25-30% of global revenue) and growing at a higher rate than revenue. This increased cost is compelling smaller operators to reconsider their approach to marketing and to pursue other ways to maintain or increase visitation;

- **information technology:** online operators and direct suppliers have increased their focus on innovative and cost effective ways to improve online functionality and make their platforms more appealing and convenient for consumers. This need has been exacerbated by the growth in mobile devices (see below) and favours operators with scalable technology and resources. Investment in technology is necessary to remain competitive with a particular focus on:
 - integration and optimisation across all devices (e.g. desktop, mobile and tablet);
 - improved online functionality and features (e.g. search effectiveness, better content, payment optionality, information retention, ability to review and edit bookings); and
 - data capture, analytics and customer personalisation (e.g. dynamic and targeted marketing).

Each of these enhancements is designed to improve conversion rates (i.e. the extent to which visitors to the website/app progress to making a booking); and

- **mobile devices:** the growth in internet use via mobile devices (such as smartphones and tablets) has increased the technology challenge. In this context, more than six million Australians currently have access to mobile internet connections (and 50% of total internet subscribers)¹⁴ and in New Zealand over half the population has access to mobile broadband. However, this is yet to translate to a corresponding increase in travel bookings via mobile devices. Booking conversion rates are still relatively low (estimated to be around one third that of desktops) with consumers preferring to use their mobile devices for research and price discovery rather than actual bookings. In anticipation of this behaviour changing, online travel operators are investing in mobile technology to minimise sales leakage.

PhoCusWright expects the Australian and New Zealand travel market to grow by around 5% per annum to \$39 billion by 2016. Total air travel is expected to grow at rates of 5-6% per annum while total accommodation is estimated to experience growth of 4% per annum. With gross bookings estimated to reach \$17 billion by the end of 2015, online travel is expected to continue to grow faster than the overall travel market (albeit slowing to high single digit rates) with overall online penetration increasing from 41% to around 44%. Online air travel and online accommodation are both expected to grow in the range of 8-9% per annum, with online penetration in each segment increasing to 53% and 26% by 2016, respectively. This expectation for continued growth in the online travel segment is shared by other market commentators although uncertainty exists where the level of online penetration will eventually settle.

¹³ The main exception to this being special deals such as *Flaming Deals* and *Mystery Hotels* offered by Wotif Group.

¹⁴ Australian Bureau of Statistics, Internet Activity, Australia, December 2013.



4 Profile of Wotif Group

4.1 Background

Wotif.com was launched in March 2000 (by Mr Graeme Wood) as an online marketplace for hotel accommodation within a seven day booking lead time based on suppliers' live inventory. *Wotif.com* expanded rapidly as online services became an accepted form of commerce and as the website's accommodation offering expanded and its booking window extended (to 14 days in February 2001 and 28 days in October 2005).

Wotif Group was listed on the ASX in June 2006, raising \$172 million (before costs) for the vendor shareholders. At listing, *Wotif.com* was the leading online accommodation sales website in Australia (with an estimated 36% market share in 2005) providing access to bookings within 28 days at more than 4,000 properties in Australia and New Zealand and 7,000 properties worldwide.

Since listing, Wotif Group has developed into a broader based online travel services provider. It has expanded its range of online travel services by:

- extending the booking window on *Wotif.com* from 28 days to 90 days in January 2009 and six months in January 2011;
- broadening the accommodation offering of *Wotif.com* and adding around 23,000 properties worldwide (including 8,200 in Australia and New Zealand);
- launching new travel service offerings (e.g. domestic and trans-Tasman flights during 2010, international flights during 2011, dynamic packages in October 2013);
- making a number of acquisitions including:
 - ASX listed travel.com.au Limited ("TVL") for \$57 million¹⁵ in December 2007. TVL operated the *travel.com.au* and *lastminute.com.au* websites offering a range of travel services and Arnold Travel Technology, a developer and supplier of travel booking technology;
 - Asia Web Direct (HK) Limited ("Asia Web Direct") for \$34.2 million¹⁵ in February 2008. Asia Web Direct provided online accommodation and tour booking services and travel information in South East Asia through a network of more than 100 travel portals and destination websites (like *Phuket.com* and *Bangkok.com*), the *LateStays.com* website and the *SmartStays.com* website; and
 - GoDo Pty Limited ("GoDo") for \$2.3 million in December 2009. GoDo provided an online booking service for "things to do" in Australia and New Zealand via its *godo.com.au* website and a network of affiliate sites and third party distributors; and
- entering into various strategic arrangements to increase access to hotel content including the *iViVu.com* joint venture in 2011 and a content swap agreement with Rakuten Travel of Japan in 2013.

Wotif Group is headquartered in Brisbane and had a market capitalisation of around \$560 million prior to the announcement of the Scheme.

4.2 Operations

Service Offerings

Wotif Group operates a portfolio of online travel brands and a network of other travel content and destination websites in the Asia Pacific region. It provides a range of travel services across a number of delivery channels including desktop, mobile, apps, social media and partnerships.

Wotif Group websites currently represent around 29,900 properties globally (12,200 in Australia and New Zealand, 11,300 in Asia and 6,400 in Rest of World). In FY14, Wotif Group accounted for \$1.14 billion of TTV¹⁶ with accommodation representing around 83% of that value (or 6

¹⁵ Consideration at date of announcement. Excludes transaction costs to Wotif Group.

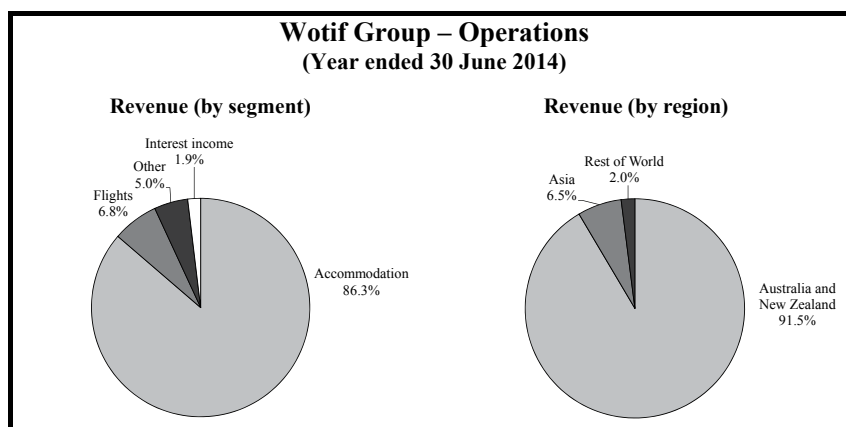
¹⁶ TTV is Total Transaction Value. TTV represents the price at which accommodation, flights and other travel services have been sold across Wotif Group's operations. It is stated net of any goods and services tax/value added tax payable.

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million room nights sold) and flights and other travel transactions accounting for the balance.








Around 86% of Wotif Group's revenue is derived from online accommodation sales and the Australian and New Zealand market is the largest contributor:



Source: Wotif Group

Note: Revenue by region based on the location of the accommodation not the residency of the customer. Flight revenue is treated as Australian based.

Wotif Group's key brands are:

Brand	Key Features
	Sells accommodation, domestic and international flights and flight-hotel-activity packages internationally within a six month booking window Approximately 5.9 million visits per month for accommodation (around 48% via mobile devices). 176,000 accommodation bookings per month
	Sells a range of accommodation, flights, holiday packages, travel insurance, car hire, gifts and experiences in Australia, New Zealand and internationally Focus is travel in less than 7 days Approximately 0.8 million visits per month for accommodation (around 41% via mobile devices). 27,500 accommodation bookings per month
	A full service travel agency focussed on the leisure travel market internationally Approximately 6,000 visits per month for accommodation (around 52% via mobile devices). 57 accommodation bookings per month
	Provides tours and activities, experience and "things to do" in Australia and New Zealand Offers more than 1,400 activities direct on www.godo.com.au , via Wotif Group websites, leisure and tourism affiliates and other online channels
	Provides multi-lingual content, images, guest reviews, travel guides and booking service for destinations in Asia
	Sells last minute accommodation deals (28 day booking window) in the Asia Pacific region and internationally
	Provides a customisable online booking platform for the Australasian market allowing corporates and businesses to manage their travel needs

Source: Wotif Group

Wotif Group provides flight bookings on its *Wotif.com*, *lastminute.com.au* and *travel.com.au* websites. Flight booking capability was acquired in FY08 with the TVL acquisition and the sale of domestic flights commenced on *Wotif.com* in February 2010. Following investment in flight booking functionality, the flights offering was relaunched in late FY13.

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In October 2013, Wotif Group launched dynamic packaging on its *Wotif.com* website. This provides customers with flexible accommodation, flight and activity (e.g. theatre) deals online and is being rolled out to destinations in Australia and overseas.

Business Model

Wotif Group's revenue model is based on a combination of commission and related charges from suppliers, booking and administration fees from customers and interest income on working capital cash balances. Arrangements with suppliers are on a non-exclusive basis, although some agreements provide Wotif Group with limited access (from time to time) to exclusive deals or content. Wotif Group's revenue model for accommodation services can be summarised as follows:

- suppliers place their accommodation inventory on the website at no up-front cost and set the booking rate;
- customers book via the website and pay the total booking rate plus a booking fee (e.g. \$5.50 and \$16.95 for accommodation and flights respectively in Australia) by credit card at the time of booking;
- Wotif Group deducts a commission from the total booking rate (current average commission rate is around 12%) and retains the booking fee;
- Wotif Group is entitled to receive fees from customers for cancellation of or amendments to bookings; and
- Wotif Group pays the supplier the total booking rate (net of commission) after the customer has stayed. Payment is made either via virtual credit card (upon which Wotif Group earns a rebate) or on monthly payments to the supplier.

Under this revenue model, Wotif Group holds substantial cash balances (i.e. amounts received from customers ahead of the provision of the accommodation service) upon which it earns interest income. As a consequence, interest income forms part of Wotif Group's revenue from operations.

Wotif Group in-sources all operations, employing around 620 people primarily in Australia, New Zealand and Asia. It has strategic partnerships with information technology ("IT") suppliers that provide data centre and network infrastructure but its internal technology team is responsible for managing all IT infrastructure and platform development. Around 170 technology staff are employed, based in Brisbane and Sydney in Australia and Bangkok and Phuket in Thailand. Wotif Group's commercial operations team provides product development (inventory procurement and product offerings), marketing (digital and offline), customer service and data and analytics support.

Market Position

As a first mover in the online accommodation booking market in Australia and New Zealand, Wotif Group established strong consumer brand awareness and engagement for *Wotif.com*. This position was strengthened by the acquisition of online travel booking peer TVL during FY08. Wotif Group has maintained its leading market position and has historically accounted for 1 in 10 hotel bookings in Australia.

The strength of Wotif Group's market position reflects:

- its extensive market coverage and longstanding relationships with accommodation suppliers. Wotif Group:
 - directly represents more properties in Australia and New Zealand than any other operator (estimated to be 25% more than its nearest competitor);
 - has a substantial regional and boutique footprint;
 - is able to offer special deals to its customer base (e.g. *Flaming Deals* and *Mystery Hotels*) as suppliers have confidence in its ability to deliver bookings. These deals provide Wotif Group with a competitive distinction;
 - has historically charged lower commissions to suppliers (i.e. 10% since launch but during FY13 and FY14 it has rolled out a staged increase in commissions to 12%)

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compared to those of competitors (estimated by market commentators at around 20%); and

- operates a 25 person strong team to manage supplier relationships and property churn is relatively low;
- the high level of awareness of the *Wotif.com* brand in Australia and New Zealand. Recent surveys¹⁷ indicate brand awareness of *Wotif.com* in Australia of 26% on an unprompted basis (64% on a prompted basis) and in New Zealand of 16% on an unprompted basis (37% on a prompted basis);
- the high level of free traffic to Wotif Group websites (approximately 60% of visits via direct or organic channels) and their desktop visitation conversion rates (relative to industry norms) means that its marketing spend has been able to be lower than its competitors; and
- the size of its engaged customer base (>3.5 million subscribers to Wotif Group emails and a significant number contribute reviews to its websites).

However, Wotif Group faces a number of challenges as a result of the rapid changes in the online travel segment and increased competition (particularly from global peers, Expedia and Priceline):

- customers are less inclined to use it for planned travel of greater value given its history as an Australian and New Zealand “distressed inventory” online travel bookings business. In this regard, Wotif Group’s average length of stay in FY14 was around 1.8 days and its average revenue per booking was \$38.70;
- its business model requires customers pay for bookings on a pre-paid basis and to pay a booking fee. Apart from the disincentive effect on customers, this structure is different to that of its international peers, who do not charge booking fees:
 - has an impact on how Wotif Group is positioned on search and metasearch (i.e. its prices appear higher); and
 - requires suppliers to put in place a different operational platform than for other operators;
- its Asian and Rest of World businesses have underperformed in recent years;
- its international inventory is relatively limited and existing customers are likely to turn to the global operators to meet their travel needs;
- it is facing a significant increase in overall marketing expenditure:
 - to compete with the level of offline marketing spend incurred by the global operators in website promotion. In FY14, Priceline spent nine times Wotif Group’s offline spend in Australia while Expedia spent 14 times¹⁸ (although this expenditure may include brand launch campaigns). In particular, Wotif Group needs to:
 - increase awareness of the breadth of its service offering to existing customers;
 - attract new visitors to its websites; and
 - redefine the differences between its websites, *Wotif.com*, *lastminute.com.au* and *travel.com.au*; and
 - as the major search engines increasingly monetise their services by seeking payment for key words and for page placement. In this regard, it is noted that over 90% of Priceline’s global marketing spend is directed to such online marketing;
- the features, flexibility and responsiveness of its technology platform are generally considered to lag behind its global peers, particularly in relation to customer experience and mobile devices. In addition, its ability to utilise data to personalise customer experience and monetise website visitation is limited; and
- the flights business is growing strongly (albeit off a low base) and, while critical to the dynamic packages business, has limited ability to influence Wotif Group’s market position in comparison to the core accommodation business.

¹⁷ Source: Newspoll (Australian data current as at March 2014 and New Zealand data current as at April 2014).

¹⁸ Source: AQX Nielsen Competitive Data. Includes expenditure on offline media (television, print, radio, cinema and outdoor) and online display advertising but excludes pay television.

Strategic Initiatives

Wotif Group recognised the changing market conditions, its competitive disadvantages and the potential impact on earnings for some time. In January 2013, it commenced the roll out of an increase in its commission rates from 10% to 12% (in two stages) and in June 2013 completed a strategic review of its business. The resultant initiatives to address the challenges apply across the business and focus on five key areas:

- **Monetisation of Website Traffic:** by leveraging existing customer base and leading brand position. Plans include:
 - investment in a new email direct marketing platform, improved data management and business intelligence and in cross selling existing lines of business;
 - exploring and expanding new business lines (e.g. dynamic packaging); and
 - increased media sales on websites;
- **Overseas Hotel Content:** to improve the existing hotel content of its websites particularly in key Asian and Rest of World destinations by expanding direct hotel contracts, working with additional third party content suppliers and other strategies;
- **Marketing:** to drive incremental website traffic and promote new offerings. Plans include refreshing Wotif Group's overall marketing strategy across Australia, New Zealand and Asia and to ensure expenditure is allocated to optimise the outcome;
- **Asia:** to improve sales of accommodation at Asian hotels with initiatives focussed on improving sales and conversion of searches for Asian properties on Australian and New Zealand websites and to stimulate traffic and revenue growth on key Asian transactional websites; and
- **Technology:** to improve the customer proposition, open up distribution channels and allow greater flexibility for suppliers. Plans include internal development of increased website functionality and speed to market and to address increased customer demand for searches from mobile devices.

The objective of these initiatives is to refresh and enhance Wotif Group's commercial model and re-engineer its technology platform to increase flexibility and responsiveness thereby allowing it to capture the revenue upside of its strong brand position and to stimulate future growth.

Wotif Group has invested significant resources to these initiatives during FY14 and delivered a number of them during the year including:

- increased search engine marketing and metasearch spend (including on Wotif Group branded key words on *Google*);
- launched dynamic packaging on the *Wotif.com* website and increased flight and other TTV;
- the launch of packages for Asian destinations and increased directly contracted Asian hotels;
- invested in improved customer relationship management systems and tools;
- two major IT projects and is on track to deliver a third IT project in the first half of FY15, the aim of which is to rationalise its platform architecture to enable faster development cycle for customer facing projects;
- new website features and functionality (e.g. increased functionality on customer reviews, virtual credit card to suppliers); and
- significant upgrades to the *Wotif.com* app.

However, a number of major initiatives worked on and funded during FY14 will only be rolled out in FY15 including:

- a marketing campaign (launched August 2014) designed to refresh the *Wotif.com* brand and to increase customer awareness of the range of services offered. This campaign incorporates a significant element of offline expenditure in mainstream media;
- the technology enhancements to support access to new channels, data analysis and improved mobile offerings; and
- increased hotel coverage via a new international hotel content partnership.

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4.3 Financial Performance

The financial performance of Wotif Group for the six years ended 30 June 2014 is shown below:

Wotif Group - Financial Performance (\$ millions)						
	Year ended 30 June					
	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
TTV						
Accommodation	904.2	1,000.2	1012.1	1,043.4	1,029.3	943.4
Flights and other	88.3	93.8	93.7	117.8	136.8	196.9
TTV	992.5	1,094.0	1,105.8	1,161.2	1,166.1	1,140.4
Revenue						
Accommodation	109.3	120.9	122.0	126.1	126.9	129.3
Flights and other	9.5	12.2	12.1	13.6	15.1	17.6
Interest income	2.5	2.8	4.2	5.6	4.6	2.8
Total Revenue	121.3	136.0	138.3	145.3	146.6	149.7
EBITDA^{19, 20}	68.7	79.3	77.7	86.4	81.8	71.2
Depreciation and amortisation	(6.4)	(5.7)	(6.2)	(5.0)	(5.8)	(7.8)
EBIT²¹	62.3	73.6	71.6	81.4	76.0	63.5
Interest expense	(0.1)	-	-	-	-	-
Share of losses of joint venture	-	-	-	(0.2)	(0.2)	(0.3)
Non-recurring items ²²	-	-	-	-	(2.2)	0.8
Operating profit before tax	62.2	73.6	71.6	81.3	73.6	64.0
Income tax expense	(18.7)	(20.6)	(20.6)	(23.3)	(22.6)	(20.8)
NPAT²³ attributable to Wotif Group shareholders	43.5	53.0	51.0	58.0	51.0	43.2
Statistics						
Basic earnings per share	20.9¢	25.3¢	24.2¢	27.4¢	24.1¢	20.4¢
Dividends per share	17.5¢	21.5¢	22.0¢	25.0¢	23.0¢	10.0¢ ²⁴
Dividend payout ratio ²⁵	83.7%	84.8%	90.9%	91.2%	95.4%	49.0%
Amount of dividend franked	100%	100%	100%	100%	100%	100%
TTV growth	33.5%	10.2%	1.1%	5.0%	0.4%	(2.2%)
Revenue growth	29.1%	12.1%	1.7%	5.0%	0.9%	2.1%
Total Revenue/TTV	12.2%	12.4%	12.5%	12.5%	12.6%	13.1%
EBITDA growth	27.5%	15.4%	(2.0%)	11.2%	(5.4%)	(12.9%)
EBIT growth	26.9%	18.2%	(2.7%)	13.8%	(6.7%)	(16.5%)
EBITDA margin	56.6%	58.3%	56.2%	59.5%	55.8%	47.6%
EBIT margin	51.3%	54.1%	51.7%	56.0%	51.8%	42.4%

Source: Wotif Group and Grant Samuel analysis

As a consequence of first mover advantage and strong brand awareness, Wotif Group was a beneficiary of the rapid growth in online travel booking services in Australia and New Zealand

¹⁹ EBITDA is earnings before interest expense, tax, depreciation and amortisation, investment income and significant and non-recurring items. EBITDA includes interest income which is an inherent part of the business model, representing income of cash paid in advance by customers (with a matching liability).

²⁰ Wotif Group has foreign currency exposure which arises from the geographical location of the travel service sold. This exposure is managed by maintaining sufficient foreign currency reserves to match its foreign currency liabilities (i.e. natural hedging). However, as approximately 86% of TTV is denominated in Australian dollars, residual foreign exchange risks are not considered material and Wotif Group does not utilise derivative financial instruments. Therefore, foreign exchange movements are an operating expense.

²¹ EBIT is earnings before interest expense, tax, investment income and significant and non-recurring items.

²² Non recurring items were not identified prior to FY13. In FY13, non recurring items include impairment of trademarks and brand names in relation to certain Asia Web Direct domain names (\$1.7 million) and accelerated amortisation of IT development costs (\$0.5 million). In FY14, non recurring items comprise profit on sale of investment property.

²³ NPAT is net profit after tax.

²⁴ No final dividend has been proposed in relation to FY14 due to the announcement of the Scheme.

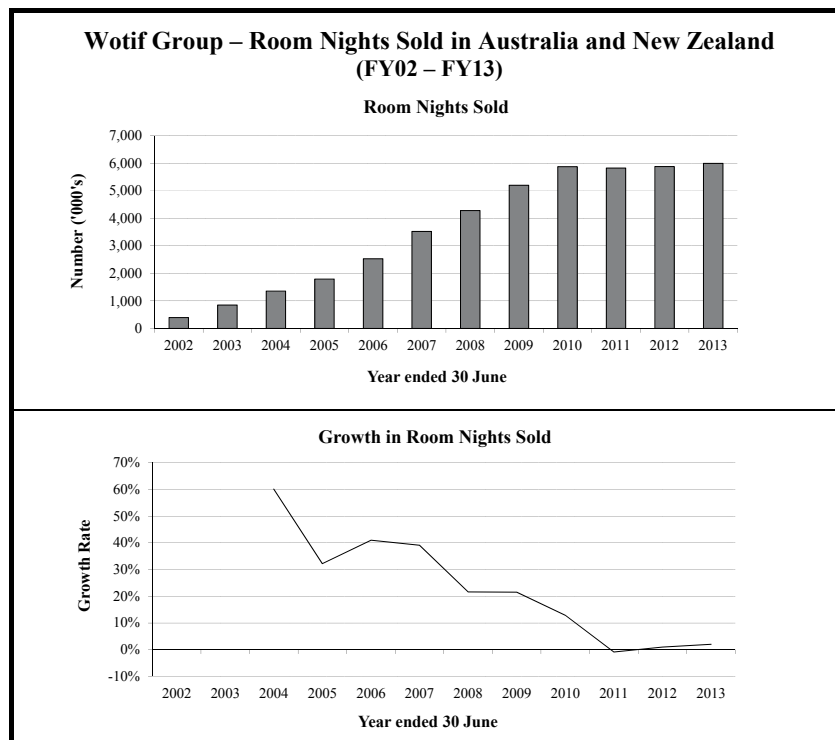
²⁵ Wotif Group has historically adopted a policy of paying free cash flow to shareholders. This has resulted in a high dividend payout ratio (in excess of 90% in recent years). Dividends have historically been fully franked.

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(particularly for accommodation) and TTV grew by more than 113% per annum in the ten years from the launch of *Wotif.com* in 2000 to the end of FY09 (38% per annum in the five years to FY09).

However, in the four years from FY10 to FY13, Wotif Group's growth has slowed on the back of slowing growth in online penetration of the Australian and New Zealand travel bookings market (it is now relatively mature) and increased competition. Room nights sold by Wotif Group in Australia and New Zealand and accommodation TTV were essentially flat between FY10 and FY13:



Source: PhoCusWright, Wotif Group and Grant Samuel analysis

Note: Growth in room nights sold was 882% and 186% in FY02 and FY03 respectively and not shown on the graph.

Given the overall growth in the online travel segment, this performance indicates a loss of market share for Wotif Group during this period. In addition, its Asian and Rest of World businesses have underperformed during the period. At the same time, between FY10 and FY13:

- revenue grew in absolute terms (albeit relatively modestly) largely as a result of growth in average room rates achieved (accommodation revenue as a proportion of accommodation TTV remained relatively constant over the period), solid growth in the flight bookings segment and increased interest income (reflecting the increase in TTV and extension of the *Wotif.com* booking window); and
- EBITDA margins were maintained above 55% by controlling costs. Although advertising and marketing expenses increased to around 30%²⁶ of total operating expenses (from 22% in FY09), business development expenses were held at around 16-17% and administration expenses²⁷ decreased from close to 60% to around 53%.

²⁶ Advertising and marketing spend equated to around 14% of revenue in FY13 up from around 10% in FY09 (although revenue is 23% higher in absolute terms) primarily reflecting increased online marketing such as paid search costs and payment for key words.

²⁷ Including expensed IT development costs (\$9.7 million in FY13).

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The result was that, in broad terms, net earnings have shown no growth across the period, although there was a recovery in FY12 followed by a decline in FY13²⁸.

In FY14, Wotif Group has seen a material reduction in earnings as a result of various factors, each of which has significant implications for the medium term outlook:

- total room nights sold fell by 10.8%, with a 9.4% decline in the core Australian and New Zealand market. This decline is largely due to increased competition from global operators but other contributing factors include a lack of availability of hotel rooms in the key Sydney and Melbourne markets. Moreover, this trend appears to have accelerated with Wotif Group experiencing a 12.1% year-on-year decline in room nights sold in Australia and New Zealand in the second half of the year. This decline in volume was the primary cause of a reduction in accommodation TTV of 8.3% in FY14 (11.2% year-on-year in the second half);
- overall revenue increased slightly (2.1%). In part this was due to:
 - growth in room rates (on average by 3%²⁹); and
 - growth in the flights and other businesses (revenue growth of 16.6%).

However, a significant factor in the revenue increase was the roll out of increased hotel commissions in January 2013 and January 2014. This increase has a once off impact; and

- implementation of the initiatives arising from the strategic review (refer Section 4.2) commenced in June 2013 with significant resources invested during FY14. In particular:
 - IT development cash spend has been maintained at the FY13 level of \$18 million (including investment in mobile offerings) but in FY14 has been applied primarily on the upgrade of IT infrastructure and platforms; and
 - advertising and marketing has increased by \$11 million (or 54%) over FY13 primarily reflecting increased search engine marketing and metasearch spend.

However, given lead times, the FY14 result reflects few benefits from the initiatives.

Other features of the FY14 results include a reduction in interest income largely due to the introduction of virtual credit cards for hotel suppliers which reduced the amount of cash held on behalf of customers.

The net result of these factors in FY14 was:

- a decline in EBITDA margin from 55.8% to 47.6%; and
- a fall in NPAT of \$7.8 million (15.4%).

As significant uncertainty exists as to if and when the benefits of the initiatives will emerge and whether this investment will halt the loss of market share, Wotif Group has not provided to Grant Samuel or publicly released earnings forecasts for FY15 or beyond.

²⁸ To the extent movements in foreign exchange rates are reflected in Wotif Group's Australian dollar financial statements, the observed rates of growth will be impacted. Nevertheless, foreign exchange is not considered to materially affect analysis of trends in the business.

²⁹ Average room rate is calculated as TTV divided by room nights sold (based on check in date).

4.4 Financial Position

The financial position of Wotif Group as at 30 June 2014 is summarised below:

Wotif Group - Financial Position (\$ millions)	
	As at 30 June 2014 actual
Trade receivables and prepayments	8.4
Cash and deposits	91.1
Trade payables, other payables and provisions	(124.0)
Net working capital	(24.5)
Property, plant and equipment (net)	17.3
Goodwill	63.6
Other intangible assets (net)	33.0
Loans to other parties	0.1
Investment in joint venture (50%)	1.1
Deferred tax assets (net)	6.1
Provisions (non current)	(0.7)
Cumulative redeemable preference shares	(0.1)
Net assets attributable to Wotif Group shareholders	95.9
Statistics	
<i>Shares on issue at period end (million)</i>	<i>211.7</i>
<i>Net assets per share</i>	<i>\$0.45</i>
<i>NTA³⁰ per share</i>	<i>\$⁻³¹</i>

Source: Wotif Group and Grant Samuel analysis

Wotif Group's business model and high dividend payout ratio means that cash and deposits held primarily relate to funds held on behalf of customers until suppliers are paid for the services provided to those on behalf of these customers. Some of these cash balances are legally restricted (as client fund accounts) with the balance available to Wotif Group for working capital purposes. Wotif Group manages its cash flow such that it does not carry surplus cash at any particular time and therefore cash and deposits are considered an integral part of working capital.

Trade payables, other payables and provisions comprise:

Wotif Group – Trade Payables, Other Payables and Provisions	
	\$ million
Amounts due to suppliers in relation to bookings made	38.9
Deposits received from customers but not yet due to suppliers	45.5
Trade creditors and accruals	25.3
Unearned revenue	6.9
Income tax payable	5.2
Employee benefits provision	2.2
Total	124.0

Source: Wotif Group and Grant Samuel analysis

The aggregate of the amounts due to suppliers in relation to bookings made and deposits received from customers but not yet due to suppliers (\$84.4 million) is not materially different to cash and deposits at 30 June 2014 (\$91.1 million).

Property, plant and equipment (net) comprises freehold land and buildings (\$12.2 million, Wotif Group's head office in Brisbane) and plant and equipment of \$5.1 million.

Goodwill primarily relates to the acquisition of TVL and Asia Web Direct in FY08. Other

³⁰ NTA is net tangible assets, which is calculated as net assets less goodwill and other intangible assets (net).

³¹ NTA per share at 30 June 2014 was (\$0.004).

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intangibles (net) comprise trademark, brand names and domain names acquired during FY08 (\$21.4 million) and capitalised IT development costs (\$11.6 million) which are amortised over the period of expected benefit, generally between one and five years.

Wotif Group has a 49% interest in Asia Web Direct Tours & Activities, Ltd. The remaining ordinary shares in this entity were issued to business investors in Thailand and funded by loan agreements which are secured by a share pledge to Wotif Group. Consequently, Wotif Group controls this entity and it is consolidated for accounting purposes. Loans to other parties represent the loans to the external shareholders in this subsidiary and are secured and interest bearing. In addition, cumulative redeemable preference shares have been issued by a wholly owned Thai subsidiary (AWD-BT Ltd) to business investors in Thailand as part of this ownership structure.

Investment in joint venture (\$1.1 million) represents a 50% interest in a joint venture which owns and operates the travel website *iVIVU.com* and is recognised on an equity accounted basis.

Wotif Group has a \$15 million working capital bank facility that is secured by a fixed and floating charge over its assets. At 30 June 2014, no amounts were drawn under this facility and Wotif Group was in compliance with its covenants.

Under the Australian tax consolidation regime, Wotif Group and its wholly owned Australian resident entities have elected to be taxed as a single entity. At 30 June 2014, Wotif Group had:

- carried forward Australian income tax losses of approximately \$18.3 million (\$5.5 million of tax shield) all of which were recognised in the balance sheet. These losses were acquired in FY08 and utilisation is restricted under the tax consolidation regime. Wotif Group expects to utilise these losses over a period of 10 to 12 years);
- carried forward Thai income tax losses of approximately \$2.6 million (\$0.5 million tax shield);
- carried forward Australian capital losses of approximately \$8.1 million; and
- \$22.3 million in accumulated franking credits (including in relation to franking credits that will arise from the payment of income tax for FY14).

4.5 Cash Flow

Wotif Group's cash flow for the six years ended 30 June 2014 is summarised below:

Wotif Group - Cash Flow (\$ millions)						
	Year ended 30 June					
	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
EBITDA	68.7	79.3	77.7	86.4	81.8	71.2
Changes in working capital and other adjustments	36.0	1.0	19.9	(0.8)	(2.5)	(36.6)
Capital expenditure:						
- Property and buildings	-	(8.3)	-	-	-	-
- Plant and equipment	(3.6)	(5.8)	(4.0)	(3.2)	(2.8)	(3.5)
- IT development costs	(4.2)	(3.1)	(2.8)	(5.9)	(6.9)	(7.2)
Total capital expenditure	(7.8)	(17.2)	(6.8)	(9.1)	(9.7)	(10.8)
Operating cash flow	96.9	63.1	90.8	76.5	69.6	23.8
Tax paid	(20.3)	(20.2)	(18.8)	(19.3)	(25.1)	(22.6)
Dividends paid	(32.3)	(41.8)	(46.4)	(50.8)	(52.9)	(45.5)
Acquisitions	(3.2)	(2.0)	-	-	-	-
Proceeds from exercise of options	0.6	2.7	3.4	1.1	-	-
Other (including proceeds on sale of assets)	-	0.1	1.0	(0.2)	(0.5)	3.4
Net cash generated (used)	41.7	1.9	30.0	7.3	(8.9)	(40.9)
Opening net cash	59.8	101.5	103.4	133.4	140.8	131.9
Closing net cash	101.5	103.4	133.4	140.8	131.9	91.0

Source: Wotif Group and Grant Samuel analysis

The large movements in net cash in FY09, FY11 and FY14 reflect changes in Wotif Group's

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operations and are mirrored in the changes in working capital:

- growth in room nights sold of around 30% in FY09 and extension of the booking window for *Wotif.com* to 90 days (from 28 days) in January 2009, resulted in a significant increase in the amount of cash held for bookings;
- although growth in FY11 was flat, the extension of the booking window for *Wotif.com* to six months in January 2011 resulted in a significant increase in the amount of cash held for bookings; and
- the implementation of a virtual credit card system in FY14 resulted in a significant decrease in hotel creditors (due to the change in the payment process) and therefore the amount of cash held for bookings.

In the absence of such operational changes, Wotif Group has generally paid most of free cash flow to shareholders as dividends (the dividend payout ratio has been in the order of 90%).

Wotif Group acquired its Brisbane head office in FY10 for \$8.3 million. Since FY11, Wotif Group has materially increased its investment in IT including refreshing its system architecture to increase its ability to change user interface and to address the transition to mobile devices. However, a significant portion of Wotif Group's technology costs are expensed in the year incurred. Over the six years ended 30 June 2014, total technology spend is as follows:

Wotif Group – Technology Cash Spend (\$ millions)						
	Year ended 30 June					
	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual
Web maintenance costs (expensed)	7.4	10.3	11.3	9.7	11.1	10.9
IT development costs (capitalised)	4.2	3.1	2.8	5.9	6.9	7.2
Total Spend	11.6	13.4	14.1	15.6	18.0	18.1

Source: Wotif Group and Grant Samuel analysis

4.6 Capital Structure and Ownership

Wotif Group has the following securities on issue:

- 211,736,244 ordinary shares; and
- 2,818,462 options over unissued ordinary shares.

At 25 July 2014 there were 8,173 registered shareholders in Wotif Group. The top twenty registered shareholders accounted for approximately 84% of the ordinary shares on issue and, other than founding shareholders Mr Graeme Wood and Mr Andrew Brice, are principally institutional or custodian companies. Wotif Group has a significant retail investor base with around 93% of registered shareholders holding less than 10,000 shares but this represents around 8% of shares on issue. Wotif Group shareholders are predominantly Australian based investors. Wotif Group has received notices from the following substantial shareholders:

Wotif Group – Substantial Shareholders			
Shareholder	Date of Notice	Number of Shares	Percentage
Expedia ³²	5 July 2014	42,135,514	19.90%
Mr Graeme Wood	30 October 2013	41,861,000	19.77%
Mr Andrew Brice	19 December 2012	33,000,000	15.58%
Sumitomo Mitsui Trust Holdings, Inc.	22 May 2014	13,957,982	6.59%
Lazard Asset Management Pacific Co	23 April 2014	13,917,550	6.57%

Source: Wotif Group

³² Expedia's relevant interest arises as a consequence of the call option deeds entered into on 5 July 2014 separately with Mr Graeme Wood (in relation to 23,561,464 of his shareholding) and Mr Andrew Brice (in relation to 18,574,050 of his shareholding).

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Since the Wotif Group Executive Share Option Plan was established there have been 13 grants of options including four grants of performance rights (nil exercise price options). At 30 June 2014 the following options were on issue:

Wotif Group – Options on Issue					
Package	Grant Date	Expiry Date	Exercise Price	Issued	Vested
6	30 June 2009	31 December 2014	\$4.43	589,000	-
7	3 September 2010	31 December 2015	\$4.43	290,000	-
9	3 October 2011	31 December 2016	\$4.03	617,000	-
10	23 October 2012	31 December 2019	nil	182,400	-
11	28 May 2013	30 June 2016	nil	285,000	-
12	28 May 2013	30 June 2018	nil	165,000	-
13	31 Oct 2013/7 Mar 2014	31 December 2020	nil	690,062	-
Total				2,818,462	-

Source: Wotif Group

Each option is exercisable into one ordinary share and has no dividend entitlement or voting right. Vesting conditions differ but involve performance criteria for varying tranches of options under each package. In respect of all packages:

- if the performance criteria for a tranche of option are not met but the performance criteria for a later tranche in the package are met, then the earlier tranche will also vest;
- if there is a change of control of Wotif Group, the board may resolve that any options that have not vested will immediately vest; and
- options lapse on termination of employment or on the expiry date.

For the purposes of the Scheme, the unvested options under packages 6, 7 and 9 will be cancelled (as the exercise price is below the Scheme consideration of \$3.30). The unvested options under packages 10, 11, 12 and 13 are expected to be exercised and the shares issued will participate in the Scheme.

Wotif Group also has in place an Employee Share Plan under which shares to a value of \$1,000 may be granted to employees for no cash consideration. Shares issued under this plan may not be sold until the earlier of three years after issue or cessation of employment. The Employee Share Plan is not currently activated.

4.7 Share Price Performance

Wotif Group has traded above its \$2.00 subscription price since listing on 2 June 2006. A summary of the price and trading history of Wotif Group since listing is set out below:

Wotif Group - Share Price History					
	Share Price (\$)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2006 (from 2 June)	4.80	3.06	4.24	3,022	606
2007	6.25	4.01	5.33	1,475	1,066
2008	5.45	2.75	3.68	2,558	3,013
2009	7.01	3.10	6.95	2,346	4,977
2010	8.08	4.07	4.98	3,490	7,846
2011	5.94	3.32	3.57	3,171	7,251
2012	5.38	3.58	5.27	3,764	8,327
2013	6.04	2.51	2.77	3,921	10,209
Quarter ended					
31 March 2014	3.00	2.29	2.65	6,372	8,842
30 June 2014	2.85	2.26	2.43	5,331	8,025
Month ended					
31 July 2014	3.34	2.42	3.34	8,677	6,907
31 August 2014	3.34	3.29	3.30	2,969	3,273

Source: IRESS

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Although the Wotif Group share price followed the market lower with the commencement of the global economic downturn in late 2007, in this period of difficult equity market conditions the share price was underpinned by the growth in its business, the absence of gearing and a high dividend payout ratio. The following graph illustrates the movement in the Wotif Group share price and trading volumes since 1 July 2009:



Source: IRESS

Note: (1) On one day in this period more than 10 million shares traded but this is not shown on the graph (on 19 March 2014, possibly relating to the reduction in the substantial shareholding of Hyperion Asset Management Limited).

Wotif Group shares traded up to \$7.00 in late 2009 and reached a record high price of \$8.08 in intraday trading on 13 April 2010. However, following the release of FY10 profit guidance on 20 April 2010 which was marginally below broker consensus forecasts, the share price fell by over 10% and during the next four months traded down to around \$5.00 as the market reassessed Wotif Group's growth profile (with emerging signs of the slowdown in underlying volumes). From late 2010 until December 2013, Wotif Group shares generally traded between \$4.00 and \$6.00, reflecting both stockmarket movements and fluctuations in its operating performance as well as market perceptions as to growth prospects.

Notwithstanding the mixed operating performance during this period, the Wotif Group share price was underpinned by its relatively high payout ratio and its position as a technology stock in a growth sector. However, on 18 December 2013, Wotif Group released guidance that NPAT for the six months ended 31 December 2013 was expected to be 18-20% lower than the same period in 2012 and that the outlook for the second half of FY14 was volatile with conditions in the key Australian and New Zealand retail market continuing to be soft. This release fundamentally changed the market's perception of Wotif Group's outlook and the competitive threats to its business franchise. As a result, the share price fell dramatically (by 38%) from around \$4.20 to around \$2.60.

During 2014, prior to the announcement of the Scheme on 7 July 2014, Wotif Group shares traded in the range \$2.26-3.00 (at a VWAP of \$2.55) and closed at \$2.64 on 4 July 2014 (the trading day prior to the announcement of the Scheme). Since the announcement, Wotif Group shares have traded in the range \$3.27-3.34 (at a VWAP of \$3.30) and closed at \$3.30 on 29 August 2014.

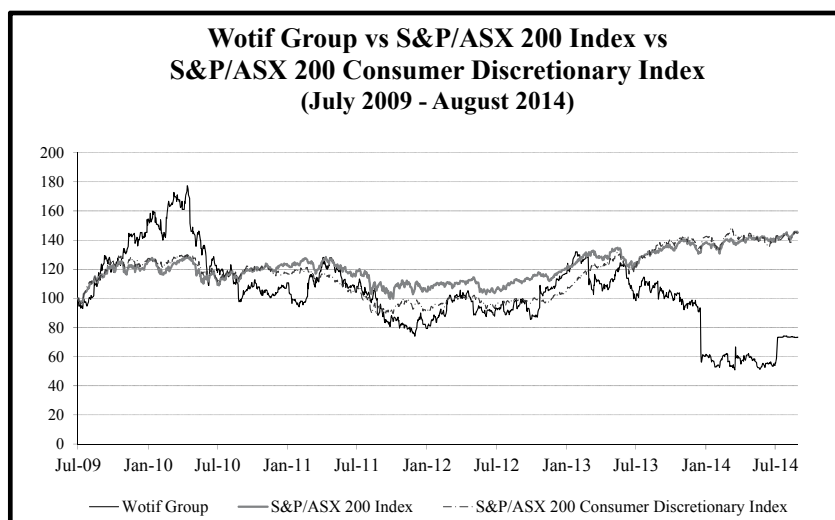
Wotif Group has been a liquid stock although it only has an approximate 65% free float (if the interests associated with Mr Graeme Wood and Mr Andrew Brice are excluded). Average weekly volume over the twelve months prior to the announcement of the Scheme represented

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approximately 2.4% of average shares on issue or annual turnover of around 124% of total average issued capital (193% of free float).

Wotif Group is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index. Its weighting in these indices is approximately 0.05% and 0.88% respectively. The following graph illustrates the performance of Wotif Group shares since July 2009:



Source: IRESS

Wotif Group shares substantially outperformed both indices in the period October 2009 to the release of profit guidance for FY10 on 20 April 2010. From June 2010 to January 2013, the shares generally mirrored movements in the market indices but underperformed in some periods (e.g. late 2010 and late 2011). Subsequently, Wotif Group shares have underperformed the indices in particular following the release of the profit guidance in December 2013 until the announcement of the Scheme on 7 July 2014.

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5 Valuation of Wotif Group

5.1 Summary

Grant Samuel has valued Wotif Group in the range \$651-726 million which corresponds to a value of \$3.06-3.41 per share. The valuation is summarised below:

Wotif Group – Valuation Summary (\$ millions)			
	Report Section Reference	Value Range	
		Low	High
Business operations (net of listed company cost savings)	5.3	650.0	725.0
Other assets and liabilities	5.4	1.1	1.1
Value of equity		651.1	726.1
Fully diluted shares on issue (millions)		213.1 ¹	
Value per share		\$3.06	\$3.41

The valuation represents the estimated full underlying value of Wotif Group assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Wotif Group shares to trade on the ASX in the absence of a takeover offer.

The value of Wotif Group is subject to considerable uncertainty at the present time as a result of various factors impacting the business:

- the online travel segment in Australia is in a state of flux with global operators such as Priceline and Expedia aggressively building market share at Wotif Group's expense. The competitive pressures are unlikely to abate in the foreseeable future;
- Wotif Group faces a need to materially increase expenditure on marketing and IT to remain competitive but the extent of these cost increases is unknown; and
- the online travel segment is subject to continued disruption from new participants and technologies that can rapidly change the competitive dynamics and industry structure. Continued structural changes and new competitors are inevitable, particularly given the relatively low barriers to entry.

Accordingly, it is difficult to project future earnings for Wotif Group over the medium term or even the short term (e.g. FY15) with any degree of confidence. Grant Samuel has been advised that, given the uncertainties facing the company, there is no board endorsed budget or forecast for Wotif Group for FY15 or beyond.

In addition, the market evidence from comparable acquisitions and comparable listed companies as to valuation parameters is sparse and of limited applicability because of the material differences in growth outlook. These issues mean any valuation conclusions have to be treated with caution.

The value estimated by Grant Samuel is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA, EBIT and NPAT) and discounted cash flow ("DCF") analysis but the limitations of each approach need to be carefully considered.

The value of \$3.06-3.41 per share represents multiples of 14.9-16.6 times FY14 NPAT³³ while the value attributed to the operating business of \$650-725 million represents:

- 9.0-10.1 times FY14 EBITDA; and
- 10.1-11.3 times FY14 EBIT.

³³ After adjusting for before tax savings in listed company costs in FY14 of \$0.8 million.



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At one level these multiples may appear relatively low. Wotif Group is a well established technology based company and a market leader in a growth market segment (online travel services). However, the reality is that Wotif Group's business is now relatively mature and competes in a segment where the structurally advantaged global operators are "flexing their muscles". Wotif Group will find it increasingly hard to maintain its competitiveness and its earnings capacity. The business has lost its growth momentum and turning such a situation around is always difficult and fraught with uncertainty.

In Grant Samuel's view, the implied multiples are reasonable, even in a "control" transaction, taking into account the competitive position of Wotif Group, the pressures on short term earnings and the structural challenges it faces.

Listed global peers such as Priceline and Expedia are trading at much higher multiples but have very strong earnings growth trajectories, both historically and looking forward (see Section 5.3.2). In contrast, Wotif Group's net earnings were essentially flat from FY10 to FY13 and fell by approximately 15% in FY14. The outlook is for further downward pressure on earnings in FY15 even if Wotif Group can halt the slide in room nights sold because of the anticipated increase in marketing and IT expenditure. The contributing factors (intense competition and increasing marketing and IT costs) are likely to continue into the foreseeable future.

Wotif Group has a number of positive attributes that underpin its strong market position including:

- market leadership in Australian and New Zealand online accommodation bookings with the largest portfolio of accommodation inventory;
- a powerful and well established brand with strong consumer awareness that generates high levels of "free traffic" and high conversion rates;
- successful entry into new online activities such as flights and packaging with potential to grow strongly in the next few years; and
- lower direct distribution cost for suppliers.

On the other hand, Wotif Group faces a number of challenges and structural disadvantages, particularly in its core business:

- Wotif Group competitors have greater capacity and willingness to spend aggressively on marketing;
- relative to its key competitors, Wotif Group is already in catch up mode in IT and, in the long term, is structurally disadvantaged as global operators can amortise IT spend over a much larger customer base; and
- Wotif Group's business model (cash payment up front, booking fees paid by customers, lower commissions) creates a number of structural disadvantages in relation to:
 - arrangements with accommodation suppliers;
 - rankings on search/metasearch engines; and
 - being competitive in paid search.

These factors suggest that the medium term risks to earnings are weighted to the downside and therefore a cautious approach to valuation (in terms of multiples of current earnings) is warranted.

It also means that a degree of conservatism should be applied in evaluating the scenarios that underpin any DCF analysis. Grant Samuel has undertaken a high level DCF analysis of Wotif Group (see Section 5.3.3). While the inherent uncertainties mean that it must be treated with caution, the analysis can provide useful insights into value and the key drivers of value. Virtually all of the scenarios examined produced net present value outcomes that were materially below the value range of \$650-725 million indicating that the consideration of \$3.30 (which implies a value of \$703 million for the business operations) incorporates significant payment for synergies that might be able to be realised by Expedia.

5.2 Methodology

5.2.1 Overview

Grant Samuel's valuation of Wotif Group has been estimated by aggregating the estimated market value of its operating business (on a "control" basis) together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The value of the operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

5.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBIT if depreciation or non-cash charges distort earnings or make comparisons between

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companies difficult. On the other hand, EBIT can better adjust for differences in relative capital expenditure intensity.

In determining a value for Wotif Group's business, Grant Samuel has placed particular reliance on the EBITDA and EBIT multiples implied by the valuation range compared to the EBITDA and EBIT multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses but has also considered price earnings multiples.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
 - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
 - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
 - the company's own performance and growth trajectory;



- rationalisation or synergy benefits available to the acquirer;
 - the structural and regulatory framework;
 - investment and sharemarket conditions at the time; and
 - the number of competing buyers;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
 - acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
 - while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
 - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for average capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is often lumpy and depreciation expense may not be a reliable guide to the normalised level of capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation; and
 - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

5.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so

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estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

A financial model of the operating business has been developed by Grant Samuel. The model allows the key drivers of revenues, costs and capital expenditure to be modelled. The model is based on a number of assumptions (many of which are outside the control of Wotif Group) and is subject to significant uncertainty and contingencies. A number of scenarios have been developed and analysed to reflect the impact on value of changes in key assumptions. The financial model is discussed in Section 5.3.3 of this report. However, it should be noted that no detailed forecasts have been provided by Wotif Group to Grant Samuel for FY15 or any subsequent year. Accordingly, the model is “high level” focussed on key parameters and is more in the nature of a cross check.

5.2.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business of Wotif Group. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

5.2.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Wotif Group’s case.

5.2.6 Approach for Wotif Group

In valuing the operating business, the primary focus was on earnings multiples analyses with the DCF used as a cross check. The value range selected is a judgement derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF analysis in terms of the various scenarios and their likelihood. Specific aspects of the methodology adopted by Grant Samuel include the following:

- Wotif Group holds substantial cash and deposits (\$91.1 million at 30 June 2014) but these primarily relate to funds held on behalf of customers until accommodation suppliers are paid. The cash is therefore offset by a broadly equivalent level of accommodation supplier creditors and the cash balance is continuously utilised to pay creditors as they fall due. It is not surplus cash but is an integral part of working capital. Accordingly, for valuation purposes;
 - it has not been treated as a surplus asset;
 - interest income is included within EBITDA and EBIT for the purposes of assessing multiples; and

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- synergies achievable by acquirers of Wotif Group have been considered but it needs to be recognised that:
 - normal valuation practice is to include a value for synergies that are common across multiple acquirers but to exclude those that are unique to a particular acquirer; and
 - where earnings multiples from comparable transactions are a primary reference point adding synergies to earnings would potentially double count them as the multiples from the other transactions are usually based on “standalone” earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

5.3 Value of Business Operations

5.3.1 Overview

Grant Samuel estimates the value of Wotif Group’s business operations to be in the range \$650-725 million.

The value of Wotif Group is subject to considerable uncertainty at the present time as a result of various factors impacting the business:

- the online travel segment in Australia is in a state of flux with global operators aggressively building market share. The level of competitive intensity has increased over the last 12-18 months and Wotif Group suffered a 10.8% fall in room nights sold in FY14 (which accelerated in the latter part of the year). Arguably, the effects are only just starting to be seen and competitive pressures are unlikely to abate in the foreseeable future;
- Wotif Group faces having to materially increase expenditure on marketing and IT to remain competitive but the extent of these cost increases is difficult to predict and to some extent is dependent on the actions of others; and
- the segment is subject to continued disruption from new participants/technologies that can rapidly change the competitive dynamics and industry structure. Recently, that has included the development of metasearch travel sites, accommodation marketplaces and channel managers. Continued structural changes and new competitors are inevitable particularly given the relatively low barriers to entry. Given the absence of any significant physical investment and the ready availability of software capability, the main barrier to entry is brand presence in an extremely crowded marketplace.

Accordingly, it is difficult to determine a future earnings profile for Wotif Group over the medium term or even the short term (e.g. FY15) with any degree of confidence. Grant Samuel has been advised that, given the uncertainties facing the company, there is no board endorsed budget or forecast for Wotif Group for FY15 or beyond.

In addition, the market evidence from comparable acquisitions and comparable listed companies as to valuation parameters is sparse and of limited applicability because of the material differences in growth outlook. These issues mean any valuation conclusions have to be treated with caution

5.3.2 Earnings Multiples Analysis

Transaction Evidence

Appendix 2 contains an analysis of the earnings multiples implied by selected acquisitions in the travel bookings sector since 2008 (both online and offline) for which there is sufficient information to calculate meaningful valuation parameters. Transactions prior to that date have not been considered (except for Wotif Group’s acquisition of TVL in 2007) due to the substantial changes to the industry and economic conditions.

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The following table summarises the historical and forecast EBITDA multiples for these transactions:

Recent Transaction Evidence – Travel Bookings Sector						
Date	Target	Acquirer	Consideration (millions)	EBITDA Multiple (times)		
				Historical	Forecast	Forecast
<i>Australia</i>						
Jul 14	SunHotels Group	Webjet	A\$30	8.1	na	na
Dec 13	Stayz Pty Limited	HomeAway	A\$220	16.8	15.1	na
Dec 12	Zuji	Webjet	US\$25	4.6	na	na
Mar 11	Occupancy Pty Limited	Fairfax Media (Stayz)	A\$29	na	9.1	na
May 10	Stella Travel	Jetset Travelworld	A\$145	9.0	na	na
Oct 07	TVL (travel.com.au)	Wotif Group	A\$57	58.1	26.8-32.4	na
<i>International - Offline</i>						
Jun 14 (pending)	TUI Travel plc	TUI AG	£5,324	7.9	7.5	7.0
May 12	Thomas Cook (India) Limited	Fairbridge Capital	IR10,600	9.1	8.0	7.1
<i>International - Online</i>						
Dec 12	trivago GmbH (61.6%)	Expedia	€774	19.0-25.4	13.6-18.0	na
Dec 12	TripAdvisor (3.7% and voting control)	Liberty Interactive Corporation	US\$8,337	25.0	20.3	16.9
Nov 12	KAYAK Software Corporation	Priceline	US\$1,829	32.2	23.1	17.6
<i>International – Online Restaurant Reservations</i>						
Jun 14	OpenTable, Inc.	Priceline	US\$2,641	38.4	34.0-38.1	27.3

Source: Grant Samuel analysis (see Appendix 2)

The market evidence shows a wide range of outcomes reflecting the widely diverging individual circumstances of each transaction including market position, operating performance and growth outlook. To the extent that meaningful conclusions can be drawn:

- relatively low multiples apply to offline travel bookings businesses (circa 8-9 times EBITDA). However, it should be noted that:
 - the acquisition of Stella Travel by Jetset Travelworld Limited (now renamed Helloworld) was undertaken on a “nil premium merger” basis; and
 - the pending acquisition of the TUI Travel plc minorities by TUI AG has been proposed on a “nil premium merger” basis and market reaction has been lukewarm;
- very high multiples (>20 times historical EBITDA) were paid in recent acquisitions of global metasearch businesses (*trivago*, *KAYAK*). It should be noted these acquisitions involved target companies:
 - that can be considered strategically important to the acquirer (they enabled the world’s two largest online travel agents to acquire the two largest metasearch business);
 - that were enjoying strong growth in revenues and earnings; and
 - that provide opportunities for some revenue and cost synergies from leveraging the existing global footprints of the acquirers and from technology sharing and cross promotion.

The recent acquisition of a controlling interest in TripAdvisor (which can also be considered as a type of metasearch business) and Priceline’s acquisition of OpenTable Inc. (the world’s leading provider of online restaurant reservations) also involved multiples above 20 times reflecting strong growth projections;

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- the acquisition of Stayz Pty Limited (“Stayz”), the leading Australian online holiday rental marketplace, by HomeAway (an international business in the same field) was also at a relatively high multiple (15.1 times EBITDA). This multiple reflected:
 - Stayz’s dominant share in the Australian market (eight times the number of properties of its nearest competitor) and the difficulty of entering what is a largely domestic and fragmented market against a powerful incumbent;
 - the strategic fit for HomeAway, giving it immediate market leadership in a geography where it had no previous presence; and
 - the benefits to be derived by providing market momentum to HomeAway’s newly launched pay per booking business;
- Webjet’s recent acquisitions (which imply relatively low multiples of EBITDA) were relatively small bolt on transactions undertaken to extend its product offering and geographic coverage. In this context:
 - SunHotels Group is an online wholesale specialising in European resort destinations; and
 - Zuji is a leading online air travel brand in Hong Kong and Singapore but, as a consequence of the acquisition, Webjet proposed incurring \$3.5 million of transition and restructuring costs to re-engineer the Zuji platform; and
- the very high multiples implied by Wotif Group’s acquisition of TVL (*travel.com.au* and *lastminute.com.au*) in late 2007 reflect the market conditions at the time and:
 - the growth profile for TVL;
 - the competitive bidding process that occurred (the successful offer was 34% higher than Webjet’s initial offer for TVL); and
 - the value of synergies specific only to Wotif Group.

Sharemarket Evidence

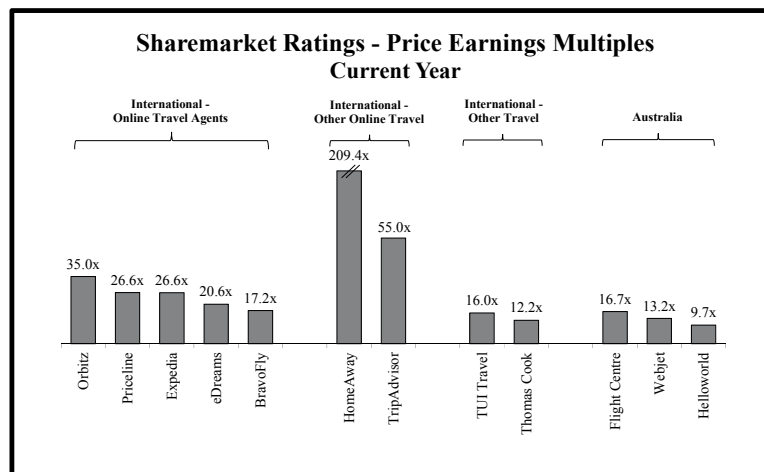
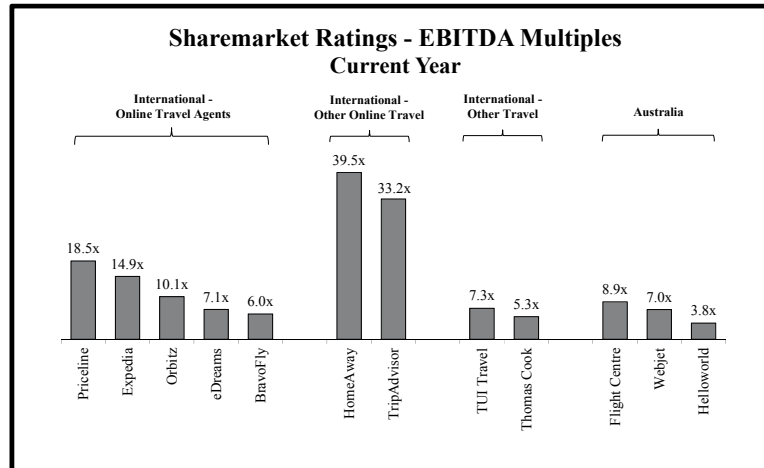
Appendix 2 also contains analysis of the earnings multiples implied by share prices as at 29 August 2014 for a selection of:

- Australian listed companies operating in the travel bookings sector (both online and offline); and
- international online travel agents (both online and offline) and other related online travel services companies.

The following chart summarises the EBITDA and price earnings multiples for the current year³⁴:

³⁴ For Australian companies the current year is the year ending 30 June 2015 while for the international companies it is 30 September 2014, 31 December 2014 and 31 March 2015, as appropriate.

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Source: Grant Samuel analysis (Appendix 2)

The following factors are relevant to consideration of the sharemarket evidence:

- the multiples are based on share prices and do not include a premium for control;
- the high multiples for Priceline and Expedia reflect their global leadership positions in a growth segment but more importantly their high earnings growth trajectories:

Global Online Travel Agents – Ratings vs Growth					
Company	Current Year EBITDA multiple (times)	Average Annual Growth Rate			
		Revenue		EBITDA	
		Historical (2 years)	Forecast (3 years)	Historical (2 years)	Forecast (3 years)
Priceline	18.5	24.8%	23.6%	31.8%	25.2%
Expedia	14.9	17.6%	15.2%	7.7% ³⁵	19.8%

Source: Grant Samuel analysis (Appendix 2)

³⁵ Expedia's selling and marketing expenses and technology costs grew at a rate faster than revenue (above 20% per annum).

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- the even higher multiples for TripAdvisor and HomeAway reflect the early stage of development of their respective business models and growth expectations for both businesses:
 - to date, TripAdvisor has derived revenue from advertising (both click and display based) but is building its online travel bookings capabilities. Enhanced “monetisation” of its existing market position as the world’s leading travel website is expected to drive growth in revenue and earnings of around 27% per annum over the three years to 31 December 2016; and
 - HomeAway, although the world’s leading provider of online travel holiday rentals, has historically derived revenue from subscriptions but has recently launched a pay per booking (i.e. transaction based) pricing mechanism and revenue and earnings growth of around 22% per annum is projected over the three years to 31 December 2016;
- the multiples for the other international online travel agents reflect differences in growth expectations as well as the nature of their businesses:
 - Orbitz is significantly smaller than Priceline and Expedia but has a global footprint. Although it was initially an airline bookings business, currently air travel accounts for around 65% of gross bookings but less than 30% of total revenue (with accommodation and packages contributing over 50%); and
 - eDreams and BravoFly are both European focused online travel companies with airline bookings heritages that have extended their market coverage to include other travel services internationally. Both have recently identified increased competitive pressure and online marketing costs as factors negatively impacting their operating performance;
- Webjet is one of the largest online distributors of Australian and New Zealand air travel (aside from the major airlines). It has extended its online offering to other travel services and is increasing its Asian and European footprints. Over the past 18 months it has accelerated investment in technology to improve the options available to consumers. Webjet has shown substantial growth in revenue which is expected to continue (albeit at more moderate rates) but its margins have been in steady decline which may explain its relatively low multiples; and
- the remaining companies (TUI Travel, Thomas Cook and Flight Centre and Helloworld) are traditional offline travel agents that have focussed on leveraging their customer base into online offerings, with varying degrees of success to date. They generally trade at lower multiples than pure online operators and their multiples reflect their relative growth profiles:
 - TUI Travel and Thomas Cook have a European focus and both are targeting an increase in the online channel from around 35% to 50% of their business in the next 4-5 years;
 - Thomas Cook has undergone substantial restructuring and reinvigoration over the past 18 months following a number of years of poor performance;
 - Flight Centre, although originally Australian and New Zealand focussed, has extended its geographic coverage and now has significant operations in 11 countries including the United Kingdom, United States, Canada and South Africa. It was a relatively earlier mover in leveraging its offline footprint into the online bookings segment; and
 - Helloworld is a smaller company which provides services to the Australian and New Zealand markets. It has been relatively late in developing an online offering and, in fact, formed a strategic alliance with Orbitz to do so. It has a restricted free float (around 14%) and is not a liquid stock which explains its very low multiples (i.e. the share price is not a good indicator of the full underlying value of its business operations).

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Implied Multiples for Wotif Group

Wotif Group has advised that, given the uncertainties facing the company, there is no board endorsed budget or forecast for FY15 (or any subsequent year). In the absence of company forecasts, broker forecasts for FY15 and FY16 provide some guidance (see Appendix 1 for details). However, it needs to be recognised that:

- as Wotif Group has not provided any budget or forecast, the broker forecasts cannot be benchmarked to gain comfort as to their reasonableness;
- the uncertainties impacting Wotif Group's business make it difficult for any party to forecast earnings with a high degree of confidence;
- only 11 of the 17 brokers known to follow Wotif Group have updated their forecast subsequent to the announcement of the FY14 results on 12 August 2014; and
- there is a wide range of broker forecasts for the key parameters and they tend to fall into two divergent groups. Considerable caution is therefore warranted in using broker median forecasts.

Accordingly, the broker forecasts cannot be relied on for the purposes of valuation but they do provide some useful insights into the valuation parameters.

The multiples implied by Grant Samuel's valuation are summarised below:

Wotif Group Business Operations – Implied Valuation Parameters			
	Variable ³⁶ (\$ million)	Range of Parameters	
		Low	High
Value Range (\$ million)		650	725
Multiple of EBITDA (times) – Business Operations			
FY14 (actual)	72.0	9.0	10.1
FY15 (broker median) ³⁷ (range \$62.5-74.7 million)	71.3	9.1	10.2
FY16 (broker median) ³⁷ (range \$57.0-77.8 million)	72.0	9.0	10.1
Multiple of EBIT (times) – Business Operations			
FY14 (actual)	64.3	10.1	11.3
FY15 (broker median) ³⁷ (range \$47.0-65.7 million)	62.2	10.5	11.7
FY16 (broker median) ³⁷ (range \$40.0-68.4 million)	63.5	10.2	11.4

Analysis and Commentary

In Grant Samuel's view, the multiples implied by its valuation of Wotif Group are appropriate. At one level, they appear relatively low. Wotif Group is a well established technology based company that is a market leader in a growth segment (online travel services). However, the reality is that the business is now relatively mature and competes in a market segment where the structurally advantaged global operators are "flexing their muscles". Wotif Group will find it increasingly hard to maintain its competitiveness and its earnings capacity. The business has lost its growth momentum and turning the situation around will be difficult and fraught with uncertainty. Often this can involve the need for significant operational changes which carry their own challenges and risks. In this case, the issues are amplified by the structural disadvantages inherent in the Wotif Group business.

³⁶ After adjusting for savings in listed company costs. Before tax savings in FY14 of \$0.8 million and in FY15 of \$1.0 million.

³⁷ Wotif Group has advised Grant Samuel that, given the uncertainties facing the company, there is no board endorsed budget or forecast for FY15 (or beyond). Accordingly, it has not provided to Grant Samuel any budget, forecasts or projections for Wotif Group. In order to provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Wotif Group (see Appendix 1). Grant Samuel has used the median brokers' forecasts in its analysis but has not relied upon them for the purposes of this report.

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The specific factors that should be considered include:

- the recent performance and short term outlook for Wotif Group relative to its peers. The implied multiples for Wotif Group are substantially below those applying to listed global peers such as Priceline, Expedia, TripAdvisor and HomeAway but these companies have experienced very substantial growth in recent years and are forecast to enjoy high levels of revenue and earnings growth over the next few years (see commentary above). In contrast, Wotif Group's earnings:
 - were essentially flat from FY10 to FY13;
 - fell by approximately 15% in FY14; and
 - are expected to be under considerable pressure in the short term (FY15 and FY16) as a result of:
 - likely continued inroads into its market share from global competitors (e.g. Priceline and Expedia) as well as other competitive forces (including the direct channel). Wotif Group is the incumbent market leader in online accommodation bookings in Australia and New Zealand with the largest established position so it is inevitable that new entrants will take market share;
 - increased marketing expenditure including higher costs per click for paid search and higher offline expenditure (i.e. mainstream media advertising) as Wotif Group attempts to re-energise its brand with consumers; and
 - increased IT development costs including both Wotif Group's catch up expenditure (as it brings its technology up to levels comparable to the global operators) and a general uplift to meet the ongoing development expected to occur across the sector (e.g. in relation to mobile, greater use of analytics, increased personalisation and other functionality).

Accordingly, the market ratings of global operators are not appropriate benchmarks. The multiples from recent acquisition transactions have also been considered (e.g. trivago, KAYAK, TripAdvisor and Stayz) but these can also be discounted for the same reasons. In this respect, there is no specific comparable transaction or company against which the Wotif Group can be readily benchmarked. In the final analysis, it comes down to a broad judgement;

- the nature of the online travel bookings segment which lends itself to a model where the large, integrated global operators become the dominant force over time. This characteristic distinguishes the segment from other online consumer businesses (e.g. employment, cars, real estate) which tend to be more localised and can therefore allow local operators to maintain market share and capture the underlying growth in both the underlying sector and online penetration without aggressive competition from structurally advantaged global operators.

In this respect, the aggressive competition that has seen Wotif Group lose market share over the past 12 months is unlikely to abate. Australia is one of the few online accommodation markets where local operators are the market leaders in the online travel segment.

In addition, the online travel segment is extremely dynamic and susceptible to disruptive changes. Recent examples include the emergence of metasearch and channel managers. It is inevitable that new forms of competition will arise (or intensify) over the next few years (e.g. online marketplaces such as Airbnb). There are already signs of real focus on the travel industry from companies with very considerable financial and technological resources such as Google (*Google Hotel Finder*), Yahoo! and Microsoft (*Bing Travel*);

- the longer term challenges facing the business. Wotif Group has a number of positive attributes that underpin its strong market position including:

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- market leadership in the Australian and New Zealand online accommodation segment with the largest portfolio of accommodation inventory;
- a powerful and well established brand with strong consumer awareness that generates high levels of “free traffic” and high conversion rates;
- successful entry into new online activities such as flights and packaging with potential to grow strongly in the next few years; and
- a lower direct distribution cost for suppliers (12% commissions compared to higher rates of global operators).

On the other hand, it faces a number of challenges and structural disadvantages, particularly in its core business:

- to the extent that “rate parity” policies are adopted by major hotel groups (where certain hotel stock is available to all intermediaries at the same price) it is challenging to create a competitive advantage with consumers and the quantum of marketing spend has become the critical factor driving site visitation and bookings. Wotif Group faces competitors with much greater capacity and willingness to spend aggressively which will inevitably impact on its ability to maintain or increase market share. Wotif Group also has a structural disadvantage in being competitive in paid search advertising because of its lower commission rate;
- technology is a second critical key to success. Relative to its key competitors, Wotif Group is already in catch up mode in terms of IT and, in the long term, is structurally disadvantaged as global operators can amortise their IT spend over a much larger customer base;
- Wotif Group’s business model (cash payment up front, booking fees paid by customers) evolved through its particular circumstances. However, the business models of global operators have evolved differently (e.g. post payment (primarily), no booking fees) and Wotif Group’s model can necessitate special arrangements that increase costs for accommodation suppliers and may not suit their business. These differences may limit the extent to which further commission increases (to similar levels to its major competitors) can be implemented by Wotif Group and over time may impact its ability to secure inventory. Additionally, the booking fee charged to customers disadvantages Wotif Group in the increasingly important metasearch distribution channel. At the same time, a change in the fundamental way of doing business to align with global competitors would involve substantial risk and cost (and time); and
- it has a weaker offering of international inventory relative to its global peers and its Asian and Rest of World businesses have underperformed in recent years. Although Wotif Group is working at strengthening its international business, the risk exists that existing customers will turn to the global operators to meet their international travel needs.

These factors suggest that the medium term risks to earnings are weighted to the downside and therefore a cautious approach to valuation (in terms of multiples of current earnings) is warranted.

In assessing the appropriateness of the multiples it is also necessary to take potential synergies into account. Grant Samuel has allowed for savings in listed company costs (\$0.8 million in FY14 and \$1 million per annum in FY15 and beyond) as these would be saved by any acquirer. Broader potential operating synergies for an industry buyer of Wotif Group fall into two categories:

- revenue gains from being able to enhance the international inventory on Wotif Group’s platform and accessing Wotif Group’s Australian and New Zealand inventory for their existing businesses; and
- cost savings in senior management, administration, marketing and IT.

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However, it is difficult to make an accurate assessment of the level of common synergies available to more than one acquirer:

- Expedia has provided no information on its detailed operating plans for Wotif Group or the quantum of synergies it expects. Wotif Group has not sought to estimate them;
- there are probably only two parties, Expedia and Priceline, that could extract the full extent of synergies;
- it is probable that, given its market position, an acquirer would keep the *Wotif.com* brand so savings in marketing expenditure are unlikely; and
- the general modus operandi of the online travel segment is to operate a portfolio of brands often operating autonomously and competing against other in-house brands. This strategy limits the ability to cut out a significant proportion of the cost base.

In addition, Expedia has a relatively small existing operation in Australia. Accordingly, substantial savings in senior management are arguably limited given the need for a reasonably significant “on the ground presence”. On the other hand, savings in IT are almost certain but it is unlikely the local IT capacity could be shut down completely. A local IT platform is likely to be necessary and transfer of functions to elsewhere may give rise to some level of incremental costs in those locations.

Accordingly, the synergies may be somewhat limited. While it is judgemental, Grant Samuel believes the value for the operating business of \$650-725 million incorporates an appropriate allowance for any commonly available synergy benefits.

5.3.3 DCF Analysis

Introduction

No projections are available for Wotif Group. Nevertheless, Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuation. In order to do so, Grant Samuel has developed a high level DCF model which allows the key drivers of earnings and capital expenditure to be modelled. The DCF model is based on a number of assumptions that Grant Samuel considers reasonable. However, the model does not constitute a forecast or projection by Grant Samuel of the future performance for Wotif Group and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the model.

The DCF model forecasts nominal ungeared after tax cash flows from 1 July 2014 to 30 June 2024 (ten years), with a terminal value calculated by capitalising net after tax cash flows using a perpetual growth assumption.

Discount Rate

The selection of the appropriate discount rate to apply to forecast cash flows of any business enterprise is fundamentally a matter of judgement. There is a body of theory which can be used to support that judgement however there is no “correct” discount rate. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that would be applied in practice. Nevertheless, the starting point in determining discount rates is usually to analyse the cost of capital for participants in the relevant industry based on the theoretical models. Costs are estimated for each type of capital used in the funding mix depending on the risk profile.

The most widely used methodology is the weighted average cost of capital (“WACC”)³⁸

³⁸ The formula used to calculate a WACC under a classical tax system is $WACC = (Re \times E/V) + (Rd \times (1-t) \times D/V)$, where E/V = the proportion of equity to total value (where $V = D + E$), D/V = the proportion of debt to total value, Re = the cost of equity capital, Rd = the cost of debt capital and t = the corporate tax rate.

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based on the Capital Asset Pricing Model (“CAPM”)³⁹. On this basis, Grant Samuel has assessed discount rates in the range of 10-11% for the purposes of DCF analysis for Wotif Group’s business operations. These rates are a judgement but reflect the following parameters:

- cost of equity capital of 9.5-10.7% calculated using the CAPM and based on:
 - a risk free rate of 3.5% (based on 10 year Commonwealth Government bonds);
 - a market risk premium of 6%; and
 - a beta factor in the range 1.0-1.2, based on betas for online travel service companies.
- a cost of debt of 6.0%; and
- a debt/equity mix of 10-20% debt and 80-90% equity, based on gearing of a variety of online travel service companies.

The resultant WACC calculated is 8.4-10.0%. However, strict application of the CAPM at the present time gives results that are arguably unrealistically low primarily due to low effective real interest rates. In this context:

- anecdotal evidence suggests that equity investors have repriced risk since the global financial crisis in 2007 and that acquirers are pricing offers on the basis of hurdle rates above those implied by theoretical models. However, this has yet to be translated into the measures of market risk premium (at least those based on longer term historical data). In this regard, an increase in the market risk premium of 1% (i.e. from 6% to 7%) would increase the calculated WACC range to 9.2-11.1%;
- global interest rates, including long term bond rates, are at low levels by comparison with historical norms reflecting the liquidity being pumped into many advanced economies to stimulate economic activity. Effective real interest rates are now low, if not negative in some jurisdictions. Grant Samuel does not believe this position is sustainable and the risk is clearly towards a rise in bond yields. Conceptually, the interest rates used to calculate the discount rate should recognise this expectation (i.e. they should be forecast for each future period) but for practical ease market practice is that a single average rate based on the long term bond rate is generally adopted for valuation purposes. Some academics/valuation practitioners consider it to be inappropriate to add a “normal” market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a “normalised” risk free rate should be used. On this basis, an increase in the risk free rate to (say) 5% would increase the calculated WACC range to 9.8-11.5%;
- analysis of research reports on Wotif Group indicates that brokers are currently adopting WACCs in the range 8-12% with a median of 10.6%; and
- Wotif Group currently carries no debt and has no plans to do so.

Having regard to these matters and the calculations set out above, Grant Samuel’s judgement is that reasonable discount rates to apply to DCF analysis for Wotif Group in current market conditions would be 10-11%.

DCF Assumptions and Scenarios

The DCF analysis considers a number of different scenarios. Scenario A has been developed based on the following assumptions:

³⁹ The formula for deriving the cost of equity using CAPM is $Re = Rf + \text{Beta} (Rm - Rf)$, where Re = the cost of equity capital, Rf = the risk free rate and $Rm - Rf$ = the market risk premium.

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(i) Operational Assumptions

- accommodation room nights sold by Wotif Group decrease by 4% in FY15 and 2% in FY16 after which they grow at 2.0% per annum assuming the marketing expenditure and IT developments turn around the market share trends;
- accommodation room rates increase at inflation and no changes to commission rates or booking fees;
- growth in flights and other revenue of 20% in FY15 and FY16 gradually tapering to 4% by FY21 and held constant thereafter;
- interest income equal to 1.5% of accommodation, flights and other revenue;
- advertising and marketing expenses of \$38 million in FY15 and \$42 million in FY16 reflecting:
 - a 30% increase in online advertising costs over the two years to FY16;
 - a significant increase in offline advertising (including the launch of a brand campaign for *Wotif.com* in FY15); and
 - marketing overheads increasing in line with inflation.

From FY17 online and offline advertising costs increase at a rate 3% higher than the growth in total revenue with overheads increasing in line with inflation;

- web maintenance costs increase at 5% per annum;
- business development and operations and administration expenses (excluding web maintenance costs) increase in line with inflation;
- technology related capital expenditure increases at 5% per annum plus a \$4 million infrastructure upgrade in FY15 and every four years thereafter (upgrade cost grows in line with inflation);
- property, plant and equipment capital expenditure grows in line with inflation;
- depreciation consistent with existing Wotif Group accounting policies;
- Australian carried forward income tax losses (\$18.3 million) are recouped over a 10 years; and
- \$1 million of annual public company costs saved, increasing by inflation.

(ii) General Assumptions

- inflation of 2.5% per annum;
- corporate tax rate of 30%; and
- a terminal growth rate of 2.5% per annum.

Overall, these assumptions result in:

- EBITDA margin decreasing to 43% in FY15, 41% in FY16 and remaining relatively flat thereafter; and
- advertising and marketing expenses growing as a proportion of the cost base from around 40% in FY14 to over 50% by FY24.

The net present value ("NPV") of Scenario A is \$508-575 million based on discount rates of 10-11%. Grant Samuel has developed a number of scenarios to review the impact of certain assumptions on NPV. A description of each of scenarios is outlined below:

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Wotif Group – DCF Scenarios	
Scenario	Description
Scenario B	Scenario A except that room nights sold increase by 1.0% per annum from FY17
Scenario C	Scenario A except that room nights sold remain constant at FY14 levels (6 million)
Scenario D	Scenario A except that online/offline advertising costs grow 5% faster than revenue from FY17
Scenario E	Scenario B except that online/offline advertising costs grow 5% faster than revenue from FY17
Scenario F	Scenario A except that from FY17 online/offline advertising costs grow in line with revenue
Scenario G	Scenario A except that web maintenance costs increase at 7.5% per annum
Scenario H	Scenario A except that technology capital expenditure increases at 6.5% per annum and infrastructure upgrades are \$5 million (grown at inflation) every four years

NPV Outcomes

The output of the DCF analysis is summarised below:

Wotif Group – NPV Analysis (\$ millions)					
Scenario	Discount Rate				
	11.5%	11.0%	10.5%	10.0%	9.5%
A (moderate room nights growth)	479.5	507.5	539.1	574.9	615.9
B (low room nights growth)	450.2	475.5	504.0	536.3	573.1
C (no room nights growth)	474.9	500.8	529.9	562.8	600.4
D (increased advertising)	449.9	475.1	503.5	535.6	572.2
E (increased advertising/low room nights growth)	409.6	431.6	456.3	484.1	516.0
F (decreased advertising)	547.6	580.9	618.5	661.1	709.9
G (increased web maintenance costs)	471.6	498.8	529.3	563.9	603.5
H (increased technology capital expenditure)	481.2	509.2	540.7	576.4	617.2

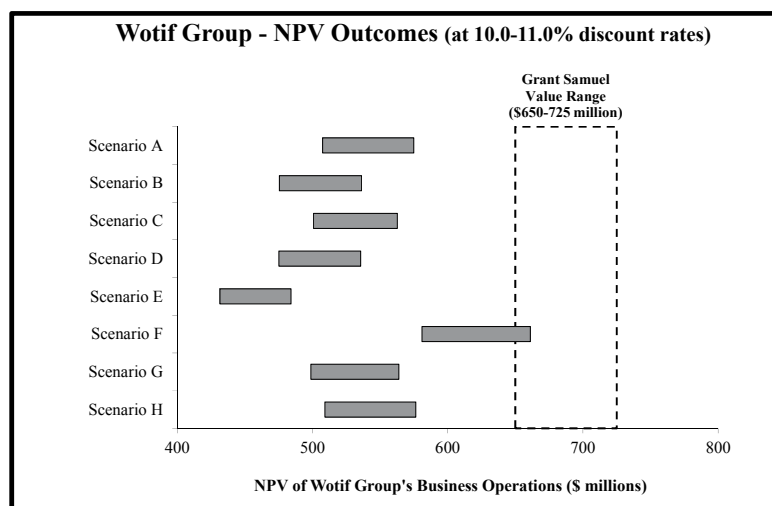
The NPV outcomes from DCF analyses are subject to significant limitations and should always be treated with considerable caution. They do not, and do not purport to, represent the range of potential value outcomes for Wotif Group's business operations. In this regard, the NPV outcomes show a relatively wide range across the different scenarios, highlighting the sensitivity to small changes in assumptions. It should also be noted that such scenario analysis does not take into account the operational flexibility that management has to react to changes in the markets in which they operate although, in this case, Wotif Group's flexibility is constrained by the competitive disadvantages of its business model.

The NPV outcomes are particularly sensitive to changes in room nights sold and the level of advertising and marketing expenditure and less sensitive to changes in technology related expenditure. In this regard, Scenario A is based on a cost base which reflects Wotif Group's existing business model, cost base, strategic initiatives and expectations for increasing advertising and marketing spend. The primary uncertainty for Wotif Group is whether the increased investment in the business can halt (and ideally reverse) the recent decline in room nights sold, a matter which will ultimately be determined by the interplay of a range of factors many of which are beyond Wotif Group's control, including competitor actions.

Analysis and Commentary

The NPV outcomes of the scenarios are depicted diagrammatically below relative to Grant Samuel's value range (\$650-725 million):

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Virtually all of the scenarios examined produced NPV outcomes materially below Grant Samuel's value range for the Wotif Group business of \$650-725 million. This is not surprising as the NPV outcome represent a standalone value for Wotif Group and it is Grant Samuel's view that the Scheme consideration of \$3.30 (which implies a value of \$703 million) incorporates a significant payment by Expedia for synergies that it may be able to realise by acquiring 100% of Wotif Group.

5.4 Other Assets and Liabilities

Wotif Group's other assets and liabilities have been attributed a value of \$1.1 million (based on book value at 30 June 2014) and comprise:

- a 50% interest in the *iVIVU.com* joint venture; and
- loans to the external shareholders in Asia Web Direct Tours & Activities, Ltd and the associated cumulative redeemable preference shares issued by a Thai subsidiary.

No separate value has been attributed to Wotif Group's carried forward Australian income tax losses (\$18.3 million) although recoupment was factored into the DCF analysis. No value has been attributed to Wotif Group's carried forward Thai income tax losses (\$2.6 million) and Australian carried forward capital losses (\$8.1 million).

5.5 Corporate Overheads

Corporate overheads form part of the operating business of Wotif Group for financial reporting purposes. These costs include:

- the executive office (such as costs associated with the offices of the Chief Executive Office and Chief Financial Officer, company secretarial and legal, construction, planning and development, corporate affairs, treasury, tax etc.); and
- being a listed company (such as directors' fees, annual reports and shareholder communications, share registry and listing fees and dividend processing).

Any acquirer of 100% of Wotif Group would be able to save the costs associated with being a listed company which are estimated to be around \$1 million per annum (2014 dollars). Consequently, for valuation purposes Grant Samuel has allowed for a \$1 million reduction in corporate overheads. This is reflected in the earnings used to calculate earnings multiples implied by Grant Samuel's valuation (in Section 5.3.2) and in the cash flows discounted in the DCF analysis in Section 5.3.3.

5.6 Franking Credits

Under Australia's dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for tax paid by a company. The franking credit attaches to any dividends paid by a company and the franking credit offsets personal tax for Australian investors. To the extent that personal tax has been fully offset the individual will receive a refund of the balance of the franking credit. Franking credits therefore have value to the recipient.

However, in Grant Samuel's opinion, while acquirers are attracted by franking credits there is no clear evidence that they will actually pay extra for a company with them (at any rate the sharemarket evidence used by Grant Samuel in valuing the Wotif Group businesses will already reflect the value impact of the existence of franking credits). Further, franking credits are not an asset of the company in the sense that they can be readily realised for a cash sum that is capable of being received by all shareholders. The value of franking credits can only be realised by shareholders themselves when they receive distributions. Importantly, the value of franking credits is dependent on the tax position of each individual shareholder. To some shareholders (e.g. overseas shareholders) they may have very little or no value. Similarly, if they are attached to a distribution which would otherwise take the form of a capital gain taxed at concessional rates there may be minimal net benefit (in fact, there may be some categories of shareholders who are worse off in this situation; e.g. shareholders with a capital loss on disposal of the shares).

Accordingly, while franking credits may have value to some shareholders they do not affect the underlying value of the company itself. No value has therefore been attributed to Wotif Group's accumulated franking credit position (\$22.3 million at 30 June 2014) in the context of the value of Wotif Group as a whole. In any event, the accumulated franking balance will be largely paid out to shareholders through the \$0.24 cents dividend to be paid as part of the Scheme.

6 Evaluation of the Scheme

6.1 Conclusion

In Grant Samuel's opinion, the Scheme is fair and reasonable and, therefore, in the best interests of Wotif Group shareholders, in the absence of a superior proposal.

6.2 Fairness

Grant Samuel has estimated the full underlying value in Wotif Group, including a premium for control, to be in the range \$651-726 million which corresponds to \$3.06-3.41 per share. The value is the aggregate value of the estimated value of Wotif Group's operating business together with other assets less external liabilities and any non trading assets or liabilities. In particular, the value takes into account:

- Wotif Group's market leadership in Australian and New Zealand online accommodation bookings and powerful customer brand awareness;
- the challenges Wotif Group faces, particularly in its core business:
 - the increasingly competitive market environment;
 - the quantum of marketing and IT spend required to compete with competitors with much greater capacity and willingness to spend; and
 - the competitive disadvantages of Wotif Group's business model (cash payment up front, booking fees paid by customers) relative to the global operators; and
- potential synergies including the potential for saving listed company costs.

The value range exceeds the price at which, based on current market conditions, Grant Samuel would expect Wotif Group to trade on the ASX in the absence of a takeover offer (or speculation as to an offer). The valuation is set out in Section 5 of this report.

The offer of \$3.30 per share falls within the value range of \$3.06-3.41. Accordingly, the Scheme is fair. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer falls.

In considering the fairness of the Scheme, shareholders should also take into account:

- the uncertainty and risks attaching to the future earnings of Wotif Group on a standalone basis in an intensely competitive industry subject to ongoing structural change and requiring increased investment in marketing and IT. The Scheme provides a meaningful premium over equity market assessments of value;
- the Scheme is the end result of a comprehensive process undertaken over several months through which Wotif Group and its advisers sought proposals from a wide range of potential acquirers and investors. The last part of that process involved a final round of formal bids. Accordingly, it is likely that the price of \$3.30 represents the maximum arm's length value for Wotif Group at the present time;
- Mr Graeme Wood and Mr Andrew Brice were founders of Wotif Group and control 19.77% and 15.58% of the issued capital respectively. Both have agreed to sell their interests at a price of \$3.30 per share subject to certain conditions; and
- given the uncertainties relating to the value and future prospects of Wotif Group, it is useful to assess what "you have to believe" for the consideration to be "not fair" based on the DCF analysis. For example, based on the assumptions adopted in the analysis set out in Section 5.3.3, holding all other assumptions constant and using a midpoint discount rate of 10.5%, in order to calculate a standalone NPV in excess of \$703 million (\$3.30) it would be necessary for:

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- room nights sold to grow from FY14 levels at more than 2.3% per annum in perpetuity; or
- room nights sold to grow by 5.0% per annum from FY17 if room nights sold initially drop as they do in Scenario A (i.e. by 4% in FY15 and 2% in FY16); or
- advertising and marketing costs to grow from FY14 levels at less than 3.8% per annum.

Alternatively, a discount rate of 8.6% or less would be necessary to calculate a standalone NPV in excess of \$703 million (\$3.30) under Scenario A.

In Grant Samuel's view, it would be imprudent to reject the Scheme on the basis that these types of scenario were assumed to be the most likely to occur.

6.3 Reasonableness

As the Scheme is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Scheme and which Wotif Group shareholders should consider in determining whether or not to vote for the Scheme. These factors are set out in the following sections.

6.3.1 Premium for Control

The consideration of \$3.30 per share represents a 25% premium to the price at which Wotif Group shares last traded prior to the announcement of the Scheme. The premium is higher (circa 30%) when compared to prices in the six months prior to announcement but low compared to prices over the longer term:

Wotif Group – Premiums Implied by the Scheme Consideration		
Period	Wotif Group Price/VWAP	Premium
4 July 2014 – Pre-Scheme price	\$2.64	25.0%
1 week prior to 4 July 2014 (VWAP)	\$2.53	30.4%
1 month prior to 4 July 2014 (VWAP)	\$2.48	33.1%
3 months prior to 4 July 2014 (VWAP)	\$2.51	31.5%
6 months prior to 4 July 2014 (VWAP)	\$2.55	29.4%
12 months prior to 4 July 2014 (VWAP)	\$3.20	3.1%

Source: IRESS and Grant Samuel analysis

The level of premiums observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tends to fall in the range 20-35%. However, it is important to recognise that:

- premiums for control are an outcome not a determinant of value; and
- they vary widely depending on individual circumstances. In fact, some studies show that the majority of transactions actually fall outside this "standard" range.

In Grant Samuel's opinion, the premiums based on share prices over the six month period are more relevant as they reflect Wotif Group's profit guidance of 18 December 2013 (which resulted in a 38% drop in the share price). On this basis, the premiums implied by the Scheme are consistent with those normally seen in takeover offers.

In addition, the pre announcement share prices are based on market expectations prior to the release of Wotif Group's results for FY14. At that time, the median broker forecast NPAT for FY14 (based on brokers that have published research since announcement of the Scheme) was \$43.5 million (see Appendix 1) which is not materially out of line with the actual result (\$43.2 million). However, given the operating trends underlying the FY14 result and the revisions to brokers FY15 forecasts following the results announcement, it is not unreasonable to form the view that the Wotif Group share price would now be lower than pre announcement levels (in the absence of a takeover offer or speculation as to one). On this basis, the effective premiums implied by the Scheme would be higher than 25-30%.



6.3.2 Major Shareholders

An acquisition proposal by a third party could not succeed without agreement of either Mr Graeme Wood or Mr Andrew Brice. Both major shareholders have indicated that, subject to an independent expert determining that the Scheme is in the best interests of shareholders and in the absence of a superior proposal, they intend to vote the shares in their control in favour of the Scheme.

6.3.3 Share Trading in the absence of the Scheme

The Scheme enables shareholders to realise their investment in Wotif Group at a cash price which incorporates a premium for control. In the absence of the Scheme or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

In this context, the short term earnings outlook for Wotif Group is not positive. While Wotif Group has not publicly released earnings forecasts for FY15 or beyond:

- the FY14 operating result clearly illustrates the competitive pressures Wotif Group faces. There is little expectation that these pressures will moderate in the short term;
- Wotif Group is implementing a range of initiatives with the aim of strengthening its business. Apart from the associated increase in costs, there is significant uncertainty as to if and when the benefits from these initiatives will emerge; and
- profit expectations for Wotif Group have declined following the release of the FY14 results. The median broker forecast NPAT for FY15 has reduced from \$45.6 million (based on brokers that have published research since announcement of the Scheme) to \$41.9 million (see Appendix 1). Consequently, dividend expectations have also declined.

In these circumstances and in the absence of the Scheme or a similar transaction, it is likely that Wotif Group shares, under current market conditions, would trade at prices well below \$3.30 and quite possibly below the prices prevailing prior to announcement of the Scheme (circa \$2.50-2.60). In this context, it should be noted that the pre announcement share price of \$2.64 implies a non control value of \$560 million for Wotif Group which is consistent with the NPV outcomes of Grant Samuel's DCF analysis (refer Section 5.3) which was undertaken on a control basis. However, speculation as to the future ownership of Wotif Group could remain (given the evidence of the willingness of its major shareholders to sell) and this could positively affect the share price.

A standalone future would also involve shareholders retaining their exposure to the business over the longer term. While the travel industry is expected to exhibit strong growth over the medium to longer term, Wotif Group will continue to be subject to intense competitive pressure and will face certain structural disadvantages relative to its major competitors including:

- a business model that does not suit some accommodation suppliers (pre paid) and pricing disadvantages on metasearch sites (booking fees);
- lesser capacity to spend on paid search (online) and offline advertising;
- a far smaller business base over which to spread IT development costs; and
- a listing on a market (the ASX) where dividends can be a critical issue for the share price (inhibiting the ability to invest for long term growth).

6.3.4 Alternative Proposals

Wotif Group has agreed to no-shop, no-talk and no-due diligence provisions and Expedia has the right to match any unsolicited competing proposal but it is theoretically possible for an alternative acquisition proposal to be put by any other party. The \$7.03 million break

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fee (approximately 3.3 cents per share) is not of a magnitude to represent a barrier to alternative proposals.

However, while Expedia has no shareholding in Wotif Group, it has been granted call options over 19.9% of issued shares in Wotif Group by Mr Graeme Wood and Mr Andrew Brice. These options are exercisable in the event that a superior competing proposal eventuates and Expedia decides to match that offer (and if FIRB Approval is not forthcoming then Expedia can exercise call options over 14.9% of issued shares). While the existence of the call options does not prevent an alternative proposal from being made, if exercised they will limit the extent of any competitive process for Wotif Group and prevent a third party reaching compulsory acquisition without Expedia's support.

Although this arrangement could inhibit a counter bidder, it must be recognised that the Scheme is the outcome of a comprehensive sale process. To this extent, it would be reasonable to assume the likelihood of a counter bidder emerging with a superior proposal is, at this stage, relatively unlikely (but not impossible). In any event, the opportunity to put forward a superior proposal remains until the Scheme meeting.

It would be open to shareholders to vote against the Scheme in the hope that Expedia would make a subsequent higher offer. However, there is no evidence that Expedia would be prepared to pay a higher price (particularly given the process that occurred prior to the announcement of the Scheme). That the transaction involves a scheme of arrangement demonstrates Expedia's unwillingness to acquire an interest in Wotif Group unless shareholder approval is obtained for it to acquire all of the issued shares.

Rejecting the Scheme involves significant risk that shareholders would not be able to realise a price as high as \$3.30 if they wish to sell at a later date.

6.3.5 Other Matters

Special Dividend

The Scheme consideration of \$3.30 per share includes a special dividend of \$0.24 per share, which is expected to be fully franked.

In Grant Samuel's opinion, it is not appropriate for the assessment of the Scheme to either:

- factor into the value of Wotif Group the value of accumulated franking credits; or
- include in the value of the consideration the value of the credits attached to the special dividend.

The reasons are manifold but not the least of these is that the franking credits do not have value to a company per se but only have value to the shareholders of a company (when attached to dividends) and the value of those credits to each shareholder varies depending on their individual circumstances. Nevertheless, it needs to be recognised that, where part of a takeover offer comprises a franked dividend, some shareholders may realise additional value from the franking credits (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

Taxation Consequences

If the Scheme receives shareholder approval and is implemented, shareholders will be treated as having disposed of their Wotif Group shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Wotif Group shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. Details of the taxation consequences are set out in Section 8 of the Scheme Booklet. Shareholders should consult their own professional adviser in relation to the taxation consequences.

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Transaction Costs

If the Scheme is not approved by shareholders, it is estimated that Wotif Group will meet costs (including legal and other adviser's fees as well as printing and mailing costs) of around \$1.5 million (< 1 cent per share). In certain circumstances, Wotif Group will also be liable to pay Expedia a \$7.03 million break fee. If the Scheme is approved, all transaction costs will effectively be borne by Expedia.

Current Wotif Group Share Price

Wotif Group shares have generally traded around \$3.30 since the announcement of the Scheme on 7 July 2014 (in the range of \$3.27-3.34, at a VWAP of \$3.30). Consequently, a cash price of around \$3.30 could be achieved by selling on market rather than waiting until implementation of the Scheme which is not due until the end of October 2014. However, transaction costs would be incurred and selling shareholders would lose the value of franking credits that may be available to them under the Scheme (if their tax position enables them to utilise the credits effectively) and the opportunity to receive any higher price that might be offered.

6.4 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Wotif Group.

In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Wotif Group. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.



7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Caleena Stilwell BBus FCA F Fin and Stephen Wilson BCom MCom (Hons) CA(NZ) SF Fin. Both have a significant number of years of experience in relevant corporate advisory matters. Lachlan Whittaker BCom (Liberal Studies)(Hons) CA assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Wotif Group shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Wotif Group and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Wotif Group or Expedia or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$350,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

7.4 Declarations

Wotif Group has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply to the extent any liability suffered is caused by the negligence, fraud, breach of contract or wilful misconduct of Grant Samuel. Wotif Group has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person.

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Any claims by Wotif Group are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent, fraudulent, in breach of contract or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Wotif Group and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Wotif Group. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 5 September 2014 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

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5 September 2014

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Appendix 1

Broker Consensus Forecasts

Wotif Group has not publicly released earnings forecasts for FY15¹ or beyond and neither has Wotif Group provided Grant Samuel with any such projections. The prospective multiples implied by the valuation of Wotif Group in the Grant Samuel report are based on a review of median broker forecasts both before the release of Wotif Group's FY14 results on 12 August 2014 and after release of the FY14 results.

Broker Forecasts Prior to Release of FY14 Results

Set out below is a summary of forecasts prepared by brokers that follow Wotif Group in the Australian stockmarket. As Wotif Group provided profit guidance for FY14 at announcement of the Scheme on 7 July 2014, median forecasts are presented for all brokers and for those that have published research after that date:

Wotif Group – Broker Forecasts prior to 12 August 2014 (\$ millions)													
Broker	Report Date	Revenue ²			EBITDA ³			EBIT ⁴			NPAT ⁵		
		FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Broker 1	5 Aug 14	149.0	148.1	152.5	73.8	68.7	70.6	62.8	57.6	59.5	43.4	40.1	41.6
Broker 2 ⁶	17 Jul 14	153.0	155.0	157.0	70.2	67.0	66.0	62.2	60.0	59.0	44.0	42.0	42.0
Broker 3	8 Jul 14	149.7	156.9	159.9	68.6	68.6	62.9	60.2	59.0	52.1	42.9	41.5	36.6
Broker 4	7 Jul 14	151.1	158.2	168.5	72.8	77.3	86.8	61.4	65.8	74.2	43.5	46.1	51.9
Broker 5	7 Aug 14	151.0	171.0	179.0	73.0	78.0	79.0	62.0	69.0	69.0	44.0	48.0	48.0
Broker 6	7 Jul 14	151.0	155.0	162.0	70.0	71.0	73.0	61.0	60.0	62.0	43.5	42.3	43.5
Broker 7	7 Jul 14	149.1	150.6	155.8	70.4	71.8	74.2	61.7	62.4	65.1	43.0	43.7	45.6
Broker 8	7 Jul 14	151.9	167.2	180.7	70.9	80.2	88.1	61.7	68.3	75.4	43.8	47.8	52.8
Broker 9	7 Jul 14	148.8	155.1	159.4	69.4	74.5	78.0	61.3	66.1	68.8	43.5	46.2	48.2
Broker 10	7 Jul 14	146.9	158.5	164.2	71.1	74.8	74.5	60.8	65.1	65.3	43.3	45.6	45.7
Broker 11	7 Jul 14	151.4	163.9	168.9	72.3	77.4	77.6	61.9	67.6	68.1	43.5	47.3	47.7
Broker 12	30 May 14	153.0	160.0	na ⁷	68.2	70.0	na	58.2	61.0	na	42.0	43.0	na
Broker 13	26 Mar 14	150.4	157.5	167.1	69.2	73.5	80.4	62.5	66.5	73.1	44.0	46.6	51.2
Broker 14	20 Mar 14	155.0	155.6	162.3	74.5	74.2	76.9	67.3	66.9	69.0	49.8	48.9	50.4
Broker 15	28 Feb 14	150.2	153.2	na	70.0	70.7	na	62.1	62.5	na	44.2	43.7	na
Broker 16	26 Feb 14	152.0	161.0	na	74.2	83.0	na	65.2	76.0	na	47.0	54.0	na
Broker 17	26 Feb 14	154.0	159.0	163.0	70.2	74.0	75.0	62.2	65.0	66.0	45.0	46.0	47.0
Broker 18	26 Feb 14	151.9	161.0	163.8	70.1	75.5	77.5	61.3	66.3	68.0	43.8	46.7	48.0
<i>All Brokers</i>													
<i>Minimum</i>		<i>146.9</i>	<i>148.1</i>	<i>152.5</i>	<i>68.2</i>	<i>67.0</i>	<i>62.9</i>	<i>58.2</i>	<i>57.6</i>	<i>52.1</i>	<i>42.0</i>	<i>40.1</i>	<i>36.6</i>
<i>Maximum</i>		<i>155.0</i>	<i>171.0</i>	<i>180.7</i>	<i>74.5</i>	<i>83.0</i>	<i>88.1</i>	<i>67.3</i>	<i>76.0</i>	<i>75.4</i>	<i>49.8</i>	<i>54.0</i>	<i>52.8</i>
<i>Median</i>		<i>151.1</i>	<i>157.8</i>	<i>163.0</i>	<i>70.3</i>	<i>74.1</i>	<i>76.9</i>	<i>61.8</i>	<i>65.5</i>	<i>68.0</i>	<i>43.7</i>	<i>46.0</i>	<i>47.7</i>
<i>Post Announcement on 7 July 2014</i>													
<i>Minimum</i>		<i>146.9</i>	<i>148.1</i>	<i>152.5</i>	<i>68.6</i>	<i>67.0</i>	<i>62.9</i>	<i>60.2</i>	<i>57.6</i>	<i>52.1</i>	<i>42.9</i>	<i>40.1</i>	<i>36.6</i>
<i>Maximum</i>		<i>153.0</i>	<i>171.0</i>	<i>180.7</i>	<i>73.8</i>	<i>80.2</i>	<i>88.1</i>	<i>63.0</i>	<i>69.0</i>	<i>75.4</i>	<i>44.0</i>	<i>48.0</i>	<i>52.8</i>
<i>Median</i>		<i>151.0</i>	<i>156.9</i>	<i>162.0</i>	<i>70.9</i>	<i>74.5</i>	<i>74.5</i>	<i>61.7</i>	<i>65.1</i>	<i>65.3</i>	<i>43.5</i>	<i>45.6</i>	<i>45.7</i>

Source: Brokers' reports, Grant Samuel analysis

¹ FYXX = financial year ended 30 June 20XX.

² Revenue includes interest income as it is an inherent part of Wotif Group's business model, representing income on cash paid in advance by customers (with a matching liability).

³ EBITDA is earnings before interest expense, tax, depreciation and amortisation, investment income and significant and non-recurring items. EBITDA includes interest income.

⁴ EBIT is earnings before interest expense, tax, investment income and significant and non-recurring items.

⁵ NPAT is net profit after tax

⁶ Broker 2 terminated coverage of Wotif Group on 17 July 2014.

⁷ na = not available

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When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Wotif Group prior to the release of FY14 results on 12 August 2014;
- Grant Samuel is not aware of any other brokers that follow Wotif Group. All have published research following release of Wotif Group's results for the six months to 31 December 2013 on 26 February 2014;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of interest income. As interest income is an integral component of Wotif Group's business model, Grant Samuel has attempted to present the broker forecasts on a common basis by adjusting revenue, EBITDA and EBIT to treat interest income as operating income; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items other than the investment property gain on disposal reported in Wotif Group's results for the six months ended 31 December 2013. In instances where brokers do not adjust EBIT or EBITDA to remove the gain on disposal Grant Samuel has attempted to adjust these forecasts.

Broker Forecasts After the Release of FY14 Results

Set out below is a summary of forecasts prepared by brokers that follow Wotif Group in the Australian stockmarket that have published research following the release of the FY14 results on 12 August 2014. Where appropriate, Grant Samuel has adjusted the broker forecast revenue, EBITDA and EBIT to treat interest income as an integral component of Wotif Group's business model (consistent with the approach described above).

Wotif Group – Broker Forecasts after 12 August 2014 (\$ millions)													
Broker	Report Date	Revenue			EBITDA			EBIT			NPAT		
		FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
Broker 1	12 Aug 14	144.7	141.3	143.2	62.5	58.4	58.5	52.4	47.9	47.7	36.5	33.5	33.6
Broker 2	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 3	12 Aug 14	156.9	159.7	na	70.7	64.5	na	61.7	54.5	na	41.6	36.7	na
Broker 4	12 Aug 14	154.0	168.2	178.3	70.8	77.8	83.3	62.3	68.4	73.0	43.6	47.9	51.1
Broker 5	12 Aug 14	143.0	131.0	121.0	65.0	57.0	51.0	47.0	40.0	35.0	33.0	26.0	23.0
Broker 6	12 Aug 14	149.0	154.0	162.0	63.0	64.0	69.0	55.0	53.0	58.0	37.2	35.9	39.1
Broker 7	12 Aug 14	144.6	143.2	145.1	64.4	60.2	59.1	56.1	52.6	52.2	39.3	36.8	36.5
Broker 8	12 Aug 14	156.7	166.4	177.3	70.0	74.2	79.7	59.9	63.4	68.1	41.9	44.4	47.6
Broker 9	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 10	12 Aug 14	158.0	163.6	na	73.1	73.7	na	63.4	64.4	na	44.4	45.1	na
Broker 11	12 Aug 14	158.6	162.9	169.3	72.5	71.0	75.5	64.4	62.5	64.7	45.0	43.7	46.0
Broker 12	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 13	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 14	12 Aug 14	154.9	161.3	178.8	74.7	76.8	84.9	65.7	66.7	74.1	45.3	47.3	51.9
Broker 15	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 16	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 17	na	na	na	na	na	na	na	na	na	na	na	na	na
Broker 18	12 Aug 14	152.3	156.8	163.3	70.3	72.9	75.9	61.2	62.8	65.1	43.1	44.3	45.6
Minimum		143.0	131.0	121.0	62.5	57.0	51.0	47.0	40.0	35.0	33.0	26.0	23.0
Maximum		158.6	168.2	178.8	74.7	77.8	84.9	65.7	68.4	74.1	45.3	47.9	51.9
Median		154.0	159.7	163.3	70.3	71.0	75.5	61.2	62.5	64.7	41.9	43.7	45.6

Source: Brokers' reports, Grant Samuel analysis

The forecasts presented represent the broker forecasts for Wotif Group published since the release of its FY14 results. Of the 17 brokers known to follow Wotif Group (Broker 2 terminated coverage on 17 July 2014), 11 have published research prior to the finalisation of this report.

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Given the trends underlying the FY14 results and expectation that the market will remain intensely competitive, brokers have revised their growth expectations. In this regard, median broker revenue is around 2% lower in each of FY15 and FY16 but:

- in FY15 median broker forecast EBITDA and NPAT are around 6% and 8% lower respectively; and
- in FY16 median broker forecast EBITDA and NPAT are around 5% and 4% lower respectively,

indicating a continuing erosion in profit margins.

However, in considering the median broker forecast caution is warranted as:

- there is a wide range of forecasts and the range expands over time. For example, the range for EBITDA is \$12.2 million in FY15, \$20.8 million in FY16 and \$33.9 million in FY17;
- the broker views fall into two groupings broadly based on either:
 - flat (or lower) revenue and decreasing profit margins; or
 - growth in revenue and maintenance of FY14 profit margins,

although some brokers change their grouping from year to year. For FY15 the range of EBITDA forecasts for each grouping are (broadly) \$62-65 million and \$70-75 million and \$57-60 million and \$71-78 million for FY16.

Accordingly, the broker forecasts should not be relied upon for the purposes of valuation but they do provide some useful insights into the valuation parameters.

Appendix 2

Market Evidence

Online travel distribution channels emerged in the late 1990s. Online penetration of the travel bookings sector grew rapidly over the next decade with a number of online market participants listing on stockmarkets (e.g. travel.com.au Limited (“TVL”), Webjet Limited (“Webjet”) and Wotif.com Holdings Limited (“Wotif Group”) in Australia in 1999, 2000 and 2006 respectively). Although the global travel industry experienced substantial growth during this period, increased competition resulted in consolidation in the offline travel bookings segment and considerable activity in the online segment as companies strengthened their market positions by widening service offerings and geographic coverage and eliminating competition (e.g. Wotif Group’s acquisitions of TVL and Asia Web Direct in FY08). The online travel agents that emerged in the United States in this period (e.g. Expedia, Inc. (“Expedia”), The Priceline Group, Inc. (“Priceline”) and Orbitz Worldwide, Inc. (“Orbitz”) leveraged the scale of their operations to expand globally in markets with online commerce penetration.

The global economic downturn (which commenced with the global financial crisis in late 2007) had a significant impact on the global travel industry although overall growth has continued as has online penetration in the travel bookings sector. The growing presence of the global online travel agents has intensified competition, particularly for domestic/regional online operators.

Grant Samuel’s review of evidence of valuation parameters for Wotif Group has focussed on transactions that have occurred since 2008 and comparable listed companies in the travel bookings sector (including those with hybrid offline/online business models).

1 Valuation Evidence from Transactions

The number of transactions in the travel bookings sector since 2008 that are relevant to the valuation of Wotif Group is limited. Set out below is a summary of transactions since 2008 for which there is sufficient information to calculate meaningful valuation parameters and Wotif Group’s acquisition of TVL:

Recent Transaction Evidence – Travel Bookings Sector ¹									
Date	Target	Transaction	Consideration ² (millions)	EBITDA Multiple ³ (times)			EBIT Multiple ⁴ (times)		
				Historical ⁵	Forecast	Forecast	Historical	Forecast	Forecast
<i>Australia</i>									
Jul 14	SunHotels Group	Acquisition by Webjet	A\$30	8.1	na ⁶	na	na	na	na
Dec 13	Stayz Pty Limited	Acquisition by HomeAway, Inc.	A\$220	16.8	15.1	na	na	na	na
Dec 12	<i>Zuji</i>	Acquisition by Webjet	US\$25	4.6	na	na	na	na	na
Mar 11	Occupancy Pty Limited	Acquisition by Fairfax Media Limited	A\$29	na	9.1	na	na	na	na
May 10	Stella Travel	Merger with Jetset Travelworld Limited	A\$145	9.0	na	na	na	na	na
Oct 07	TVL (travel.com.au)	Acquisition by Wotif Group	A\$57	58.1	26.8-32.4	na	na	na	na

¹ For some travel companies interest income is an inherent part of their business model, representing income on cash paid in advance by customers (with a matching liability). For these companies, and to the extent possible, Grant Samuel has adjusted revenue, EBITDA and EBIT to include interest income and treated cash as working capital in calculation of gross consideration.

² Implied equity value if 100% of the company or business had been acquired.

³ Represents gross consideration divided by EBITDA. EBITDA is earnings before interest expense, tax, depreciation, amortisation, investment income and significant and non-recurring items.

⁴ Represents gross consideration divided by EBIT. EBIT is earnings before interest expense, tax, investment income and significant and non-recurring items.

⁵ Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers’ reports available at transaction announcement date.

⁶ na = not applicable

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Recent Transaction Evidence – Travel Bookings Sector ¹									
Date	Target	Transaction	Consideration ² (millions)	EBITDA Multiple ³ (times)			EBIT Multiple ⁴ (times)		
				Historical ⁵	Forecast	Forecast	Historical	Forecast	Forecast
<i>International - Offline</i>									
Jun 14	TUI Travel plc (pending)	Merger with TUI AG	£5,324	7.9	7.5	7.0	11.4	10.0	9.3
May 12	Thomas Cook (India) Limited	Acquisition of 77% by Fairbridge Capital (Mauritius) Limited	IR10,600	9.1	8.0	7.1	10.5	9.1	8.0
<i>International - Online</i>									
Jul 14	Viator, Inc.	Acquisition by TripAdvisor, Inc.	US\$200	na	na	na	na	na	na
Dec 12	trivago GmbH	Acquisition of 61.6% by Expedia	€774	19.0-25.4	13.6-18.0	na	na	na	na
Dec 12	TripAdvisor Inc.	Acquisition of 3.7% plus voting control by Liberty Interactive Corporation	US\$8,337	25.0	20.3	16.9	27.2	22.3	18.3
Nov 12	Kayak Software Corporation	Acquisition by Priceline	US\$1,829	32.2	23.1	17.6	38.4	24.8	18.4
<i>International – Online (Other)</i>									
Jun 14	OpenTable, Inc.	Acquisition by Priceline	US\$2,641	38.4	34.0-38.1 ⁷	27.3	52.7	50.9-60.6 ⁷	36.2

Source: Grant Samuel analysis⁸

A brief summary of each transaction is set out below:

(i) Australia

SunHotels Group / Webjet Limited

On 15 July 2014, Webjet announced that it had acquired SunHotels Group for approximately A\$30 million. SunHotels Group is an online hotel wholesaler specialising in a range of hotels and transfers in European resort destinations selling into the Scandinavian and United Kingdom markets. The acquisition extends Webjet's product sourcing capabilities. SunHotels Group has been consistently profitable in the last eight years and in 2014 earnings are tracking significantly higher (i.e. the forecast EBITDA multiple implied by the transaction would be lower than 8.1 times).

Stayz Pty Limited / HomeAway, Inc.

On 4 December 2013, Fairfax Media Limited ("Fairfax Media") sold Stayz Pty Limited ("Stayz"), the leading Australian online holiday rental marketplace, to HomeAway, Inc. ("HomeAway") for A\$220 million. Stayz is the publisher of *Stayz.com.au*, *Rentahome.com.au*, *TakeABreak.com.au* and *YesBookIt*. Fairfax Media acquired Stayz in December 2005 at a forecast EBITDA multiple of around 9.5 times. Stayz operates a listing fee and pay per booking business model and represents 33,000 Australian properties (almost 8 times its nearest competitor). HomeAway is a global online holiday rental marketplace which has been increasing its presence in the Asia Pacific region since 2011 via acquisitions. The multiple implied by the transaction of 16.8 times historical EBITDA reflects the competitive sales process undertaken by Fairfax Media, the dominant market share of Stayz, the scale of HomeAway's business and the benefits to be derived by providing momentum to HomeAway's newly launched pay per booking business.

⁷ Based on guidance provided by OpenTable.

⁸ Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

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Zuji / Webjet Limited

On 12 December 2012, Webjet announced the acquisition of *Zuji* in Australia, Hong Kong and Singapore from Travelocity.com LP (a subsidiary of Sabre Corporation) for US\$25 million. *Zuji* is the number one online travel agency in air tickets in Hong Kong (36% market share) and Singapore (45% market share), the official packaging partner of Virgin Australia's Blue Holidays and has a presence in the Australian online travel agency space. The acquisition provides Webjet with brand presence and a platform for growth in Asia as well as scale in the hotels segment.

Occupancy Pty Limited / Fairfax Media Limited

On 7 March 2011 Fairfax Media announced the A\$29.1 million acquisition of Occupancy Pty Limited ("Occupancy"). Occupancy lists over 25,000 holiday rental properties via two websites *Rentahome.com.au* and *Takeabreak.com.au* generating revenue from booking commissions and advertising and also maintains websites providing information on travel ideas, destinations, guides, reviews and event information. The acquisition expanded online travel business Stayz. The price comprises cash (A\$17.9 million) and 10% of the issued shares in the merged business (A\$11.2 million) and implied a value of A\$112 million for the merged business.

Stella Travel Services Holdings Pty Limited / Jetset Travelworld Limited

On 12 May 2010, Jetset Travelworld Limited ("Jetset") announced a merger with Stella Travel Services Holdings Pty Limited ("Stella Travel"), whereby Jetset would acquire Stella Travel in return for the issue of shares representing 50% of the merged company (valuing Stella Travel at around A\$145 million). Both companies are travel service providers that have leveraged a "bricks and mortar" travel bookings model into the online segment. Jetset's major brands include *Jetset*, *Travelworld*, *readyrooms.com*, *Qantas Holidays* and *Viva! Holidays*. Stella Travel's major brands include *Harvey World Travel*, *Travelscene* and *Best Flights*. As a "nil premium merger" transaction, the implied multiples do not reflect a control premium for Stella Travel.

travel.com.au Limited / Wotif.com Holdings Limited

On 6 September 2007, TVL announced that it had agreed to an acquisition proposal from Webjet. Subsequently, Wotif Group made a counter offer and, following a competitive bidding process, Wotif Group's final offer (announced 15 October 2007) was recommended by the TVL board. TVL was established in 1997 as an online travel services company. It provides a full range of travel services including flights, accommodation, health insurance and activities via two main websites *travel.com.au* and *lastminute.com.au* and operates Arnold Travel Technology, a developer and supplier of travel book technology.

The successful offer involved cash and share alternatives which increased marginally if Wotif Group reached compulsory acquisition (i.e. >90%). Wotif Group did acquire 100% of TVL, therefore the offer was \$0.57 cash or 0.1146 Wotif Group shares per TVL share. The multiples presented in the table are based on the cash alternative which implied a value of \$57 million for shares on issue (\$61 million on a fully diluted basis). The implied earnings multiples are high and reflect the growth profile of TVL, the competitive bidding process (the offer was 34% higher than Webjet's initial offer) and the value of synergies specific only to Wotif Group.

(ii) International - Offline

TUI Travel plc / TUI AG

On 30 June 2014, TUI AG ("TUI") announced a merger with TUI Travel plc ("TUI Travel"), its 54.5% owned subsidiary. The consideration under the proposal is 0.399 new TUI shares for every TUI Travel share held. Based on the TUI share price immediately prior to announcement, the proposal values TUI Travel at £5.3 billion. TUI Travel is an international leisure travel group serving more than 30 million customers per annum in 31 source markets. It is headquartered in the United Kingdom, employs 55,000 persons and operates six airlines with 138 aircraft. It operates 220 brands including *TUI*, *Thomson*, *airtours*, *LateRooms.com* and *Quark Expeditions*. As a proposed "nil premium merger" the implied multiples do not reflect a control premium for TUI Travel. TUI has identified TUI Travel's online accommodation business and Specialist and Activity business (which together accounted for total transaction value of £3.5 billion and EBITA of £81 million in FY13) as non-core. The transaction is pending and market reaction to the proposed terms has been lukewarm.

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Thomas Cook (India) Limited / Fairbridge Capital (Mauritius) Limited

On 21 May 2012, Thomas Cook Group plc (“Thomas Cook”) announced that following an auction process it had reached agreement to sell its 77% interest in the Bombay Stock Exchange listed company Thomas Cook (India) Limited (“TCIL”) to Fairbridge Capital (Mauritius) Limited (“Fairbridge”) for INR8.2 billion (£94 million) (an 11% premium to the market price). TCIL is the largest integrated foreign exchange and travel services company in India. The disposal is a part of Thomas Cook’s plans to strengthen its financial position. Under the terms of the transaction, Thomas Cook granted Fairbridge a licence over the *Thomas Cook* brand for 12.5 years in the countries in which TCIL currently operates. The implied multiples reflect a blend of TCIL’s financial services and travel services businesses.

(iii) International - Online

Viator, Inc. / TripAdvisor, Inc.

On 24 July 2014, TripAdvisor, Inc. (“TripAdvisor”) announced the acquisition of Viator, Inc. (“Viator”), the leading global tours and activities provider for travellers researching and booking destination activities around the world, for US\$200 million from Carlyle Venture Partners II, LP. Viator contracts wholesale rates directly from local operators and sells its products to a global consumer base at *Viator.com*, through more than 60 consumer facing websites, mobile apps and mobile sites and through a global network of affiliates. It reaches more than 10 million travellers per month. No financial information is available for Viator.

trivago GmbH / Expedia, Inc.

On 21 December 2012, Expedia entered into an agreement to acquire 61.6% interest (on a fully diluted basis) in trivago GmbH (“trivago”), a leading hotel metasearch company based in Germany for €477 million. trivago was founded in 2005 and compares hotel rates from over 600,000 hotels on over 140 booking sites worldwide. Over 18 million visitors over month use trivago. Limited financial information is available as trivago is a private company. The earnings multiples presented in the table are based on broker forecasts.

TripAdvisor, Inc. / Liberty Interactive Corporation

On 11 December 2012, Liberty Interactive Corporation (“Liberty”) acquired a parcel of 4.8 million common stock (3.7%) in TripAdvisor (the leading global online travel website known primarily for its hotel reviews) from interests associated with TripAdvisor chairman Barry Diller for US\$62.50 per share. This acquisition increases Liberty’s interest in the common stock of TripAdvisor to 14%. However, in accordance with a stockholders agreements entered into in 2005, while Barry Diller served as chairman of TripAdvisor, he controlled the votes attaching to the 12.8 million of Class B common stock in TripAdvisor beneficially owned by Liberty (100% of Class B common stock on issue). Class B common stock is convertible into common stock on a one for one basis and entitles the holder to 10 votes for each share held. Upon completion of the purchase of common stock, Barry Diller resigned as chairman and therefore Liberty regained control of the votes attaching to the Class B common stock. As a result of this transaction, Liberty acquired control of TripAdvisor (i.e. voting rights for 56.8% of the company) (albeit only 21.75% on a fully diluted basis). The price paid by Liberty represents a premium of around 55% to the trading price for TripAdvisor at the time (around US\$40), and therefore the multiples implied by this transaction are interpreted to reflect a premium for control.

Kayak Software Corporation / The Priceline Group, Inc.

On 8 November 2012, Priceline announced an agreement to acquire Kayak Software Corporation (“Kayak”), a leading travel metasearch company based in the United States, for US\$1.8 billion. Kayak was founded in 2004 and enables people to compare airline, accommodation and other travel products across hundreds of other travel websites. Kayak was listed on the NASDAQ Global Select Market in July 2012.

(iv) International – Online (Other)

OpenTable, Inc. / The Priceline Group, Inc.

On 13 June 2014, Priceline announced the acquisition of OpenTable, Inc. (“OpenTable”) for US\$2.6 billion. OpenTable is the world’s leading provider of online restaurant reservations, (seating more than 15 million per month via online bookings across more than 31,000 restaurants) and provides guest management solutions. It

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derives revenue primarily from a fee for each restaurant guest seated through online reservations but also earns monthly subscription fees from restaurant customers. Initially focussed on North America it has experienced average growth of 22% per annum in installed restaurants and 36% in seated diners in the four years from 2009 to 2013 in this market. Since 2004 OpenTable has selectively expanded outside of North America to countries characterised by large numbers of online consumer transactions and reservation taking restaurants (specifically Germany, Japan and the United Kingdom). In the four years from 2009 to 2013 it has experienced average growth of 50% per annum in installed restaurants and 95% in seated diners in its international segment. The transaction implies high earnings multiples reflecting both the growth expectations for OpenTable and that it is a natural extension to Priceline's existing business.

2 Valuation Evidence from Sharemarket Prices

The sharemarket ratings of selected listed companies with travel bookings activities are set out below.

Sharemarket Ratings of Selected Listed Companies – Travel Bookings Sector ⁹													
Company	Market Capitalisation ¹⁰ (millions)	EBITDA Multiple ¹¹ (times)				EBIT Multiple ¹² (times)				Price Earnings Multiple ¹³ (times)			
		Historical	Forecast Year 1	Forecast Year 2	Forecast Year 3	Historical	Forecast Year 1	Forecast Year 2	Forecast Year 3	Historical	Forecast Year 1	Forecast Year 2	Forecast Year 3
International – Online Travel Agents													
Priceline	US\$65,380	23.8	18.5	14.8	12.1	25.0	19.5	15.4	12.7	34.4	26.6	21.1	17.2
Expedia	US\$11,409	18.8	14.9	12.7	11.0	29.6	22.6	18.1	15.8	37.6	26.6	21.7	18.2
Orbitz	US\$913	11.1	10.1	9.1	8.6	19.2	16.9	14.0	12.5	40.6	35.0	15.9	14.1
eDreams	€329	6.2	7.1	6.2	5.4	8.2	9.9	8.4	7.3	16.3	20.6	10.3	8.9
Bravofly	CHF257	6.9	6.0	5.2	4.6	9.0	7.8	6.7	5.8	19.8	17.2	14.3	12.8
International – Other Online Travel													
TripAdvisor	US\$14,499	42.4	33.2	26.0	21.1	47.4	38.2	29.5	23.8	69.3	55.0	38.7	33.0
HomeAway ¹⁴	US\$3,304	46.3	39.5	31.9	25.9	80.6	69.5	54.7	41.4	165.5	209.4	125.3	89.2
TUI Travel	£5,159 ¹⁵	7.7	7.3	6.8	6.3	11.1	9.8	9.0	8.4	19.0	16.0	13.6	12.4
Thomas Cook	£1,826	6.3	5.3	4.5	4.1	10.5	7.9	6.2	5.5	nmf ¹⁶	12.2	7.8	6.2
Australia													
Flight Centre	A\$4,731	9.1	8.9	8.2	7.7	10.3	10.1	9.3	8.8	18.4	16.7	15.3	14.1
Webjet	A\$243	8.3	7.0	6.4	5.8	9.5	8.0	7.2	6.7	12.5	13.2	11.7	10.8
Helloworld	A\$126	3.1	3.8	3.3	2.9	4.7	6.4	5.3	4.5	nmf ¹⁶	9.7	6.8	5.5

Source: Grant Samuel analysis¹⁷

The multiples shown above are based on sharemarket prices as at 29 August 2014 and do not reflect a premium for control.

⁹ For some travel companies interest income is an inherent part of their business model, representing income on cash paid in advance by customers (with a matching liability). For these companies, and to the extent possible, Grant Samuel has adjusted revenue, EBITDA and EBIT to include interest income and treated cash as working capital in calculation of gross capitalisation.

¹⁰ Market capitalisation based on sharemarket prices as at 29 August 2014.

¹¹ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before interest expense, tax, depreciation and amortisation, investment income and significant and non-recurring items.

¹² Represents gross capitalisation divided by EBIT. EBIT is earnings before interest expense, tax, investment income and significant and non-recurring items.

¹³ Represents market capitalisation divided by net profit after tax (before significant and non-recurring items but after stock based compensation).

¹⁴ HomeAway's price earnings multiples are high due to its low net profit margin (approximately 3-5%) which is, in part, due to the relatively high amount of stock based compensation expensed. If net profit after tax is adjusted to exclude stock based compensation, the price earnings multiples are more in line with TripAdvisor.

¹⁵ Based on the share price for TUI Travel on 26 June 2014, the last day prior to announcement of the merger proposal from TUI AG.

¹⁶ Thomas Cook and Helloworld incurred net losses after tax in the financial years ended 30 September 2013 and 30 June 2014, respectively.

¹⁷ Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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The selected companies have a variety of year ends although there is some consistency by geographic region. All companies based in the United States (i.e. Priceline, Expedia, Orbitz, TripAdvisor and HomeAway) have 31 December year ends, Thomas Cook and TUI Travel (based in the United Kingdom) have 30 September year ends and the Australian based companies have 30 June year ends. eDreams ODIGEO, S.A. (“eDreams”) and Bravofly Rumbo Group (“Bravofly”) are both based in Europe and have 31 March and 31 December year ends, respectively.

The data analysed for each company included at least two years of historical results and the subsequent three forecast years. The data shown above represents the latest historical period and three forecast periods.

A brief description of each company is set out below:

The Priceline Group, Inc.

Formed in 1997, Priceline is the world’s largest online travel company. Operating primarily through its *Booking.com*, *priceline.com*, *Agoda.com*, *KAYAK* and *rentalcars.com* brands, Priceline offers consumers a wide range of travel related products and services (including airline tickets, accommodation, cruises, vehicle rental and travel packages) in more than 200 countries and territories across the Americas, the Asia Pacific, Middle East and Africa. Mainly operating under an agency business model (around two-thirds of revenue), Priceline has experienced strong growth due to factors including a presence in high growth markets such as the Asia Pacific and South America (around 85% of Priceline bookings are outside the United States), significant investment in technology and an emphasis on building accommodation inventory. Recent acquisitions have driven vertical integration (e.g. *KAYAK*) and extended Priceline’s online offering beyond travel services (e.g. *OpenTable*). During 2013, Priceline launched its first offline advertising campaigns in the United States, Australia, Canada and the United Kingdom (offline advertising totalled US\$127 billion, representing around 10% of total advertising) and is expected to extend these campaigns to other markets in 2014. After allowing for merchant liabilities, Priceline is in a net cash position. For the year ended 31 December 2013, Priceline reported revenue and EBITDA of US\$6.8 billion and US\$2.5 billion, respectively.

Expedia, Inc.

Based in the United States, Expedia is one of the world’s major online travel companies. It has an extensive travel supply base (more than 260,000 hotels across 200 countries, 400 airlines, packages, rental vehicles, cruises and other travel-related goods and services) and distributes through multiple channels, including its website, mobile applications, call centres and social media under brands such as *Expedia.com*, *Hotels.com* and *trivago*. Revenue has grown by around 15% per annum over the past four years (the majority of which falls under the merchant business model) as Expedia extended its global reach across Europe, the Asia Pacific, Canada and Latin America. In 2013, nearly 50% of Expedia’s revenue was from international activities, up from around 35% in 2008. Technological innovation has been a major focus with technology related expenses exceeding US\$1.7 billion over the past three years. Expedia is targeting more than 20% of transactions being booked through mobile devices by the end of 2014. The movement in the relativities between EBITDA and EBIT multiples for Priceline and Expedia appears to reflect differences in the accounting treatment of technology costs. In addition, growth expectations for Expedia are lower than for Priceline, albeit still in excess of 15% per annum in the three years to 31 December 2016. Expedia is geared at around 20%, after adjusting for merchant liabilities. For the year ended 31 December 2013, Expedia reported revenue and EBITDA of US\$4.8 billion and US\$0.8 billion, respectively.

Orbitz Worldwide, Inc.

Originally formed in 2000 to provide an online distribution channel for a group of United States airlines, Orbitz has grown to become a diversified online travel company. Although still accounting for around two thirds of gross bookings, in the year ended 31 December 2013 air travel represented less than 30% of Orbitz’s total revenue with accommodation and holiday packages contributing over 50%. Orbitz is substantially smaller and has experienced much lower growth than Expedia and Priceline. Although it has recently focused on building its global accommodation portfolio (which spans more than 140 countries) approximately 70% of revenue continues to be generated from the United States. For the year ended 31 December 2013, Orbitz reported revenue of US\$0.8 billion and EBITDA of more than US\$130 million.

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eDreams ODIGEO, S.A.

eDreams is an online travel company based in Barcelona, Spain. Operating a portfolio of brands including *eDreams*, *Opodo*, *GoVoyages*, *Travellink*, *Go Volo* and *Liligo*, eDreams is principally an online distributor of air travel but also offers accommodation, dynamic packages and vehicle rental. Listing on the Madrid Stock Exchange in April 2014, eDreams operates in 42 countries with a main focus on southern Europe (France, Spain and Italy) but has extended across Germany, Austria, the United Kingdom and Nordics. On 20 June 2014, eDreams released its results for the financial year ending 31 March 2014 (largely consistent with its prospectus) but lowered its earnings guidance for the forecast year due to intensified competitive pressures (mainly from second tier online travel agents and metasearch engines) and an adverse change in search engine algorithms. Although management subsequently clarified that margins pressures were expected to be temporary, the result was poorly received by the market and over the next few weeks eDreams' share price fell by over 50%. For the financial year ended 31 March 2014, eDreams reported revenue of more than €400 million and EBITDA of nearly €120 million.

BravoFly Rumbo Group

BravoFly is a Swiss based online travel agent. Founded in 2004 as a search engine for low cost flights in Italy, BravoFly has expanded internationally and extended its operations to include hotel, cruise and travel package bookings, although flights (which now includes traditional airlines) continue to represent around 80% of revenue. Similar to eDreams, BravoFly's core focus is Italy, Spain and France but is expanding positions in other European markets (including Eastern Europe, Scandinavia and Germany) and recently commenced operations in the Asia Pacific and Latin America. BravoFly's key brands include *BravoFly*, *Rumbo* and *Jetcost* (a metasearch provider acquired in December 2013 to broaden BravoFly's consumer base and geographic reach). On 28 July 2014, BravoFly released a half year trading update where it reported a significant increase in competitive pressure in its core markets, Italy and Spain. For the financial year ended 31 December 2013, BravoFly reported revenue of more than CHF120 million and EBITDA of approximately CHF22 million.

TripAdvisor, Inc.

TripAdvisor was established in 2000 and, following a number of transactions, was spun-off by Expedia in December 2011. It collates consumer reviews and opinions regarding travel destinations, accommodation, restaurants and activities around the world. Reviews and opinions are provided on over 775,000 accommodation providers, 550,000 vacation rentals, 2 million restaurants and 400,000 attractions across 139,000 destinations around the globe. The majority of TripAdvisor's revenue is generated from click and display based advertising, however, it is building its online travel booking capabilities (both organically and by acquisition) and recently introduced accommodation metasearch functionality on websites. TripAdvisor has experienced strong growth in recent years and brokers are forecasting revenue and earnings to double over the next three years. At nearly 15 times TripAdvisor's historical revenue, TripAdvisor's market capitalisation reflects significant growth beyond this period and expectations that TripAdvisor will successfully monetise its position as the leading travel website in the world. For the year ended 31 December 2013, TripAdvisor reported revenue of US\$0.9 billion and EBITDA of over \$330 million.

HomeAway, Inc.

HomeAway is the world's largest provider of online holiday rentals. With approximately 890,000 paid listings as at 31 December 2013, HomeAway provides an online marketplace that connects owners and managers of holiday rental properties with travellers in 190 countries around the world. HomeAway operates a portfolio of brands (*Homeaway.com.au* and *Stayz.com.au* in Australia). The majority of HomeAway's revenue is generated through paid subscriptions although it recently launched a pay per booking pricing mechanism to be offered as an alternative to subscriptions. HomeAway has experienced high growth with revenue increasing at 30% per annum over the past four years. Brokers expect this growth to continue at a rate above 20% per annum for the next three years. For the year ended 31 December 2013, HomeAway reported revenue of nearly US\$350 million and EBITDA approaching US\$100 million.

TUI Travel plc

TUI Travel is an international leisure travel group serving more than 30 million customers per annum in 31 source markets. It is headquartered in the United Kingdom, employs 55,000 persons and operates six airlines

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with 138 aircraft. It operates 220 brands including *TUI*, *Thomson*, *airtours*, *LateRooms.com* and *Quark Expeditions*. The online channel accounted for around 35% of revenue to TUI Travel's core business in the year ended 30 September 2013 (it is targeting to grow this to 50% of revenue by 2017) and the separate accommodation online business contributed around 7% of profit before tax (adjusted). On 30 June 2014, TUI announced a nil premium merger with TUI Travel, its 54.5% owned subsidiary.

Thomas Cook Group plc

With beginnings in the 1840s, Thomas Cook is one of the world's oldest and well known traditional travel agents. Listed on the London Stock Exchange, Thomas Cook's primary markets are the United Kingdom, Continental Europe and Northern Europe where it operates over 800 stores and is supported by around 27,000 employees. Following poor operational and financial performance, Thomas Cook has undergone a substantial restructure and reinvigoration over the past 18 months and set a number of defined targets (including increasing online penetration beyond 50%) to improve the business over the next three years. For the financial year ended 30 September 2013, Thomas Cook reported revenue and EBITDA of £9.3 billion and £0.4 billion, respectively, and a net loss after tax of £0.2 billion.

Flight Centre Travel Group Limited

Flight Centre Travel Group Limited ("Flight Centre") is one of the world's leading offline travel agents, operating in 11 countries through a network of over 2,500 stores. Flight Centre has developed an extensive portfolio of brands (including *Flight Centre*, *Escape Travel*, *Corporate Traveller*, *Cruiseabout* and *Infinity Holidays* in Australia and New Zealand) and has placed significant emphasis in recent years on building its online offering and improving other customer services (such as extending store hours, after-hours sales teams, mobile phone services and call centres) in order to become a more integrated and flexible travel agent. For the year ended 30 June 2014, Flight Centre reported revenue of more than \$2.2 billion and EBITDA of around \$460 million.

Webjet Limited

Webjet is an online travel agency that mainly provides domestic and international flight booking services in Australia and New Zealand but has extended its offering to also include other travel services, such as accommodation, travel packages, travel insurance and vehicle rental. Webjet is one of the largest online distributors (aside from the major airlines) of Australian and New Zealand air travel. Webjet has accelerated its investment in technology over the past 18 months, with particular a focus on dynamic packaging, multiple payment options, mobile technology and other tools to improve the air travel options available to consumers. In December 2012, Webjet acquired *Zuji* in Australia, Hong Kong and Singapore from Travelocity.com LP to expand its Asian footprint and recently acquired SunHotels Group to extend its product sourcing capabilities in Europe. For the year ended 30 June 2014, Webjet reported revenue of approximately \$100 million and EBITDA approaching \$23 million.

Helloworld Limited

Formerly The Jetset Travelworld Group Limited, Helloworld Limited ("Helloworld") is an integrated travel company providing international and domestic travel products and services across a franchised network of agents, mainly in Australia and New Zealand. In mid 2012, following continued challenging trading conditions (particularly for its travel management business), Helloworld conducted a comprehensive strategic review resulting in the implementation of several restructuring initiatives, including a rebranding and gradual consolidation of retail brands (*Harvey World Travel*, *Travelscene American Express*, *Jetset Travel*, *United Travel* and *Travelworld*). To assist with establishing an integrated online platform, Helloworld formed a strategic alliance with Orbitz in November 2013. Helloworld's low earnings multiples reflect:

- that it is an illiquid stock with a restricted free float (four shareholders hold in total 86% of issued shares) and therefore its share price is unlikely to be a good guide to the value of its business operations; and
- uncertainty as to the success of the current restructuring initiatives and the rebranding of the business.

For the year ended 30 June 2014, Helloworld reported revenue of more than \$280 million and EBITDA of around \$40 million.

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Growth Rates of Listed Companies

Set out below is a summary of the growth expectations implied by the broker consensus forecasts for each of the selected listed companies:

Growth Expectations for Selected Listed Travel Bookings Companies					
Company	Market Capitalisation (millions)	Compound Annual Growth Rate ¹⁸			
		Revenue	EBITDA	EBIT	NPAT ¹⁹
International – Online Travel Agents					
Priceline	US\$65,380	23.6%	25.2%	25.4%	25.9%
Expedia	US\$11,409	15.2%	19.8%	23.3%	27.9%
Orbitz	US\$913	6.2%	9.1%	15.5%	42.4%
eDreams	€329	8.4%	4.8%	4.2%	22.4%
Bravofly	CHF257	16.5%	14.6%	16.1%	15.6%
International – Other Online Travel					
TripAdvisor	US\$14,499	27.8%	26.2%	25.8%	28.5%
HomeAway	US\$3,304	22.8%	21.3%	24.8%	25.7%
TUI Travel	£5,159 ¹⁵	1.1%	7.0%	10.0%	15.3%
Thomas Cook	£1,826	1.4%	15.4%	23.8%	nmf
Australia					
Flight Centre	A\$4,731	6.6%	5.9%	5.7%	9.1%
Webjet	A\$243	11.3%	12.5%	12.4%	5.1%
Helloworld	A\$126	2.1%	1.4%	0.9%	nmf

Source: Grant Samuel analysis²⁰

The following should be noted in relation to the growth rates outlined above:

- Orbitz and eDreams both reported low NPAT in the last reported year. With brokers expecting earnings and margins to improve over the next three years, NPAT growth rates are high due to being benchmarked against a relatively low base; and
- Thomas Cook and Helloworld have underperformed in recent years and their earnings growth rates reflect a material turnaround over the forecast period.

¹⁸ Compound annual growth rate calculated over three forecast periods.

¹⁹ NPAT is net profit after tax

²⁰ Based on data obtained from IRESS, S&P Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports.

CLAYTON UTZ

EXECUTION VERSION

Scheme implementation agreement

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Our reference 12293/12261/80154501

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Scheme implementation agreement dated 5 July 2014

Parties **Wotif.com Holdings Limited ACN 093 000 456** of Level 1, 7 Baroona Road,
Milton QLD 4064 (**WTF**)

Emu Australia Investments Pty Limited ACN 600 494 086 of Level 61,
Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000 (**Bidder**)

Expedia, Inc. of 333 108th Avenue NE, Bellevue, WA 98004 (**Guarantor**)

Background

- A. Bidder proposes that it will acquire all of the WTF Shares pursuant to a scheme of arrangement under section 411 of the Corporations Act between Bidder and the holders of WTF Shares.
- B. WTF has agreed to propose the Scheme and issue the Explanatory Memorandum at the request of Bidder and Guarantor, and WTF, Bidder and Guarantor have agreed to implement the Scheme on the terms and conditions of this agreement.
- C. The Guarantor has agreed to guarantee all of the obligations and liabilities of Bidder under each Transaction Document. The Guarantor is the ultimate holding company of Bidder.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

ACCC means the Australian Competition and Consumer Commission.

Announcement means an announcement by WTF in the form agreed by WTF and Bidder (acting reasonably), prior to signing of this agreement.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Beneficiary means a present or former director or officer of the WTF Group in respect of whom the Policy applies.

Bid Process means the sale process undertaken by WTF Group through which it selected Bidder to consummate the Transaction.

Bidder Board means the board of directors of Bidder.

Bidder Group means Bidder and each of its Subsidiaries.

Bidder Indemnified Parties means Bidder and its Related Bodies Corporate and their respective Representatives.

Bidder Information means:

- (a) all information regarding Bidder and its Related Bodies Corporate and the Scheme Consideration that is required by the Corporations Act and the Regulatory Guides to be included in the Explanatory Memorandum including all the information that would be required under sections 636(1)(c), (f), (h), (i), (k), (l) and (m) of the Corporations Act to be included in a bidder's statement if Bidder were offering the Scheme Consideration as consideration under a takeover bid; and
- (b) any other information that the parties agree is Bidder Information for the purposes of this agreement, but does not include the WTF Information and the Independent Expert's Report.

Bidder Warranties means the warranties made by Bidder set out in clause 11.1.

Break Fee means an amount equal to 1% of the aggregate Scheme Consideration calculated as follows:

$$1\% \times (\text{Scheme Consideration} + \text{WTF Discretionary Special Dividend} + \text{WTF Final Dividend}) \times \text{Scheme Share Number}.$$

Business Day means a day that is not a Saturday, Sunday or public holiday in Australia or the United States and on which banks are open for business generally in Brisbane and New York.

Competing Proposal means any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) would:

- (a) directly or indirectly acquire a Relevant Interest in, or have the right to acquire, a legal, beneficial or economic interest in, or control of, more than 20% of WTF Shares;
- (b) acquire Control of WTF;
- (c) otherwise acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an exclusive economic interest in all or a material part of WTF's business or assets or the business or assets of the WTF Group;
- (d) otherwise acquire (whether directly or indirectly) WTF; or
- (e) enter into any agreement, arrangement or understanding requiring WTF to abandon, or otherwise fail to proceed with, the Transaction,

whether by way of takeover bid, scheme of arrangement, security holder approved acquisition, capital reduction or buy back, sale or purchase of shares, securities or assets, global assignment of assets and liabilities, voting agreements or proxies, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement.

Condition means each condition specified in clause 3.1.

Confidentiality Deed means the Confidentiality Deed between Expedia, Inc. and WTF dated on or about 29 April 2014.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court, Queensland registry or such other court of competent jurisdiction as WTF notifies Bidder in writing.

Deed Poll means a deed poll to be executed by Bidder and the Guarantor in favour of the Scheme Shareholders, substantially in the form set out in Annexure B or in such other form as WTF and Bidder agree in writing.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means the latest to occur of:

- (a) 28 February 2015; and
- (b) such other date agreed in writing between WTF and Bidder.

Excluded Shareholder means the Bidder and any WTF Shareholder who is an associate of the Bidder.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earliest of:

- (a) the End Date;
- (b) the date this agreement is terminated in accordance with its terms; and
- (c) the Implementation Date.

Explanatory Memorandum means the explanatory memorandum to be prepared by WTF pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of this agreement and to be dispatched to the WTF Shareholders.

fairly disclosed means disclosed in sufficient detail so as to enable a reasonable and sophisticated buyer to identify the nature and scope, budgeted cost (if any) and the intended timing (where applicable) of the relevant matter, event or circumstance (for the avoidance of doubt, this definition does not require that Bidder be able to identify the budgeted cost where such budget has not been prepared and does not otherwise exist.)

FIRB means the Foreign Investment Review Board.

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Guarantor Board means the board of directors of Guarantor.

Guarantor Warranties means the warranties set out in clause 11.1 (but on the basis that each reference to Bidder is taken to be a reference to the Guarantor).

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as WTF and Bidder agree in writing.

Impugned Break Fee has the meaning given to that term in clause 9.4.

Indemnified Loss means, in relation to any fact, matter or circumstance, all losses, costs, damages, expenses and other liabilities arising out of or in connection with that fact, matter or circumstance including all legal and other professional expenses on a solicitor client basis incurred in connection with investigating, disputing, defending or settling any claim, action, demand or proceeding relating to that fact, matter or circumstance (including any claim, action, demand or proceeding based on the terms of this agreement).

Independent Expert means a reputable independent expert to be engaged by WTF to express an opinion on whether the Scheme is in the best interests of the WTF Shareholders.

Independent Expert's Report means the report from the Independent Expert in respect of the Scheme, and any update of that report.

Insolvency Event means in relation to an entity:

- (a) the entity resolving that it be wound up or the making of an application or order for the winding up or dissolution of the entity, other than where the application or order (as the case may be) is set aside within 14 days;
- (b) a liquidator or provisional liquidator of the entity being appointed;
- (c) a court making an order for the winding up of the entity;
- (d) an administrator of the entity being appointed;
- (e) the entity ceasing, or threatening to cease, to carry on the business that it conducts as at the date of this agreement;
- (f) the entity being or becoming unable to pay its debts when they fall due;
- (g) the entity executing a deed of company arrangement;
- (h) a receiver, or a receiver and manager, being appointed in relation to the entity, or a substantial part, of the property of the entity;
- (i) the entity being deregistered as a company or otherwise dissolved; or
- (j) anything having a substantially similar effect to any event or circumstance referred to in subparagraphs (a) to (i) above happens in respect of the entity under the law of any jurisdiction.

Listing Rules means the official listing rules of the ASX.

Material Contract means a contract or commitment with payments by a member of the WTF Group over the 12 months period ending on 30 June 2014 in excess of \$2 million or for a term of one year or more, any joint venture or partnership agreement, or any other contract that is otherwise material to the business or operations of the WTF Group.

Net Assets means the net assets for the Bidder Group or the WTF Group (as applicable) calculated in accordance with the accounting policies and practices applied by the Bidder Group or the WTF Group (as applicable) in preparing the financial statements as at 31 December 2013, as stated and disclosed in those financial statements filed with the ASX.

NZCC means the New Zealand Commerce Commission.

Option means an option or performance right granted under the WTF Executive Share Options Plan to acquire a WTF Share subject to the terms of such plan.

Policy means the WTF Group directors and officers insurance policy in effect at the date of this agreement.

Recommendation has the meaning in clause 7.1(a)(i).

Record Date means 5.00 pm (Brisbane time) on the date which is 3 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and WTF.

Regulator's Draft has the meaning given in clause 4.1(i).

Regulatory Approval means any approval of a Regulatory Authority to the Scheme or any aspect of it which the parties, acting reasonably, determine is necessary or desirable to implement the Scheme.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and FIRB;
- (b) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (c) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Regulatory Guides means all regulatory guides published by ASIC and in force at the date of this agreement.

Regulatory Review Period means the period from the date on which WTF provides the Regulator's Draft to ASIC in accordance with clause 4.1(l) to the date on which ASIC provides a letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Scheme, when the application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Representatives means, in relation to a party, all directors, officers, employees, professional advisers and agents of the party or of its Related Bodies Corporate.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between WTF and the Scheme Shareholders substantially in the form set out in Annexure A or in such other form as WTF and Bidder agree in writing.

Scheme Consideration means, for each Scheme Share, \$3.30 less the aggregate amount of the WTF Discretionary Special Dividend and/or the WTF Final Dividend (if any) paid in respect of each WTF Share.

Scheme Meeting means the meeting of WTF Shareholders to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a WTF Share on issue as at the Record Date.

Scheme Share Number means the total number of Scheme Shares on issue as at the Record Date.

Scheme Shareholder means a person who holds WTF Shares as at the Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth).

Specified Events means an event, occurrence or matter that:

- (a) occurs after the date of this agreement;
- (b) occurs before the date of this agreement but is only announced or publicly disclosed after the date of this agreement; or
- (c) will occur after the date of this agreement and which has not been publicly announced prior to the date of this agreement.

Standstill Obligations means any undertaking given by a party to WTF that that party will not, directly or indirectly:

- (a) acquire, agree to acquire or make an invitation, offer or proposal to acquire any securities of WTF or any option or other right to acquire securities of WTF, including by way of issue;
- (b) enter into any arrangements in relation to WTF or any securities of WTF that would result in the party acquiring a Relevant Interest in, or becoming an Associate of a person that holds a Relevant Interest in, securities of WTF;
- (c) enter into any agreement or arrangement that confers rights in relation to securities of WTF affording the party or its Associates an economic exposure to WTF or to movements in the share price of those securities (including any cash-settled equity swap or contract for difference or other derivative);
- (d) enter into or publicly propose to enter into, directly or indirectly, any arrangement for a merger or business combination involving WTF or any Related Body Corporate of WTF;
- (e) other than in the ordinary course of business, acquire, agree to acquire or make an invitation, offer or proposal to acquire any assets of WTF or a Related Body Corporate of WTF;
- (f) solicit proxies from shareholders of WTF, or otherwise seek to influence or control the management or policies of WTF;
- (g) announce an intention to do any of the things referred to in paragraphs (a) to (f); or
- (h) advise, assist, induce or encourage any other person to do any of the things referred to in paragraphs (a) to (g).

Subsidiary means a subsidiary within the meaning given to that term in the Corporations Act.

Superior Proposal means a bona fide Competing Proposal of the kind referred to in any of paragraphs (a), (b), (c) or (d) of the definition of that term (and not resulting from a breach of any of WTF's obligations under clause 8) which in the determination of the WTF Board, acting in good faith, and after receiving advice from its external legal and external financial advisors, would, if it is completed, be more favourable to WTF Shareholders (as a whole) than the Transaction, taking into account all aspects of the Competing Proposal relative to the Transaction, including:

- (a) the value of the consideration payable to WTF Shareholders under the Competing Proposal (as compared to the consideration available under the Transaction);

- (b) the conditions of the Competing Proposal, the likelihood of those conditions being satisfied and the level of certainty in respect of the funding required for the Competing Proposal;
- (c) the identity, reputation and financial standing of the party making the Competing Proposal; and
- (d) the likely timing required to implement or complete the Competing Proposal.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax (including royalty withholding tax), impost or withholding obligation of whatever nature, whether direct or indirect, (including any tax payable under a country's foreign source income attribution or anti-tax-deferral rules) by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction but excluding any stamp duty payable on any transfer of the WTF Shares.

Third Party means a person other than Bidder, WTF, or their respective Related Bodies Corporate.

Timetable means the indicative timetable in relation to the Scheme set out in Schedule 1, or such other indicative timetable as WTF and Bidder agree in writing.

Trading Day has the meaning given to that term in the Listing Rules.

Transaction means the acquisition by Bidder of the Scheme Shares for the Scheme Consideration pursuant to the Scheme.

Transaction Documents means:

- (a) this agreement;
- (b) the Scheme; and
- (c) the Deed Poll.

Voting Intention has the meaning in clause 7.1(a)(ii).

WTF Board means the board of directors of WTF.

WTF Director means a director of WTF.

WTF Discretionary Special Dividend means a fully franked cash dividend, which together with any WTF Final Dividend does not exceed 24 cents per WTF Share, provided that the franking account of WTF will not be in deficit after the payment of any such dividends.

WTF Due Diligence Material means the information disclosed by or on behalf of WTF and its Subsidiaries to Bidder and its advisers prior to the Bidder signing this agreement in the Intralinks online data room established for the purposes of the Transaction.

WTF Final Dividend means a fully franked cash dividend, which together with the WTF Discretionary Special Dividend does not exceed 24 cents per WTF Share, to be paid by WTF between the date of this agreement and the Implementation Date in respect of the year ended 30 June 2014, provided that the franking account of WTF will not be in deficit after the payment of any such dividends.

WTF Group means WTF and each of its Subsidiaries.

WTF Information means all information included in the Explanatory Memorandum, other than Bidder Information and the Independent Expert's Report.

WTF Indemnified Parties means WTF and its Related Bodies Corporate and their respective Representatives.

WTF Material Subsidiary means any Subsidiary material to the WTF Group as a whole or any operating Subsidiary.

WTF Prescribed Occurrence means the occurrence of, or agreement to do, any of the following events:

- (a) WTF converts all or any of its securities into a larger or smaller number of securities;
- (b) WTF or another member of the WTF Group (other than a wholly-owned Subsidiary of WTF) resolves to reduce its capital in any way or resolves to buy-back, re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares
- (c) any member of the WTF Group issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option other than in accordance with Options in existence as of 11:59pm on the day immediately preceding the date of this agreement;
- (d) any member of the WTF Group issues, or agrees to issue, convertible notes or any other security convertible into shares or debt securities;
- (e) any member of the WTF Group agrees to pay, declares or pays a dividend or any other form of distribution (whether in cash or in kind) of profits or return of capital to its members, other than:
 - (i) the declaration and payment by WTF of the WTF Discretionary Special Dividend or any WTF Final Dividend; or
 - (ii) the declaration and payment by a member of the WTF Group of a dividend where the recipient of that dividend is WTF or a wholly-owned Subsidiary of WTF;
- (f) any member of the WTF Group disposes of the whole, or a substantial part, of its business or property;
- (g) any member of the WTF Group creates any Encumbrance over, or declares itself the trustee of, the whole, or a substantial part, of its business or property;
- (h) an Insolvency Event occurs in relation to WTF or any WTF Material Subsidiary;
- (i) any member of the WTF Group acquires or disposes of, or agrees to acquire or dispose of, any assets, business or shares outside of the ordinary course of business of the WTF Group that (i) is material to the business or (ii) would require the approval of, or would customarily be referred to, the WTF Board under existing delegations and practices;
- (j) loss or revocation of any licence or authorisation held by a member of the WTF Group which is material to enable WTF to conduct its business;
- (k) WTF adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (l) any member of the WTF Group:
 - (i) enters, or proposes to enter, into or amends, in any material respect, any joint venture, partnership or similar agreement;

- (ii) enters, or proposes to enter, into or amends any other agreement with any person other than a member of the WTF Group involving or reasonably likely to involve expenditure or other commitment on the part of a member of the WTF Group in excess of \$2 million (other than in the ordinary course);
- (m) WTF or any of its Subsidiaries:
 - (i) other than as disclosed to Bidder in the WTF Due Diligence Materials, increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees (other than ordinary course increases, not to exceed the higher of \$10,000 per individual and, for no more than 5 individuals, 20% of the individual's respective remuneration as disclosed in the WTF Due Diligence Material, and \$2 million in the aggregate);
 - (ii) other than in respect of any Options as contemplated by this agreement, accelerates the rights of any of its directors or employees to compensation or benefits of any kind; or
 - (iii) other than as disclosed to Bidder in the WTF Due Diligence Materials, pays any of its directors or employees a termination or retention payment (other than in accordance with an existing contract in place as at the date of this agreement or other than payments to employees other than officers in an amount not to exceed \$15,000 per individual (plus up to \$30,000 for 2 individuals) and \$500,000 in the aggregate);
- (n) any member of the WTF Group (other than in the ordinary course):
 - (i) enters into any contract or commitment involving potential revenue or expenditure (including termination payments or break fees) of more than \$2 million over the term of the contract or commitment;
 - (ii) (without limiting the foregoing) enters into any contracts or commitments relating to the same matter or project involving revenue or expenditure of more than \$2 million in aggregate over the term of the contract or commitment;
 - (iii) terminates or amends in any material manner any Material Contract;
 - (iv) waives in writing any material Third Party default; or
 - (v) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$1 million) less than the full compensation due to a member of the WTF Group;
- (o) any member of the WTF Group raises or borrows any new financial indebtedness from a party other than a member of the WTF Group (for the avoidance of doubt, new financial indebtedness does not include WTF drawing down under its existing facilities as disclosed in the WTF Due Diligence Materials in the ordinary course in an aggregate amount not to exceed \$2 million);
- (p) WTF or another member of the WTF Group makes, changes or revokes any material tax election, changes any material method of Tax accounting or adopts any annual accounting period, settles any Tax proceeding for a material amount of taxes, prepares or files any material Tax return in a manner inconsistent with past practice, enters into any agreement with any taxing authority, files any amended Tax return or surrenders any claim for a material Tax refund;

- (q) any event outside the ordinary course of business of WTF in respect of capital expenditure to the extent it is material; and
- (r) any reconstruction or reorganisation of the WTF Group,
other than an event:
- (s) contemplated or required to be undertaken or procured by the WTF Group pursuant to the Transaction Documents (including, but not limited to, the payment by WTF of the WTF Discretionary Special Dividend, any WTF Final Dividend and the vesting or exercise or cancellation of the Options);
- (t) to which Bidder has provided its prior written consent; or
- (u) fairly disclosed in the WTF Due Diligence Material or any announcement to the ASX made by WTF, since 30 June 2013 regarding the WTF Group prior to the parties entering into this agreement, except to the extent the parties otherwise agree.

WTF Share Register means the register of members of WTF maintained by or on behalf of WTF in accordance with section 168(1) of the Corporations Act.

WTF Share Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

WTF Shareholder means a person who is registered in the WTF Share Register as a holder of WTF Shares.

WTF Shares means fully paid ordinary shares in the capital of WTF.

WTF Warranties means the warranties made by WTF set out in clause 11.4.

1.2 Best and reasonable endeavours

Any provision of this agreement which requires a party to use best endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

- (i) to pay any money or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person in the form of an inducement to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing) or in circumstances that are commercially onerous or unreasonable in the context of this agreement; or
- (j) to commence any legal action or proceeding against any person,

except where that provision expressly specifies otherwise.

1.3 Business Day

If the day on which any act to be done under this agreement is a day other than a Business Day, that act must be done on the immediately preceding Business Day except where this agreement expressly specifies otherwise.

1.4 Interpretation

In this agreement headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment, or annexure is a reference to a party, clause, schedule, exhibit, attachment, or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments, and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to **\$** or **dollar** is to Australian currency;
- (k) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this agreement;
- (l) a reference to a date or time is to that date or time in Brisbane, Australia; and
- (m) this agreement must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2. Obligations in relation to Scheme

2.1 WTF to propose Scheme

WTF agrees to propose the Scheme on and subject to the terms and conditions of this agreement. Bidder agrees to assist WTF to propose the Scheme on and subject to the terms and conditions of this agreement.

2.2 WTF and Bidder to Implement Scheme

WTF and Bidder agree to implement the Scheme on and subject to the terms and conditions of this agreement and to use their best endeavours to do so as soon as practicable and in accordance with the Timetable.

3. Conditions precedent

3.1 Conditions

Subject to this clause 3, the Scheme will not become Effective, and the obligations of the parties under clause 4 are not binding, until each of the Conditions listed in the first column of the following table are either satisfied or waived in accordance with clause 3.4:

Condition	Right to benefit & waive	Responsibility to satisfy
(a) (No restraint) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by this agreement is in effect as at 8.00 am on the Second Court Date;	Bidder and WTF	Bidder and WTF
(b) (Regulatory Approvals): (i) (ASIC and ASX consents) before 8.00 am on the Second Court Date, ASIC and ASX issue or provide consents or approvals or have done such other acts which Bidder and WTF agree are reasonably necessary to implement the Scheme. If such consents, approvals or doing of other acts are subject to conditions those conditions must be acceptable to Bidder and WTF, acting reasonably; (ii) (ACCC clearance) the ACCC has indicated to Bidder in writing that it does not intend to object to the Scheme or transactions contemplated by the Scheme as being likely to contravene section 50 of the Competition and Consumer Act, which is in a form that is acceptable to the Bidder (acting reasonably); (iii) (NZCC clearance) the NZCC has given clearance under section 66 of the New Zealand Commerce Act 1986 in relation to the Scheme or transactions contemplated by the Scheme, which is in a form that is acceptable to the Bidder (acting reasonably); (iv) (FIRB Approvals): if FIRB approval is required by law, that before 8.00am on the Second Court Date, one of the following has occurred:	Bidder and WTF	Bidder and WTF

Condition	Right to benefit & waive	Responsibility to satisfy
<p>A. FIRB has provided written notice issued by or on behalf of the Treasurer of the Commonwealth of Australia stating that there are no objections under the Australian Government's foreign investment policy to the Scheme;</p> <p>B. the period provided under the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cwith) (FATA) prohibiting the Scheme from proceeding under the Transaction Documents has expired, without an order prohibiting the Scheme being made under FATA; or</p> <p>(i) if an interim order is made under FATA to prohibit the Scheme from proceeding under the Transaction Documents, the subsequent period for making a final order under FATA has elapsed, without any such final order being made,</p> <p>If FIRB gives its approval subject to conditions those conditions must be acceptable to Bidder and WTF, acting reasonably;</p> <p>(v) (all other Regulatory Approvals) before 8.00 am on the Second Court Date, the Bidder obtains any other necessary Regulatory Approvals;</p>		
(c) (WTF Prescribed Occurrence) no WTF Prescribed Occurrence has occurred or becomes known to Bidder after the date of this agreement and before 8.00 am on the Second Court Date;	Bidder	WTF
<p>(d) (WTF Warranties) before 8.00 am on the Second Court Date, the WTF Warranties:</p> <p>(i) that are qualified as to materiality, are true and correct; and</p> <p>(ii) that are not so qualified, are true and correct in all material respects,</p> <p>as at the time they are given;</p>	Bidder	WTF

Condition	Right to benefit & waive	Responsibility to satisfy
<p>(e) (Bidder Warranties) before 8.00 am on the Second Court Date, the Bidder Warranties:</p> <p>(i) that are qualified as to materiality, are true and correct; and</p> <p>(ii) that are not so qualified, are true and correct in all material respects,</p> <p>as at the time they are given;</p>	WTF	Bidder
<p>(f) (Guarantor Warranties); before 8.00 am on the Second Court Date, the Guarantor Warranties:</p> <p>(i) that are qualified as to materiality, are true and correct; and</p> <p>(ii) that are not so qualified, are true and correct in all material respects,</p> <p>as at the time they are given;</p>	WTF	Guarantor
(g) (Shareholder approval) WTF Shareholders (other than Excluded Shareholders) approve the Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None	WTF
(h) (Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;	None	WTF
(i) (Independent Expert's Report) before the date the Explanatory Memorandum is lodged with ASIC, the Independent Expert issues a report that concludes that the Scheme is in the best interests of Scheme Shareholders;	WTF	WTF
(j) (execution of Deed Poll) before the date of sending the Explanatory Memorandum to relevant WTF Shareholders, Bidder validly signs, seals and delivers the Deed Poll;	WTF	Bidder
<p>(k) (Options) all outstanding Options are:</p> <p>(i) only to the extent the exercise price of an Option equals or is less than the Scheme Consideration, vested and converted into WTF Shares on or prior to 5.00pm on the Record Date; or</p> <p>(ii) cancelled, or agreements to acquire or cancel them (effective as of 8:00am on the Second Court Date) have been executed by each of the holders of Options and WTF, before 8.00am on the Second Court Date.</p>	Bidder	WTF

3.2 General obligations in relation to Conditions

Without prejudice to any other obligations of the parties under this agreement, in respect of any given Condition:

- (a) if one party is specified in the third column of the table in clause 3.1 opposite that Condition, that party must use its best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require);
- (b) if both parties are specified in the third column of a table in clause 3.1 opposite that Condition, both parties must, to the extent that it is within their respective control or influence, use their best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require); and
- (c) each party must, to the extent that it is within its respective control or influence, use its best endeavours to procure that there is no occurrence that would prevent the Condition being satisfied and no party shall take any action that will or is likely to hinder or prevent the satisfaction of the Condition except to the extent that such action is required to be done or procured pursuant to the Transaction Documents or is required by law.

3.3 Notice in relation to satisfaction of Conditions

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (b) in relation to any Condition, promptly notify the other party in writing upon becoming aware of:
 - (i) the satisfaction of that Condition, in which case the notifying party must also provide reasonable evidence that the Condition has been satisfied; or
 - (ii) any fact or circumstance that it becomes aware of which results in, or may result in, that Condition becoming incapable of satisfaction or may result in that Condition not being satisfied in accordance with its terms; and
- (c) in relation to any Condition, immediately notify the other party in writing of a breach or non-fulfilment of a Condition or any occurrence or event that will prevent a Condition from being satisfied and where a party is entitled to waive that Condition upon receipt or delivery of such a notice (as applicable) that party must notify the other party in accordance with clause 3.4 as soon as reasonably practicable, (in any event before 5.00 pm on the Business Day before the Second Court Date) as to whether the party waives the breach or non-fulfilment of the Condition resulting from the occurrence or event.

3.4 Waiver of Conditions

- (a) A Condition is only for the benefit of:
 - (i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, that party; or

- (ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, both parties.
- (b) A Condition may be waived and may only be waived:
 - (i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, by that party by written notice to the other party; or
 - (ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, by written agreement between the parties.
- (c) A party entitled to waive or to agree to waive a Condition under this clause 3.4 may do so in its absolute discretion subject to the provision of written notice to the other party.
- (d) A party that waives or agrees to waive a Condition is not prevented from bringing a claim against any other party in respect of any breach of this agreement that caused that Condition not to be satisfied.
- (e) Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition resulting from any other event.

3.5 Consultation on failure of Conditions

If:

- (a) there is a breach or non-fulfilment of a Condition which is not waived in accordance with this agreement by the time or date specified in this agreement for the satisfaction of the Condition;
- (b) there is an act, failure to act or occurrence which will, or which either party becomes aware will prevent a Condition being satisfied by the time or date specified in this agreement for the satisfaction of the Condition (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this agreement); or
- (c) the Scheme has not become Effective by the End Date,

then the parties must consult in good faith with a view to determining whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.6 Failure to agree

- (a) If the parties are unable to reach agreement under clause 3.5 within 5 Business Days of the relevant event in paragraphs (a) to (c) of clause 3.5 (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (i) subject to clause 3.6(a)(ii), either party may terminate this agreement (and such termination will be in accordance with termination event (i) in the table in clause 13.1(b)); or
 - (ii) if a Condition may be waived and exists for the benefit of one party only, that party only may waive that Condition or terminate this agreement (and such termination will be in accordance with termination event (i) in the table in clause 13.1(b)),
 - (iii) in each case before 8.00am on the Second Court Date.
- (b) A party will not be entitled to terminate this agreement pursuant to this clause 3.6 if the relevant Condition has not been satisfied or agreement cannot be reached as a result of:
- (i) a breach of this agreement by that party; or
 - (ii) a deliberate act or omission of that party for the purpose of frustrating satisfaction of the Condition.

4. Implementation of Scheme

4.1 WTF's obligations

WTF must take all steps reasonably necessary to implement the Scheme as soon as is reasonably practicable after the date of this agreement and so as to complete the Transaction substantially in accordance with the Timetable, and in particular WTF must:

- (a) **(Explanatory Memorandum)** as soon as practicable after the date of this agreement, prepare the Explanatory Memorandum (excluding Bidder Information, and the Independent Expert's Report) in accordance with all applicable laws and in particular the requirements of the Corporations Act, the Corporations Regulations, the Listing Rules and the Regulatory Guides;
- (b) **(Review of Bidder Information)** as soon as practicable after receiving a draft of Bidder Information pursuant to clause 4.2(a), review and provide comments on the form and content of Bidder Information to Bidder;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Explanatory Memorandum;
- (d) **(Provide draft Explanatory Memorandum to Bidder)** provide drafts of Explanatory Memorandum to Bidder, consult with Bidder in relation to the content of those drafts (acting reasonably and in good faith) take into account any reasonable comments from Bidder and its Representatives on those drafts;
- (e) **(Provide draft Independent Expert's Report)** provide a draft of the Independent Expert's Report to Bidder no later than 2 Business Days prior to provision of the Regulator's Draft to ASIC;
- (f) **(Directors' Recommendation)** state in the Explanatory Memorandum and the Announcement (on the basis of statements made to WTF by each WTF Director) the Recommendation and Voting Intention of each of the WTF Directors in accordance with clause 7.1;
- (g) **(Due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Explanatory Memorandum (other than in relation to the Bidder Information and the Independent Expert's Report);

- (h) **(Approval of draft Explanatory Memorandum)** procure that a meeting of the WTF Board is convened to approve the draft Explanatory Memorandum to be provided to ASIC for its review;
- (i) **(Keep Bidder Informed)** from the First Court Date until the Implementation Date, promptly inform Bidder if it becomes aware that the Explanatory Memorandum contains a statement which is misleading or deceptive in a material respect or contains a material omission;
- (j) **(Share Registry)** obtain and provide to Bidder the monthly WTF Share Registry Analytics Reports and otherwise advise Bidder of any material changes to the composition of the WTF Share Register of which WTF becomes aware;
- (k) **(ASIC review)** as soon as reasonably practicable provide an advanced draft of the Explanatory Memorandum (**Regulator's Draft**) to ASIC, for its review and approval for the purposes of section 411(2) of the Corporations Act, and to Bidder and:
 - (i) liaise with ASIC as necessary during the Regulatory Review Period; and
 - (ii) promptly notify, and consult with, Bidder in relation to any matters raised by ASIC in connection with the Explanatory Memorandum or the Scheme and any presentation or submission to, or at any proposed meeting with, ASIC, and co-operate and consult with Bidder to resolve any such matters;
- (l) **(Section 411(17)(b) statement)** apply to ASIC for the production of:
 - (i) an indication of intent letter stating that it does not intend to appear before the Court on the First Court Date; and
 - (ii) a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (m) **(Court documents)** consult with Bidder in relation to the content of the documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith comments on, and suggested amendments to, those documents from Bidder and its Representatives;
- (n) **(First Court hearing)** lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing WTF to convene the Scheme Meeting;
- (o) **(Approval of Explanatory Memorandum)** procure that a meeting of the WTF Board is convened to approve the Explanatory Memorandum for registration with ASIC and despatch to WTF Shareholders;
- (p) **(Register Explanatory Memorandum)** request to ASIC that the explanatory statement included in the Explanatory Memorandum in relation to the Scheme be registered in accordance with section 412(6) of the Corporations Act;
- (q) **(Compliance with Court orders)** take all reasonable steps necessary to comply with the orders of the Court including, as required, dispatching the Explanatory Memorandum to WTF Shareholders and convening and holding the Scheme Meeting;
- (r) **(Obtain Bidder's consent)** before dispatch of the Explanatory Memorandum to WTF Shareholders, obtain the written consent of Bidder to inclusion of Bidder

Information in the Explanatory Memorandum in the form and context in which it appears (such consent not to be unreasonably withheld or delayed);

- (s) **(Send Explanatory Memorandum)** send the Explanatory Memorandum to WTF Shareholders as soon as practicable after the Court orders WTF to convene the Scheme Meeting;
- (t) **(Update Explanatory Memorandum)** if it becomes aware of information after the date of dispatch of the Explanatory Memorandum, which is required to be disclosed to WTF Shareholders under any applicable law (including as may be necessary to ensure that the Explanatory Memorandum is not false, misleading or deceptive in any material respect), as expeditiously as practicable:
 - (i) inform WTF Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law; and
 - (ii) to the extent it is reasonably practicable to do so, provide Bidder with drafts of any documents that it proposes to issue to WTF Shareholders, consult with Bidder in relation to the content of those drafts and (acting reasonably and in good faith) take into account any comments from Bidder and its Representatives on those drafts;
- (u) **(Material Contracts)** provide all necessary assistance as reasonably required by the Bidder to obtain a waiver or consent from each person who is entitled to exercise any right under any provision of any Material Contract relating to the WTF Group's business that entitles the person to terminate, modify or enforce any restrictive covenants under, the contract as a result of the announcement or implementation of the Scheme, and use its best endeavours, in co-operation with Bidder, to resolve any matters raised by any applicable counterparty to such Material Contract;
- (v) **(Scheme Meeting)** convene the Scheme Meeting in accordance with any such orders made by the Court and seek the approval of WTF Shareholders for the Scheme and, for this purpose, the WTF Directors must participate in reasonable efforts to promote the merits of the Scheme, including meeting with key WTF Shareholders at the reasonable request of Bidder. WTF may adjourn or otherwise change the timing of the Scheme Meeting (or actually do so) where the WTF Board considers it is appropriate to do so in the best interests of the WTF Shareholders (acting reasonably and after first consulting in good faith with Bidder);
- (w) **(Court approval application)** if the resolution submitted to the Scheme Meeting in relation to the Scheme is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act and subject to all other Conditions (other than the Condition in clause 3.1(j)) being satisfied or waived in accordance with this agreement, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (x) **(Certificate)** at the hearing on the Second Court Date, provide to the Court a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(h)) have been satisfied or waived in accordance with this agreement. WTF must provide a draft of that certificate to Bidder by 8.00 am on the Second Court Date;
- (y) **(Special Dividend)** if the Scheme is approved by the Court, declare, fund and pay the WTF Discretionary Special Dividend on or before the Implementation Date;
- (z) **(Implementation of Scheme)** if the Scheme is approved by the Court:
 - (i) lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act before 5:00pm

on the Business Day on which such office copy is received (or such later date as is agreed between the parties in writing);

- (ii) close the WTF Share Register as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme;
 - (iii) provide to Bidder all information about the Scheme Shareholders that Bidder reasonably requires in order for Bidder to provide, or procure the provision of, the Scheme Consideration in accordance with the Scheme;
 - (iv) promptly execute proper instruments for the transfer of, and register all transfers of, Scheme Shares to Bidder in accordance with the Scheme;
 - (v) subject to Bidder satisfying its obligations under clause 5, on the Implementation Date (or as soon as practicable thereafter) register all transfers of Scheme Shares to Bidder in accordance with the Scheme; and
 - (vi) promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (aa) **(ASX listing)** must use its best endeavours to ensure that WTF continues to be listed on ASX, and that the WTF Shares continue to be quoted on ASX, until the close of business on the Implementation Date, including by making appropriate applications to ASX and ASIC; and
 - (bb) **(Other things necessary)** promptly do all other things reasonably within its power to lawfully give effect to the Scheme and the orders of the Court approving the Scheme.

4.2 Bidder's obligations

Bidder must take all steps reasonably necessary to assist WTF to implement the Scheme as soon as is reasonably practicable and so as to complete the Transaction substantially in accordance with the Timetable, and in particular Bidder must:

- (a) **(Draft of Bidder Information)** provide to WTF a draft of Bidder Information as soon as reasonably practicable after the date of this agreement and consult with WTF in relation to the content of drafts of Bidder Information and (acting reasonably and in good faith) take into account any comments from WTF and its Representatives on those drafts;
- (b) **(Final form of Bidder Information)** provide to WTF the Bidder Information in a form appropriate for inclusion in the Explanatory Memorandum;
- (c) **(Approval of Bidder Information)** as soon as reasonably practicable after receipt from WTF of the draft of those parts of the Explanatory Memorandum containing Bidder Information that WTF proposes to dispatch to WTF Shareholders, confirm in writing to WTF that Bidder Information in the form and context in which it appears in the draft Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the WTF Shareholders (subject to the approval of the Court);
- (d) **(Keep WTF informed)** promptly inform WTF if it becomes aware from the First Court Date until the Implementation Date that Bidder Information in the form and context in which it appears in the Explanatory Memorandum is or has become misleading or deceptive in any material respect or contains any material omission, and provide such further or new information as is required to ensure that such

information is no longer misleading or deceptive in any material respect or contains any material omission;

- (e) **(Deed Poll)** no later than the Business Day prior to the First Court Date, enter into the Deed Poll and deliver the executed Deed Poll to WTF;
- (f) **(Representation)** ensure it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel and, if requested by the Court, Bidder will undertake to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this agreement and the Scheme;
- (g) **(Certificate)** at or before the hearing on the Second Court Date, provide to the Court a certificate (or such other evidence as the court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(h)) have been satisfied or waived in accordance with this agreement. Bidder must provide a draft of that certificate to WTF by 5:00 pm on the Business Day prior to the Second Court Date;
- (h) **(Scheme Consideration)** if the Scheme becomes Effective, provide (or procure the provision of) the Scheme Consideration on the Implementation Date in accordance with clause 5 and the terms of the Scheme and the Deed Poll; and
- (i) **(Other things necessary)** promptly do all other things reasonably within its power to lawfully give effect to the Scheme.

4.3 Guarantor's obligations

Guarantor must (and must procure that Bidder) take all steps reasonably necessary to assist WTF to implement the Scheme as soon as is reasonably practicable and so as to complete the Transaction substantially in accordance with the Timetable, and in particular Guarantor must:

- (a) **(Deed Poll)** no later than the Business Day prior to the First Court Date, enter into the Deed Poll and deliver the executed Deed Poll to WTF;
- (b) **(Scheme Consideration)** if the Scheme becomes Effective, procure that all obligations of Bidder to pay the Scheme Consideration on the Implementation Date in accordance with clause 5 and the terms of the Scheme and the Deed Poll are met;
- (c) **(Other things necessary)** promptly do all other things reasonably within its power to lawfully give effect to the Scheme and comply with its obligations under the Transaction Documents.

4.4 Dispute as to Explanatory Memorandum

If, after a reasonable period of consultation, the parties, each acting reasonably and in good faith, are unable to agree on the form or content of the Explanatory Memorandum, then:

- (a) if the disagreement relates to the form or content of Bidder Information (or any information solely derived from, or prepared solely in reliance on, Bidder Information), WTF will, acting in good faith, make such amendments to that information in the Explanatory Memorandum as Bidder may reasonably require; and
- (b) if the disagreement relates to the form or content of the WTF Information (or any information solely derived from, or prepared solely in reliance on, information provided by or on behalf of WTF, or extracted from announcements made by WTF

to ASX regarding the WTF Group), WTF will, acting in good faith, decide the final form of that information in the Explanatory Memorandum.

4.5 Payment of dividends

Notwithstanding any other provision of this agreement, WTF may in its discretion declare and pay the WTF Discretionary Special Dividend and the WTF Final Dividend to the WTF Shareholders. The record date for the WTF Discretionary Special Dividend must occur before the Record Date.

4.6 Reconstitution of WTF Board

On the Implementation Date, but subject to Bidder having provided the Scheme Consideration in accordance with clause 5, WTF must:

- (a) cause the appointment to the WTF Board and to the boards of each Subsidiary of WTF of such number of persons as nominated by Bidder, subject to those persons being appointed having provided a consent to act as directors of the relevant companies; and
- (b) procure that all WTF Directors and the directors of each subsidiary of WTF (other than, in each case, those appointed pursuant to clause 4.6(a)) resign from the WTF Board and the board of each subsidiary of WTF.

4.7 Removal of WTF from official list of ASX

If directed by Bidder, WTF must take all steps necessary for WTF to be removed from the official list of ASX on the day immediately following the Implementation Date, including lodging a request for removal with ASX prior to the Implementation Date and WTF and/or Bidder satisfying any conditions reasonably required by ASX for it to act on that request.

4.8 Responsibility statement

The Explanatory Memorandum will contain a responsibility statement to the effect that:

- (a) Bidder and the Guarantor are responsible for Bidder Information contained in the Explanatory Memorandum;
- (b) WTF is responsible for the WTF Information contained in the Explanatory Memorandum; and
- (c) the Independent Expert has provided and is responsible for the Independent Expert's Report.

5. Scheme Consideration

5.1 Consideration

Bidder covenants in favour of WTF (in WTF's own right and separately as trustee for each of the Scheme Shareholders) that, in consideration for the transfer to Bidder of Scheme Shares held by Scheme Shareholders under the terms of the Scheme, Bidder will accept the transfer and provide the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme.

6. Conduct of business and co-operation

6.1 Conduct of WTF's business

- (a) From the date of this agreement up to and including the Implementation Date, WTF must:
- (i) procure that each member of the WTF Group:
 - A. conducts its businesses and operations in the ordinary and usual course and substantially consistent (subject to any material applicable laws, regulations and licence conditions) with the manner in which each such business and operation is conducted prior to the date of this agreement, including to use all reasonable endeavours to in all material respects:
 - 1) preserve intact its current business organisation;
 - 2) keep available the service of substantially all of its current officers and employees;
 - 3) preserve its relationship with customers, suppliers licensors, licensees, Regulatory Authorities and others having business dealings with it;
 - 4) maintain its business and assets, including maintaining at least its current level of insurance over its business and assets, provided such level of insurance continues to be generally available and at a cost not materially greater than the cost of insurance over its business and assets prior to the date of this agreement; and
 - B. conducts its businesses and operations in accordance with all applicable laws and regulations in all material respects;
 - (ii) comply in all material respects with all Material Contracts to which a member of the WTF Group is a party;
 - (iii) not to enter into any agreement or arrangement that would restrict the ability of any member of the Bidder or Guarantor group following the Implementation Date to operate in any line of business or in any geographic region;
 - (iv) ensure that no WTF Prescribed Occurrence occurs;
 - (v) not waive, and must use reasonable endeavours to enforce, any Standstill Obligations which were agreed by WTF (and have not expired by the passage of time in accordance with its terms) with a Third Party prior to the date of this agreement;
 - (vi) use reasonable endeavours to enforce any obligations owed by a Third Party to WTF to return, delete or destroy any WTF Due Diligence Materials provided by WTF to that Third Party;
 - (vii) not undertake or continue to undertake any material upgrades to technology hardware;
 - (viii) not undertake any brand marketing campaign other than the current brand marketing campaign disclosed to Bidder in the WTF Due Diligence

Materials and only to the extent that campaign does not involve the commitment of funds, in the aggregate, in excess of the \$2.5 million budgeted amount disclosed in the WTF Due Diligence Materials;

- (ix) ensure that no member of the WTF Group enters into a new enterprise agreement under the Fair Work Act 2009 (Cth) or agrees to a material variation of any of the enterprise agreements which currently apply to employees of the WTF Group (other than an enterprise agreement substantially in the form of, and on terms consistent with, the draft enterprise agreement disclosed in the WTF Due Diligence Materials) without first consulting with Bidder regarding the terms of the enterprise agreement being proposed to employees and taking into account in good faith any objections or concerns Bidder may have regarding these terms;
 - (x) not vary or renegotiate the contract dated 17 July 2012 between Amadeus IT Pacific Pty Ltd (ACN 080 674 255), ACN 079 010 722 Ltd (ACN 079 010 772), and Lastminute.com.au Pty Ltd (ACN 091 825 142);
 - (xi) not modify any existing loyalty programme or introduce any new loyalty programme; and
 - (xii) not sign any new global hotel supply agreement with an aggregator or wholesaler which cannot be terminated on 30 days' notice or less notice.
- (b) The obligations of WTF under clause 6.1(a) do not apply to any action undertaken by WTF:
- (i) in relation to any matter required to be done or procured by WTF or another member of the WTF Group pursuant to, or which is otherwise expressly permitted by, the Transaction Documents;
 - (ii) for which Bidder has provided its prior written consent (such consent not to be unreasonably withheld or delayed);
 - (iii) which arises as a result of court or Regulatory Authority order, injunction or undertaking or otherwise required in order to comply with applicable law; or
 - (iv) which is in accordance with contractual obligations that existed at the date of this agreement, provided that, except in the case of paragraphs (vi) to (ix) above, such obligations have been fairly disclosed in the WTF Due Diligence Material or any announcement to or filing with ASX or ASIC since 30 June 2013 and otherwise at least two Business Days prior to the date of this agreement.
- (c) For the avoidance of doubt and subject to clause 8, nothing in this clause 6.1 restricts the ability of WTF to respond to a Competing Proposal.

6.2 Access

- (a) In the period from the date of this agreement to the Implementation Date, and for so long as the WTF Board considers the Transaction to be in the best interests of WTF Shareholders and continues to publicly recommend that WTF Shareholders vote in favour of the resolution to be proposed at the Scheme Meeting to approve the Scheme, WTF will use reasonable endeavours to:
 - (i) procure that members of WTF's executive management team and the Company's Representatives meet with representatives of Bidder as reasonably required and on reasonable notice to assist with, among other things:

- A. keeping Bidder reasonably informed of the matters contemplated by clause 6.2(a)(ii) below; and
- B. providing Bidder with access to people it has requested under clause 6.2(a)(iii) below;
- (ii) keep Bidder reasonably informed of all material developments relating to the WTF Group (including its financial performance);
- (iii) within 5 days of a request in writing by Bidder, provide Bidder (and its Representatives) with reasonable access to executives and senior management of the WTF Group, for the purpose of or in connection with planning the transition of the WTF Group and other matters relating to the conduct of the WTF Group following the Implementation Date and otherwise facilitating the Proposed Transaction; and
- (b) Nothing in this clause 6.2 obliges WTF to provide to Bidder or its Representatives any information:
 - (ii) concerning the WTF Directors' consideration of the Scheme; or
 - (iii) which would breach an obligation of confidentiality to any person or any applicable laws; or
 - (iv) or do any thing that would be reasonably likely to constitute a breach of any WTF Director's fiduciary or statutory duties or a breach of laws or the ASX listing rules.

7. Recommendation, intentions and announcements

7.1 WTF Board Recommendation and Voting Intention

- (a) WTF must ensure that the Announcement and the Explanatory Memorandum state that each WTF Director recommends that WTF Shareholders vote in favour of the Scheme Resolutions (**Recommendation**) which Recommendation must not be qualified in any way other than by words to the effect of "in the absence of a Superior Proposal" and "subject to the Independent Expert concluding that the Scheme is in the best interests of WTF Shareholders".
- (b) Bidder acknowledges that each WTF Director may, subject to the terms of this agreement, publicly (or otherwise) withdraw, change or in any way qualify their Recommendation if:
 - (i) a Superior Proposal is made; or
 - (ii) the Independent Expert concludes in the Independent Expert's Report (either in its initial report or any subsequent update of its report) that the Scheme is not in the best interests of the WTF Shareholders.
- (c) WTF and Bidder acknowledge that each WTF Director has indicated to WTF that they intend to cause any WTF Shares in which they have a Relevant Interest to be voted in favour of the Scheme Resolutions (**Voting Intention**), subject to:
 - (iii) there being no Superior Proposal; and
 - (i) the Independent Expert concluding that the Scheme is in the best interests of WTF Shareholders,

and that the Explanatory Memorandum will state that Voting Intention to the extent to which it is current as at the date of the Explanatory Memorandum.

- (d) Bidder acknowledges that each WTF Director may, subject to the terms of this agreement, publicly (or otherwise) withdraw, change or in any way qualify their Voting Intention.

7.2 Confirmation

WTF represents and warrants to Bidder that each WTF Director has confirmed their agreement not to do anything inconsistent with their Recommendation and Voting Intention (including withdrawing, changing or in any way qualifying their Recommendation or Voting Intention) other than in the circumstances referred to in clause 7.1

7.3 Announcement

Immediately after the execution of this agreement WTF must issue the Announcement to the ASX.

7.4 Further public announcements

Any further public announcements by WTF or Bidder in relation to, or in connection with, the Transaction or any other transaction related to this agreement or the Scheme may only be made in a form approved by each party in writing (acting reasonably). Where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with the Transaction or any other transaction related to this agreement or the Scheme, it may do so to the extent legally required and only then after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party.

7.5 Promotion of Scheme

During the Exclusivity Period, WTF must procure that the senior executives of WTF or its Related Bodies Corporate as reasonably requested by Bidder participate in efforts to promote the merits of the Scheme, including:

- (a) meeting with key WTF Shareholders;
- (b) communicating with WTF's employees, customers and suppliers and the employees, customers and suppliers of WTF's Related Bodies Corporate; and
- (c) communicating with the public to promote the merits of the Scheme, subject only to:
 - (i) the Independent Expert not having concluded in the Independent Expert's Report that the Scheme is not in the best interests of WTF Shareholders; and
 - (ii) there being no Superior Proposal.

8. Exclusivity arrangements

8.1 Ceased discussions

WTF represents and warrants that at the time of signing this agreement:

- (a) it has ceased or will immediately cease negotiations or discussions in respect of any Competing Proposal with any person.
- (b) that each person who has received confidential information as part of the Bid Process has entered into a Standstill Obligation with WTF on terms which are no more favourable to that person than the terms of the Standstill Obligation in clause 8 of the Confidentiality Deed subject only to timing differences;

- (c) that it has ensured that any electronic data room access granted to any Third Party prior to the date of this agreement in connection with a Competing Proposal is withdrawn (except as permitted by clause 8.3).

8.2 No shop

During the Exclusivity Period, WTF must not, and must ensure that its Representatives and its Related Bodies Corporate and each of their respective Representatives do not directly or indirectly solicit, invite, initiate or encourage any Competing Proposal or any inquiry, expression of interest, offer or proposal, negotiations or discussions by or with any Third Party in relation to, or that may reasonably be expected to encourage or lead to the making of, an actual or potential Competing Proposal or communicate any intention to any person to do any of those things.

8.3 No talk and no due diligence

During the Exclusivity Period, WTF must not, and must ensure that its Representatives and its Related Bodies Corporate do not directly or indirectly:

- (a) enter into, continue, facilitate or participate in any negotiations or discussions with, or accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding with, any Third Party in relation to, or that may be reasonably expected to lead to, a Competing Proposal; or
- (b) make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the WTF Group (including in relation to the Transaction or Bidder) that could assist a Third Party in formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- (c) communicate to any person an intention to do anything referred to in this clause 8.3,

unless and only to the extent that the WTF Board determines, in good faith, after taking advice from the WTF Board's external legal and financial advisors that such Competing Proposal is or could reasonably be considered to become a Superior Proposal, and failing to do so would be reasonably likely to constitute a breach of their fiduciary or statutory duties and provided such Competing Proposal was not encouraged, solicited, invited or initiated by WTF or its Representatives in contravention of clauses 8.1 to 8.2.

8.4 Notice of Competing Proposal

During the Exclusivity Period, WTF must promptly, and in any event no later than the Business Day following the relevant event notify Bidder if it or any of its Representatives or Related Bodies Corporate receives a Competing Proposal (including any variation of a Competing Proposal made prior to the date of this agreement or a Competing Proposal which terminates on the disclosure of such Competing Proposal to Bidder) from any person which the WTF Board determines, in good faith, after taking advice from the WTF Board's external legal and financial advisors that such proposal could reasonably be considered to become a Superior Proposal.

8.5 Normal provision of information

Nothing in this clause 8 prevents WTF from:

- (a) providing information to its Representatives;
- (b) providing information to any Regulatory Authority;

- (c) providing information to its auditors, advisers, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information to its advisers acting in that capacity in connection with the Transaction or a Competing Proposal;
- (e) providing information to be required to be provided by law or any Regulatory Authority; or
- (f) making presentations to brokers, portfolio investors, analysts and other Third Parties in the ordinary course of business.

8.6 Matching Right

- (a) During the Exclusivity Period, WTF must not recommend a Competing Proposal, or enter into any agreement, arrangement or understanding to undertake a Competing Proposal or publicly recommend a Competing Proposal, unless it has first:
 - (i) notified Bidder in writing of the material terms of the Competing Proposal and the person or persons proposing the Competing Proposal; and
 - (ii) given Bidder at least 5 Business Days after provision of that information in which to provide an irrevocable offer of a matching or superior deal to the relevant Competing Proposal on terms which Bidder considers in good faith to be no less favourable to the relevant Competing Proposal (**Bidder Counter Proposal**).
- (b) WTF must use its best endeavours to procure that the WTF Directors, within 48 hours of receiving the Bidder Counter Proposal, consider any Bidder Counter Proposal in good faith and, if the WTF Directors determine that the terms and conditions of the Bidder Counter Proposal taken as a whole are no less favourable than those of the relevant Competing Proposal, WTF and Bidder must each use their reasonable endeavours to agree and enter into such documentation as is necessary to give effect to and implement the Bidder Counter Proposal as soon as reasonably practicable, and WTF must use its best endeavours to procure that each WTF Director makes a public statement to the Shareholders recommending the Bidder Counter Proposal to the WTF Shareholders.

8.7 Acknowledgment

WTF acknowledges that:

- (a) Bidder has required WTF to agree to the obligations set out in this clause 8 in consideration of it proceeding with the Scheme and incurring significant costs in doing so; and
- (b) in the absence of obtaining these obligations from WTF, Bidder would not have entered into this agreement.

9. Break Fee

9.1 Rationale

- (a) Each party:
 - (i) believes the Scheme will deliver significant benefits to WTF, Bidder, Guarantor and their respective shareholders;

- (ii) acknowledges that the Break Fee is a genuine and reasonable pre-estimate of the costs and losses which the Bidder expects to incur in connection with the Scheme (including internal and Third Party advisory, legal, accounting, due diligence and management costs and expenses and opportunity and other costs and expenses foregone) and it is not a pre-condition to being paid the Break Fee that the Bidder has actually incurred those costs or losses or that it be able to prove that it has done so.
- (b) WTF acknowledges and agrees that:
 - (i) the Break Fee is reasonable in the context of the Scheme;
 - (ii) it has received legal advice on this agreement and the operation of this clause 9; and
 - (iii) it is appropriate to enter into this agreement under the terms of this clause 9 and that it is necessary to secure the significant benefits to it (and its shareholders) resulting from the Scheme.

9.2 Break Fee

Subject to clause 9.4, WTF agrees to pay Bidder the Break Fee without set-off or withholding only if, at any time after the date of this agreement, the Scheme does not become Effective because:

- (a) **(Competing Proposal)** a Competing Proposal is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and within 12 months of such announcement, the Third Party proposing the Competing Proposal or any Associate of that Third Party implements or consummates the Competing Proposal or enters into an agreement, arrangement or understanding with WTF or the WTF Directors with respect to such Competing Proposal; or
- (b) **(change of recommendation)** any WTF Director fails to recommend the Scheme or publicly changes, withdraws, modifies or in any way qualifies their Recommendation or publicly recommends a Superior Proposal, except if any WTF Director changes their Recommendation following the receipt of the Independent Expert's Report which states that, in the opinion of the Independent Expert, the Scheme is not in the best interests of WTF Shareholders (where the reason such conclusion is reached is not the existence of a Superior Proposal); or
- (c) if, before the date on which this agreement is terminated, any WTF Director recommends that WTF Shareholders accept, vote in favour of, or otherwise support a Competing Proposal which is announced or made after the date of this agreement; or
- (d) WTF is in material breach of this agreement and this agreement is terminated; or
- (e) a WTF Prescribed Occurrence occurs which, alone or together with one or more other WTF Prescribed Occurrences or breaches of this agreement by WTF, is likely to have a material effect on WTF and this agreement is terminated.

9.3 Break Fee payment

- (a) A demand by Bidder for payment of the Break Fee under clause 9.2 must:
 - (i) be in writing;

- (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Bidder or a Subsidiary into which WTF is to pay the Break Fee; and
- (b) WTF must pay the Break Fee into the account nominated by Bidder, without set-off or withholding, within 10 Business Days after receiving a demand for payment where Bidder is entitled under clause 9.2 to the Break Fee.

9.4 Compliance with law

- (a) If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Break Fee (**Impugned Break Fee**):
- (i) is declared by the Takeovers Panel to constitute "unacceptable circumstances" within the meaning of the Corporations Act;
 - (ii) is determined to be unenforceable or unlawful by a Court;
- then
- (i) the requirement to pay the Break Fee does not apply to the extent of the Impugned Break Fee; and
 - (ii) if Bidder has received the Impugned Break Fee, it must refund it within ten Business Days of the final determination being made.
- (b) The parties must not make or cause to be made, any application to the Takeovers Panel or a Court for or in relation to a declaration referred to in this clause 9.4.

9.5 WTF's limitation of liability

Notwithstanding any other provision of this agreement:

- (a) the maximum liability of WTF to Bidder and the Guarantor under or in connection with a breach of this clause 9 will be the amount of the Break Fee; and
- (b) the maximum liability of WTF under or in connection with this agreement other than under clause 9.5(a) will be the Break Fee,

and, other than under clauses 9.5(a) and 9.5(b), no further damages, fees, expenses or reimbursements of any kind will be payable by WTF under or in connection with this agreement except where the further damages, fees, expenses or reimbursements have been caused by the wilful misconduct or fraud of WTF.

9.6 No Break Fee if Scheme Effective

Despite anything to the contrary in this agreement, the Break Fee will not be payable to the Bidder if the Scheme becomes Effective, notwithstanding the occurrence of any event in clause 9.2 and, if the Break Fee has already been paid, it must be refunded by Bidder.

9.7 Survival

Any accrued obligations under this clause 9 survive termination of this agreement.

10. Liability of directors and employees

10.1 Liability of directors and employees

To the maximum extent permitted by law, each party (**first party**) releases all rights against, and agrees that it will not make any claim against, each past or present director and employee of the other party of this agreement (**other party**) in relation to information provided to the first party in relation to the transactions contemplated by this agreement to the extent that such director or employee has acted in good faith and has not engaged in fraud or wilful misconduct.

10.2 Directors' and officers' insurance

Bidder acknowledges that WTF will:

- (a) arrange for the cover provided under the Policy for a further period until the End Date; and
- (b) by no later than the Implementation Date, arrange for the cover provided under the Policy to be amended so as to provide run off cover in accordance with the terms of the Policy for a 7 year period from the end of the term of the Policy, and pay all premiums required so as to ensure that insurance cover is provided under the Policy on those terms until that date.

10.3 Obligations in relation to directors' and officers' insurance

From the Implementation Date, WTF must not:

- (a) vary or cancel the Policy; or
- (b) unless required under the Policy, commit any act or omission that may prejudice any claim by a Beneficiary under the Policy as extended pursuant to clause 10.2(b) above.

10.4 Directors' and officers' indemnities

- (a) Without limiting any other term of this agreement, from the Effective Date for the Scheme, Bidder undertakes that it will, in respect of each deed of indemnity, access and insurance (**Relevant Deed**) made by an WTF Group entity (**Relevant Entity**) in favour of a director or officer of any WTF Group entity (**Indemnified Person**) from time to time procure that:
 - (i) the Relevant Entity complies with the Relevant Deed; and
 - (ii) to the extent that the Relevant Entity ceases to exist after the Implementation Date, each Indemnified Person has the benefit of an indemnity from Bidder on terms no less favourable than those contained in the Relevant Deed as at the Effective Date.
- (b) This clause 10.4 applies to the maximum extent permitted by the Corporations Act and will be read down accordingly.

10.5 Benefit

Bidder acknowledges that WTF holds the benefit of this clause 10 to the extent it relates to each director and officer of an WTF Group entity as trustee for them, and, as such, each such director or officer of an WTF Group entity may enforce this clause 10 against Bidder.

11. Representations, warranties and indemnities

11.1 Representations and warranties by Bidder

Bidder represents and warrants to WTF (on its own behalf and separately as trustee or nominee for each of the WTF Indemnified Parties):

- (a) on each date from the date of this agreement until (and including) the Second Court Date that each of the below statements is true and correct:
 - (i) Bidder is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery by Bidder of the Transaction Documents to which Bidder is party has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents;
 - (iii) subject to laws generally affecting creditors' rights and the principles of equity, the Transaction Documents to which Bidder is party constitute legal, valid and binding obligations on it and do not conflict with or result in a breach of or default under:
 - A. the constitution or equivalent constituent documents of Bidder or any of its Subsidiaries; or
 - B. any writ, order or injunction, judgment, law, rule or regulation to which Bidder or any of its Subsidiaries is party, or by which Bidder or any of its Subsidiaries is bound and which could reasonably be expected to have a material adverse effect on Bidder's ability to perform its obligations under this agreement; and
 - (iv) other than as expressly contemplated by clause 3, no shareholder or Regulatory Authority approvals are required to be obtained by the Bidder Group in order for it to execute and perform the Transaction Documents to which it is a party;
- (b) on the date of this agreement, the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date, Bidder is not aware of any material information relating to Bidder's capacity to fund the Scheme Consideration, and perform its obligations under this agreement, that has not been disclosed to WTF and is objectively necessary for WTF to make an informed decision as to whether to enter into this agreement or proceed with the Scheme;
- (c) on the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date:
 - (i) the Bidder Information has been prepared and included in the Explanatory Memorandum in good faith and on the understanding that WTF and the WTF Indemnified Parties have relied on that information for the purposes of considering and approving the WTF Information in the Explanatory Memorandum;
 - (ii) the Bidder Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides);

- (iii) the Bidder Information (other than to the extent that it consists of information relating to WTF that was provided by or on behalf of WTF, or has been extracted from public announcements made by WTF to ASX regarding the WTF Group) in the form and context in which it appears in the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission; and
- (iv) Bidder has complied with its obligations under clause 4.2(d);
- (d) on each date from the date of this agreement until (and including) the Implementation Date that no Insolvency Event has occurred in relation to Bidder or any of the Bidder's Group.
- (e) as at 8:00am on the Second Court Date, Bidder will have sufficient cash on its balance sheet, or financial commitments available to it on an unconditional basis (other than conditions relating to the approval of the Court and related procedural matters or documentary requirements which, by their terms or nature, can only be satisfied or performed after the Second Court Date), to ensure that the Scheme Consideration is paid to Scheme Shareholders in accordance with the terms of this agreement, the Scheme and the Deed Poll;
- (f) Bidder will have available to it on the Implementation Date sufficient cash amounts (including debt facilities) to ensure that the Scheme Consideration is paid to Scheme Shareholders in accordance with the terms of this agreement, the Scheme and the Deed Poll; and
- (g) any statement of opinion or belief contained in Bidder Information is honestly held and there are reasonable grounds for holding the opinion or belief.

11.2 Bidder indemnity

- (a) Bidder acknowledges that in entering into this agreement WTF and the WTF Indemnified Parties have relied on Bidder Warranties and Guarantor Warranties.
- (b) Bidder indemnifies WTF (on its own behalf and separately as trustee for each of the WTF Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of Bidder Warranties or any Guarantor Warranties.

11.3 Warranty certificate

Bidder and Guarantor must provide to WTF by 8.00am on the Second Court Date a certificate signed by a director of Bidder and a director of Guarantor and made in accordance with a resolution of the Bidder Board and Guarantor Board stating, as at that date, that the representations or warranties given by Bidder and Guarantor in clause 11.1 remain true and correct or, if any such representation or warranty is not true and correct as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or incorrect.

11.4 Warranties by Guarantor

The Guarantor warrants to WTF as at the date of execution of this agreement and as the time immediately prior to the Second Court Date that each Guarantor Warranty is true and correct.

11.5 Representations and warranties by WTF

WTF represents and warrants to Bidder (on its own behalf and separately as trustee or nominee for each of the Bidder Indemnified Parties):

- (a) on each date from the date of this agreement until (and including) the Second Court Date that each of the below statements is true and correct:

- (i) WTF is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery by WTF of the Transaction Documents to which WTF is party has been properly authorised by all necessary corporate action and WTF has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents;
 - (iii) subject to laws generally affecting creditors' rights and the principles of equity, the Transaction Documents to which WTF is party constitute legal, valid and binding obligations on WTF and do not conflict with or result in a breach of or default under:
 - A. the constitution or equivalent constituent documents of WTF or any of its Subsidiaries; or
 - B. any writ, order or injunction, judgment, law, rule or regulation to which WTF or any of its Subsidiaries is party, or by which WTF or any of its Subsidiaries is bound and which could reasonably be expected to have a material adverse effect on WTF's ability to perform its obligations under this agreement;
 - (iv) other than as expressly contemplated by clause 3, no shareholder or Regulatory Authority approvals are required to be obtained by the WTF Group in order for it to execute and perform the Transaction Documents to which it is a party;
- (b) as at the date of this agreement there are:
- (i) 211,736,244 WTF Shares on issue; and
 - (ii) 2,825,762 Options,
- on issue, and WTF has not issued (and is not required to issue) any other securities or instruments which are still outstanding (or may become outstanding) and which may convert into WTF Shares other than in connection with a dividend reinvestment plan (including pursuant to any underwriting of that plan);
- (c) on the date of this agreement there is no material Encumbrance over all or any of its (or any of its Subsidiaries) material assets or revenues (other than assets which are held in a fiduciary capacity for third parties other than as disclosed by WTF to Bidder);
 - (d) on the date of this agreement and other than as disclosed by WTF to Bidder, neither it nor any of its Subsidiaries is in default under any Material Contract to which a member of the WTF Group is a party nor has anything occurred which is or would be with the giving of notice or lapse of time constitute an event of default, prepayment or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such Material Contract with such an effect;
 - (e) on the date of this agreement and as far as the management team who have directly participated in the Bid Process after making due enquiry is aware, WTF is not aware of any material information relating to any member of the WTF Group that has not been disclosed to Bidder and is objectively necessary for Bidder to make an informed decision as to whether to proceed with the Transaction;

- (f) on the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date;
 - (i) the WTF Information has been prepared and included in the Explanatory Memorandum in good faith and on the understanding that:
 - A. Bidder and the Bidder Indemnified Parties have relied on that information for the purposes of considering and approving the Bidder Information in the Explanatory Memorandum; and
 - B. the Independent Expert has relied on the information for the purposes of preparing the Independent Expert's Report.
 - (ii) the WTF Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides);
 - (iii) the WTF Information (other than to the extent that it consists of information relating to Bidder that was provided by or on behalf of Bidder, or has been extracted from public announcements made by Bidder to ASX regarding the Bidder Group) in the form and context in which it appears in the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission;
 - (iv) WTF has complied with its obligations under clause 4.1(i); and
 - (v) all information provided by or on behalf of WTF to the Independent Expert to enable the Independent Expert's Report to be prepared has been prepared and provided in good faith and on the understanding that the Independent Expert have relied on the information for the purposes of preparing the Independent Expert's Report;
- (g) on the date of this agreement, the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date, following the making by WTF of the Announcement to ASX pursuant to clause 7.3, WTF has complied in all respects with its continuous disclosure obligations under Listing Rule 3.1 and is not withholding any information pursuant to Listing Rule 3.1A; and
- (h) on each date from the date of this agreement until (and including) the Implementation Date that none of the following events has occurred in relation to WTF:
 - (i) a receiver, receiver and manager, liquidator, provisional liquidator, administrator or trustee is appointed in respect of WTF or any of its assets or anyone else is appointed who (whether or not as agent for WTF) is in possession, or has control, of any of WTF's assets for the purpose of enforcing an Encumbrance;
 - (ii) an application is made to court or a resolution is passed or an order is made for the winding up or dissolution of WTF;
 - (iii) WTF proposes or takes any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them; or
 - (iv) WTF stops paying its debts when they become due or is declared or taken under any applicable law to be Insolvent or WTF's board of

directors resolves that it is, or is likely to become at some future time, insolvent;

- (i) a member of WTF Group owns all right, title and interest in and to, or has valid and continuing rights to use, all of the material assets and intellectual property rights used in the conduct of WTF Group's business;
- (j) on the date of this agreement, the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date, the financial statements provided to Bidder present fairly, in all material respects, the combined balance sheets and combined statements of income, equity and cash flows of the WTF Group as of the dates thereof, or for the periods covered thereby, and have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board, consistently applied, based on the historic practices and accounting policies of the WTF Group;
- (k) on the date of this agreement, the First Court Date, the date the Explanatory Memorandum is despatched, the date of the Scheme Meetings and the Second Court Date, WTF Group is not in material breach or violation of any material law, regulation, or other rule of any Regulatory Authority or ruling, or other determination of any court or other tribunal to which the WTF Group, or with respect to which any of its assets or business, is subject and which would have a material adverse effect on the WTF Group; and
- (l) any statement of opinion or belief contained in WTF Information is honestly held and there are reasonable grounds for holding the opinion or belief; and
- (m) any Third Party that was provided access to confidential information during the period prior to the date of this agreement for the purposes of considering a Competing Proposal (including any person participating in any part of the Bid Process) agreed to be bound by Standstill Obligations and will continue to be bound by those Standstill Obligations for a period of no less than 4.5 months from the date of this agreement.

11.6 Qualification of WTF Warranties

The WTF Warranties and the indemnity under clause 11.7, are subject to matters which have been fairly disclosed in the, WTF Due Diligence Material or WTF's announcements to the ASX regarding the WTF Group since 30 June 2013 and up until entry into this agreement.

11.7 WTF indemnity

- (a) WTF acknowledges that in entering into this agreement Bidder and Bidder Indemnified Parties have relied on the WTF Warranties.
- (b) WTF indemnifies Bidder (on its own behalf and separately as trustee for each of Bidder Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of the WTF Warranties.

11.8 WTF warranty certificate

WTF must provide to Bidder by 8.00am on the Second Court Date a certificate signed by a director of WTF and made in accordance with a resolution of the WTF Board stating, as at that date, that the representations or warranties given by WTF in clause 11.4 remain true and correct or, if any such representation or warranty is not true and correct as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or incorrect.

11.9 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 11.

11.10 Status of representations and warranties

Each representation and warranty in this clause 11:

- (a) is severable;
- (b) will survive the termination of this agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

11.11 Status and enforcement of indemnities

- (a) Each indemnity in this agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this agreement; and
- (b) it is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this agreement.

12. Confidentiality and communications**12.1 Confidentiality Deed**

- (a) Each party acknowledges and agrees that it continues to be bound by the Confidentiality Deed after the date of this agreement.
- (b) The parties acknowledge and agree that the terms of this agreement will prevail over the terms of the Confidentiality Deed to the extent of any inconsistency.

12.2 Survival of obligations

The rights and obligations of the parties under the Confidentiality Deed survive termination of this agreement.

12.3 Disclosure on termination of agreement

The parties agree that, if this agreement is terminated under clause 13, any party may disclose:

- (a) the fact that this agreement has been terminated, where such disclosure is required by the relevant Listing Rules or is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed; and
- (b) the fact that this agreement has been terminated to ASIC.

13. Termination**13.1 Termination**

- (a) This agreement may only be terminated if:

- (i) the parties agree in writing to terminate this agreement; or
 - (ii) a termination event described in the following table occurs; and :
 - A. if one party is specified in the second column of the following table opposite the termination event, by that party providing written notice to each other party at any time before 8.00 am on the Second Court Date;
 - B. if more than one party is specified in the second column of the following table opposite the termination event, by any of those parties providing written notice to the other party at any time before 8.00 am on the Second Court Date.
- (b) A party (**Terminating Party**) may only terminate this agreement in reliance on the termination event (other than the termination event described in item (i) of the table below):
- (i) if that Terminating Party has first given the other parties written notice of the occurrence of the termination event, including relevant details of the facts, matters and circumstances giving rise to the termination event (**First Notice**); and
 - (ii) the termination event has not been remedied to the reasonable satisfaction of that Terminating Party by the earlier of 5 Business Days from the date on which the First Notice was given and 8.00 am on the date one Business Day before the Second Court Date.

Termination event	Who may terminate
(i) if a party terminates this agreement in accordance with and pursuant to clauses 3.6(i) or 3.6(ii);	Bidder or WTF (as applicable)
(ii) if WTF is in material breach of any clause of this agreement (other than clause 7, the WTF Warranties or in relation to a WTF Prescribed Occurrence);	Bidder
(iii) if Bidder or the Guarantor is in material breach of any clause of this agreement (other than the Bidder Warranties or Guarantor Warranties);	WTF
(iv) if the WTF Warranties: <ul style="list-style-type: none"> A. that are qualified as to materiality, are not true and correct; and B. that are not so qualified, are not true and correct in all material respects, as at the time they are given;	Bidder
(v) if the Bidder Warranties or the Guarantor Warranties: <ul style="list-style-type: none"> A. that are qualified as to materiality, 	WTF

are not true and correct; and	
B. that are not so qualified, are not true and correct in all material respects,	
as at the time they are given;	
(vi) if a WTF Prescribed Occurrence occurs;	Bidder
(vii) if any WTF Director publicly changes, withdraws, modifies or in any way qualifies their Recommendation or Voting Intention or publicly recommends a Superior Proposal, for any reason, whether or not permitted to do so under this agreement;	Bidder
(viii) if any WTF Director publicly changes, withdraws, modifies or in any way qualifies their Recommendation or Voting Intention or publicly recommends a Superior Proposal, but only where such change, withdrawal, modification or qualification occurs or is made in accordance with the rights and obligations of WTF and the WTF Board pursuant to the terms of this agreement.	WTF and Bidder

13.2 Effect of termination

If this agreement is terminated:

- (a) the provisions of this agreement shall cease to have effect except for the provisions of clauses 1, 9, 11, 12, 13.2, and 14 to 17 (inclusive), 18.1 to 18.6 (inclusive), 18.8 to 18.12 (inclusive) and 19 which will survive termination, provided that if this agreement is terminated due to the Bidder or the Guarantor being in material breach of any clause of this agreement (other than the Bidder Warranties or Guarantor Warranties clause), clause 9 will not survive termination; and
- (b) each party retains the rights it has against the others in respect of any breach of this agreement occurring before termination.

13.3 Remedies

- (a) The parties acknowledge that damages may not be a sufficient remedy for breach of this agreement. Specific performance, injunctive relief or any other remedies which would otherwise be available in equity or law are available as a remedy for a breach or threatened breach of this agreement by any party, notwithstanding the ability of the other party to terminate this agreement or seek damages for such a breach or threatened breach, and notwithstanding any payment of a Break Fee.
- (b) Neither party (Restrained Party) will be considered to be in breach of this agreement (including for the purposes of items (ii) or (iii) of the table in clause 13.1) and no party may make a claim against the Restrained Party for breach of this agreement, in circumstances where the Restrained Party is prevented by an order of a court of competent jurisdiction from performing an obligation under this agreement.

14. Guarantee and indemnity

14.1 Guarantee

In consideration of WTF entering into this agreement with Bidder at the request of the Guarantor, the Guarantor irrevocably and unconditionally guarantees to WTF the due and punctual performance of all present and future obligations and the payment of all present and future liabilities of Bidder under each Transaction Document and must on demand by WTF perform such obligations or pay such liabilities in the manner specified in the relevant Transaction Document if Bidder fails to do so on the due date.

14.2 Indemnity

As a separate and independent obligation from that contained in clause 14.1, Guarantor must pay to WTF on demand the amount of any Indemnified Loss suffered or incurred by WTF arising out of or in connection with any failure of Bidder or Guarantor to perform any obligation or pay any liability under any Transaction Document on the due date.

14.3 Nature and preservation of liability

The Guarantor acknowledges and agrees that each of its obligations under this clause 14:

- (a) is a principal and continuing obligation and will not be affected by any principle of law or equity which might otherwise reduce or limit in any way the liability of the Guarantor under this clause 14; and
- (b) continues notwithstanding any amendment of any Transaction Document or any waiver, consent or notice given under any Transaction Document by any party to another.

14.4 Waiver of rights

The Guarantor must not exercise any right of indemnity or subrogation which it might otherwise be entitled to claim and enforce against or in respect of Bidder and irrevocably waives all those rights of indemnity or subrogation it may have.

14.5 Restrictions on Guarantor's dealings

The Guarantor irrevocably appoints WTF as its attorney to prove in the insolvency of Bidder for all money to which the Guarantor may be entitled from Bidder up to an amount which does not exceed the amount which may be payable by the Guarantor under any Transaction Document. The Guarantor acknowledges that WTF may, subject to the terms of this agreement, retain any money which WTF may receive from any proof on account of the Guarantor's liability under this clause 14.

15. Notices

15.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement:

- (a) may be given by personal service, post or facsimile or email;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

- (i) if to WTF: Wotif.com Holdings Limited
 Address: Level 1, 7 Barooka Road, Milton QLD 4064
 Fax number: +61 7 3512 9914
 Email: sean.simmons@wotifgroup.com
 Attention: Sean Simmons
 with a copy to: Clayton Utz
 Address: Level 28, Riparian Plaza, 71 Eagle Street, Brisbane QLD 4000
 Fax number: +61 7 3221 9669
 Email: ahay@claytonutz.com
 Attention: Andrew Hay
- (ii) if to Bidder: Emu Australia Investments Pty Limited
 Address: 333 108th Avenue NE, Bellevue, WA 98004
 Fax number: +1 425 679 7251
 Email: bzielak@expedia.com
 Attention: General Counsel
 with a copy to: King & Wood Mallesons
 Address: Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
 Email: David.Friedlander@au.kwm.com
 Attention: David Friedlander
 and
 with a copy to: Wachtell, Lipton, Rosen & Katz
 Address: 51 West 52nd Street
 Fax number: 212-403-2269
 Email: AJNussbaum@wlrk.com
 Attention: Andrew J. Nussbaum
- (iii) if to Guarantor: Expedia, Inc.
 Address: 333 108th Avenue NE, Bellevue, WA 98004
 Fax number: +1 425 679 7251
 Email: bzielak@expedia.com

Attention: General Counsel
 with a copy to: King & Wood Mallesons
 Address: Level 61, Governor Phillip Tower, 1 Farrer Place,
 Sydney NSW 2000
 Email: David.Friedlander@au.kwm.com
 Attention: David Friedlander
 and
 with a copy to: Wachtell, Lipton, Rosen & Katz
 Address: 51 West 52nd Street
 Fax number: 212-403-2269
 Email: AJNussbaum@wlrk.com
 Attention: Andrew J. Nussbaum

- (d) (in the case of personal service, post or facsimile) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and
- (e) (in the case of email) must be in pdf or other format that is a scanned image of the original of the communication, including a handwritten signature, and be attached to an email that states that the attachment is a communication under this agreement; and
- (f) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, or sent by email to the email address, of the addressee, in accordance with this clause 15.1.

15.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
- (d) (in the case of delivery by hand) on delivery; and
- (e) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of clause 15.1, 4 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day

("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

16. GST

16.1 Interpretation

- (a) Except where the context suggests otherwise, and subject to clause 16.1(b), terms used in this clause 16 have the meanings given to those terms by the A New Tax System (Goods and Services Tax) Act 1999 (as amended from time to time).
- (b) "Input tax credit" has the meaning given by the A New Tax System (Goods and Services Tax) Act 1999 and a reference to an input tax credit entitlement of an entity includes an input tax credit for an acquisition made by that entity but to which another member of the same GST group is entitled.
- (c) Any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause 16.
- (d) Any consideration for a supply that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to that supply for the purpose of this clause 16.

16.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this agreement that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

16.3 GST payable

- (a) If GST is payable in relation to a taxable supply made under or in connection with this agreement then any party (**Recipient**) that is required to provide consideration to another party (**Supplier**) for that supply must, subject to clause 16.3(b), pay an additional amount to the Supplier equal to the amount of that GST at the same times as other consideration is to be provided for that supply.
- (b) No payment of any amount pursuant to clause 16.3(a) is required until the Supplier has provided a valid tax invoice to the Recipient.
- (c) Where additional amounts are payable between parties to this agreement pursuant to clause 16.3(a), amounts so payable, to the extent they are equivalent in amount, shall be set off against each other as if paid and each party shall be obliged only to provide the tax invoice referred to in clause 16.3(b) no later than the time at which any consideration is to be first provided for that supply.
- (d) If the GST payable in relation to a supply made under or in connection with this agreement varies from the additional amount paid by the Recipient under clause 16.3(a) then the Supplier must promptly issue an adjustment note to the Recipient and will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any payment, credit or refund under this clause 16.3(d) is deemed to be a payment, credit or refund of the additional amount payable under clause 16.3(a).

17. Entire agreement

The Transaction Documents and the Confidentiality Deed constitute the entire agreement between the parties in relation to their subject matter and supersede all previous agreements and understandings between the parties in relation to their subject matter.

18. General**18.1 No representation or reliance**

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this agreement, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.
- (c) Clauses 18.1(a) and 18.1(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

18.2 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

18.3 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of the other party.

18.4 Consents

Unless this agreement expressly provides otherwise, a consent under this agreement may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

18.5 Costs

Except as otherwise provided in this agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing each Transaction Document.

18.6 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this agreement, and all together constitute one agreement.

18.7 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this agreement.

18.8 Remedies

The parties acknowledge that damages may not be a sufficient remedy for breach of this agreement. Specific performance, injunctive relief, or any other remedies which would otherwise be available in equity or in law are available as a remedy for a breach or threatened breach of this agreement by any party, notwithstanding the ability of any party to terminate this agreement or seek damages for such a breach or threatened breach.

18.9 No merger

A party's rights and obligations do not merge on completion of any transaction under this agreement.

18.10 Severance

If any provision or part of a provision of this agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

18.11 Stamp duties

Bidder:

- (a) must pay all stamp duties and any related fines and penalties in respect of this agreement, the performance of this agreement and each transaction effected by or made under this agreement;
- (b) must pay to WTF on demand the amount of duty, any late payment penalties or interest assessed to WTF arising out of or in connection with any failure to comply with clause 18.11(a); and
- (c) is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause 18.11.

18.12 Waivers

Without limiting any other provision of this agreement, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this agreement;
- (b) a waiver given by a party under this agreement is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this agreement operates as a waiver of another breach of that term or of a breach of any other term of this agreement.

18.13 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

18.14 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

18.15 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

18.16 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

18.17 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

18.18 Indemnities

The indemnities in this agreement are continuing obligations, independent from the other obligations of the parties under this agreement and continue after this agreement ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this agreement.

18.19 Enforceability

For the purpose of this agreement:

- (a) WTF is taken to be acting as agent and trustee on behalf of and for the benefit of all WTF Indemnified Parties; and
- (b) Bidder is taken to be acting as agent and trustee on behalf of and for the benefit of all Bidder Indemnified Parties,

and all of those persons are to this extent taken to be parties to this agreement.

18.20 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

19. Governing law, jurisdiction and service of process**19.1 Governing law**

This agreement is governed by the law applying in Queensland.

19.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and

- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 19.2(a).

19.3 Service of process

Bidder and Guarantor irrevocably appoints David Friedlander of King & Wood Mallesons as its agent in Australia for service of process.

Schedule 1 Timetable

Event	Date
Release of agreed Announcement	7 July 2014
Regulator's Draft provided to ASIC	mid August 2014
First Court Date	late August 2014
Scheme Meeting	late September 2014
Second Court Date	late September 2014
Effective Date	early October 2014
Scheme Record Date	early October 2014
Implementation Date (including registration of shares in name of Bidder)	early October 2014
Removal of WTF from ASX Official List	early October 2014, day after Implementation Date

Executed as an agreement.

Executed by Wotif.com Holdings Limited ACN
093 000 456 in accordance with section 127 of
the Corporations Act 2001 (Cth):


Signature of director

SCOTT BLUME
Full name of director


Signature of company secretary/director

Sean Simmons
Full name of company secretary/director

SIGNED by ERIC HART as attorney for
EMU AUSTRALIA INVESTMENTS
PTY LIMITED under power of attorney
dated _____ in the
presence of: _____

Signature of witness

Name of witness (block letters)

By executing this document the
attorney states that the attorney has
received no notice of revocation of the
power of attorney

By Expedia, Inc.:

Name

Title

Executed as an agreement.

Executed by Wotif.com Holdings Limited ACN
093 000 456 in accordance with section 127 of
the Corporations Act 2001 (Cth):

Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

SIGNED by ERIC HART as attorney for)
EMU AUSTRALIA INVESTMENTS)
PTY LIMITED under power of attorney)
dated July 5, 2014 in the)
presence of:)

Signature of witness)

James F. Oline)
Name of witness (block letters))

By executing this document the
attorney states that the attorney has
received no notice of revocation of the
power of attorney)

By Expedia, Inc.:

Eric Hart
Name

Senior Vice President
Title

Annexure A Scheme

DRAFT

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act

Wotif.com Holdings Limited
WTF

The registered holders of fully paid ordinary shares in the capital of WTF as
at the Record Date

Clayton Utz
Lawyers
Level 28, Riparian Plaza
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Our reference 12293/12261/80154501

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Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Date

Parties **Wotif.com Holdings Limited ACN 093 000 456** of Level 1, 7 Baroona Road, Milton QLD 4064 (WTF)

The registered holders of fully paid ordinary shares in the capital of WTF as at the Record Date

Background

- A. WTF is a public company limited by shares incorporated in the State of Queensland and is admitted to the official list of ASX.
- B. **Emu Australia Investments Pty Limited ACN 600 494 086 (Bidder)** is a company limited by shares incorporated in the State of Victoria.
- C. **Expedia, Inc. (Guarantor)** is a Delaware corporation listed on the NASDAQ Stock Market.
- D. WTF, Bidder and Guarantor have entered into the Implementation Agreement pursuant to which, amongst other things, WTF has agreed to propose this Scheme to WTF Shareholders, and each of WTF, Bidder and Guarantor have agreed to take certain steps to give effect to the Scheme.
- E. If the Scheme becomes Effective, then:
 - (a) all the Scheme Shares will be transferred to Bidder and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the provisions of the Scheme; and
 - (b) WTF will enter the name and address of Bidder in the WTF Share Register as the holder of the Scheme Shares.
- F. Bidder and Bidder Guarantor have entered into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform the obligations contemplated of it under the Scheme.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

Aggregate Scheme Consideration means the aggregate amount of the Scheme Consideration payable to Scheme Shareholders under this Scheme.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Business Day means a day that is not a Saturday, Sunday or public holiday in Australia or the United States and on which banks are open for business generally in Brisbane and New York.

CHESS means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

Condition means each condition to this Scheme set out in clause 2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court, Queensland registry or such other court of competent jurisdiction as WTF and Bidder agree in writing.

Deed Poll means the deed poll dated **[insert]** 2014 executed by Bidder and Guarantor in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means the latest to occur of:

- (a) 28 February 2015; and
- (b) such other date agreed in writing between WTF and Bidder.

Explanatory Memorandum means the explanatory memorandum to be prepared by WTF pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of the Implementation Agreement and to be dispatched to the WTF Shareholders.

Implementation Agreement means the scheme implementation agreement dated 5 July 2014 between WTF, Bidder and Guarantor under which, amongst other things, WTF has agreed to propose the Scheme to Scheme Shareholders, and each of Bidder, Guarantor and WTF has agreed to take certain steps to give effect to the Scheme.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as WTF and Bidder agree in writing.

Listing Rules means the official listing rules of ASX.

Record Date means 5.00 pm (Brisbane time) on the date which is 3 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and WTF.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between WTF and WTF Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Bidder and WTF.

Scheme Consideration means, for each Scheme Share, \$3.30 less the aggregate amount of the WTF Discretionary Special Dividend and/or the WTF Final Dividend (if any) paid in respect of each WTF Share.

Scheme Meeting means the meeting of WTF Shareholders ordered by the Court in relation to the Scheme to be convened under section 411(1) of the Corporations Act.

Scheme Share means a WTF Share on issue as at the Record Date.

Scheme Shareholder means a person who holds WTF Shares as at the Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Trading Day has the meaning given in the Listing Rules.

Trust Account means an Australian dollar denominated trust account operated by WTF as trustee for the Scheme Shareholders, as nominated by WTF and notified to Bidder at least 5 Business Days prior to the Implementation Date, being the account into which Bidder will deposit the Aggregate Scheme Consideration in accordance with clause 4.3.

WTF Board means the board of directors of WTF.

WTF Discretionary Special Dividend means a fully franked cash dividend, which together with any WTF Final Dividend does not exceed 24 cents per WTF Share, provided that the franking account of WTF will not be in deficit after the payment of any such dividends.

WTF Final Dividend means a fully franked cash dividend, which together with the WTF Discretionary Special Dividend does not exceed 24 cents per WTF Share, to be paid by WTF prior to the Implementation Date in respect of the year ended 30 June 2014, provided that the franking account of WTF will not be in deficit after the payment of any such dividends.

WTF Share Register means the register of members of WTF maintained by or on behalf of WTF in accordance with section 168(1) of the Corporations Act.

WTF Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

WTF Shareholder means a person who is registered in the WTF Share Register as a holder of WTF Shares.

WTF Shares means fully paid ordinary shares in the capital of WTF.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this document;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

- (g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;
- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) a reference to any time is a reference to that time in Brisbane, Australia;
- (j) a reference to "\$" or "A\$" is to the lawful currency of the Commonwealth of Australia;
- (k) a reference to a document is that document as varied, novated, ratified or replaced from time to time;
- (l) the interpretation of a substantive provision is not affected by any heading; and
- (m) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where under this document the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the immediately preceding Business Day.

2. Conditions Precedent

2.1 Conditions to the Scheme

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions, and the provisions of clauses 3, 4 and 5 will not come into effect unless and until each of these conditions have been satisfied:

- (a) as at 8.00 am on the Second Court Date each of the conditions set out in clause 3.1 of the Implementation Agreement (other than the condition relating to the approval of the Court set out in clause 3.1(h) of the Implementation Agreement) have been satisfied or waived in accordance with the terms of the Implementation Agreement;
- (b) as at 8.00 am on the Second Court Date the Implementation Agreement has not been terminated;
- (c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act with or without modification;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Bidder and WTF have been satisfied; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

2.2 Certificates in relation to Conditions Precedent

On the Second Court Date:

- (a) WTF must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clauses 3.1 (other

than clause 3.1(h)) of the Implementation Agreement have been satisfied or waived in accordance with the Implementation Agreement; and

- (b) Bidder must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clauses 3.1 (other than clause 3.1(h)) of the Implementation Agreement have been satisfied or waived in accordance with the Implementation Agreement.

2.3 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date, WTF, Bidder and Guarantor are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. Scheme

3.1 Effective Date of the Scheme

Subject to clause 3.2, the Scheme will take effect on and from the Effective Date.

3.2 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date, or such later date as WTF, Bidder and Guarantor agree in writing.

4. Implementation of Scheme

4.1 Lodgement

If the Conditions are satisfied, WTF must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme as soon as possible after, and in any event by no later than 5.00 pm on the Business Day following, the date on which the Court approves the Scheme or such other Business Day as WTF, Bidder and Guarantor agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date, subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.3, 4.4 and 5 and Bidder having provided WTF with written confirmation thereof, all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to Bidder without the need for any further act by any Scheme Shareholder (other than acts performed by WTF or its directors as attorney or agent for Scheme Shareholders under this Scheme), by WTF effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- (a) WTF delivering to Bidder a completed share transfer form or forms (which may be a master transfer form) to transfer all of the Scheme Shares to Bidder duly executed by WTF as the attorney and agent of each Scheme Shareholder under clause 8.1 of this Scheme;
- (b) Bidder executing and delivering the share transfer form or forms to WTF; and

- (c) WTF immediately after receipt of the share transfer form or forms under clause 4.2(b), entering, or procuring the entry of, the name and address of Bidder in the WTF Share Register as the holder of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

- (a) On the Implementation Date, in consideration for the transfer to Bidder of each Scheme Share:
 - (i) Bidder will, [at or before 12:00 pm on the Implementation Date], deposit the Aggregate Scheme Consideration into the Trust Account;
 - (ii) Subject to Bidder having complied with clause 4.3(a)(i), WTF must, on the Implementation Date and from the Trust Account, pay or procure the payment to each Scheme Shareholder of the proportion of the Aggregate Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Record Date, which obligation will be satisfied by WTF:
 - A. where a Scheme Shareholder has, before the Record Date, made an election in accordance with the requirements of the WTF Registry to receive dividend payments from WTF by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - B. otherwise, dispatching, or procuring the dispatch of, a cheque in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.4), for the relevant amount.

4.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the WTF Share Register as at 5:00pm on the Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the WTF Share Register as at the Record Date.

5. Scheme Consideration

5.1 Consideration

Bidder and Guarantor covenant in favour of WTF Shareholders that, in consideration for the transfer to Bidder of Scheme Shares held by Scheme Shareholders under the terms of the Scheme, Bidder or Guarantor will (pursuant to their obligations under the Deed Poll) provide the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme.

6. Dealings in WTF Shares

6.1 Dealings in WTF Shares by Scheme Shareholders

For the purposes of establishing who are Scheme Shareholders, dealings in WTF Shares or other alterations to the WTF Share Register will be recognised by WTF provided that:

- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the WTF Share Register as the holder of the relevant WTF Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the WTF Share Register is kept by 5:00 pm on the day which is the Record Date (in which case WTF must register such transfers before 7:00 pm on that day),

and WTF will not accept for registration, or recognise for the purpose of establishing who are Scheme Shareholders, any transmission application or transfer in respect of WTF Shares received after such times on the Record Date.

6.2 WTF Share Register

WTF will, until the Scheme Consideration has been paid and Bidder has been entered in the WTF Share Register as the holder of all of the Scheme Shares, maintain the WTF Share Register in accordance with the provisions of this clause 6 and the WTF Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

6.3 Information to be made available to Bidder

WTF must procure that as soon as practicable following the Record Date, details of the names, registered addresses and holdings of WTF Shares of every Scheme Shareholder shown in the WTF Share Register at the Record Date are made available to Bidder in such form as Bidder may reasonably require.

6.4 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the WTF Share Register at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

6.5 No disposals after Record Date

If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and WTF will be entitled to disregard any such disposal, purported disposal or agreement.

7. Suspension and termination of quotation

- (a) WTF must apply to ASX for suspension of trading of the WTF Shares on ASX with effect from the close of business on the Effective Date.
- (b) WTF must apply to ASX for termination of official quotation of the WTF Shares on ASX and the removal of WTF from the official list of ASX with effect from the Business Day immediately following the Implementation Date.

8. General Scheme provisions

8.1 Appointment of agent and attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints WTF as its agent and attorney for the purpose of:

- (a) executing any document or form or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the share transfer(s) to be delivered under clause 4.2(a) and the giving of the Scheme Shareholders' consent under clause 8.3; and
- (b) enforcing the Deed Poll against Bidder,

and WTF accepts such appointment. WTF, as agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.2 Enforcement of Deed Poll

WTF undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder (as applicable on behalf of and as agent and attorney for the Scheme Shareholders).

8.3 Scheme Shareholders' consent

Each Scheme Shareholder irrevocably:

- (a) consents to WTF and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme; and
- (b) acknowledges that the Scheme binds WTF and all of the WTF Shareholders from time to time (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

8.4 Scheme Shareholder's agreements

Under the Scheme:

- (a) each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Scheme;
- (b) each Scheme Shareholder agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (c) each Scheme Shareholder acknowledges that this Scheme binds WTF and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).

8.5 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to Bidder, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity

to sell and to transfer their Scheme Shares together with any rights and entitlements attaching to such shares.

8.6 Title to Scheme Shares

Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by WTF of Bidder in the WTF Share Register as the holder of the Scheme Shares.

8.7 Appointment of sole proxy

On this Scheme becoming Effective, and until WTF registers Bidder as the holder of all Scheme Shares in the WTF Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.7(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers conferred in clause 8.7(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.8 Alterations and Conditions

WTF may, by its counsel or solicitors, and with the consent of Bidder, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to the Scheme which the Court thinks fit to impose.

8.9 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to WTF, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at WTF's registered office or at the WTF Share Registry as the case may be.

8.10 Inconsistencies

This Scheme binds WTF and all WTF Shareholders, and to the extent of any inconsistency, overrides the WTF constitution.

8.11 Further assurance

WTF will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

8.12 Stamp Duty

Bidder will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder.

8.13 Governing Law

This Scheme is governed by the law applying in Queensland. The parties submit to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings in connection with the Scheme.

Annexure B Deed Poll

Deed Poll (in respect of the Scheme)

Emu Australia Investments Pty Limited (ACN 600 494 086)
Bidder

Expedia, Inc.
Guarantor

In favour of each registered holder of fully paid ordinary shares in the
capital of Wotif.com Holdings Limited as at the Record Date

Clayton Utz
Lawyers
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71 Eagle Street
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Brisbane QLD 4001
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Fax +61 7 3221 9669
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Deed poll made on

2014

Parties

Emu Australia Investments Pty Limited (ACN 600 494 086) of Level 61,
Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000 (**Bidder**)

Expedia, Inc. of 333 108th Avenue NE, Bellevue, WA 98004 (**Guarantor**)

In favour of

**Each registered holder of fully paid ordinary shares in the capital of
Wotif.com Holdings Limited ACN 093 000 456 (WTF)** on issue as at the Record
Date (**Scheme Shareholders**)

Background

- A. WTF, Bidder and Guarantor have entered into the Implementation Agreement.
- B. WTF has agreed in the Implementation Agreement to propose a scheme of arrangement between Bidder and the Scheme Shareholders, the effect of which will be that Bidder acquires all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration, subject to the satisfaction of certain conditions.
- C. Bidder has agreed in the Implementation Agreement to take certain steps in relation to the Scheme and Guarantor has agreed in the Implementation Agreement to guarantee the obligations of Bidder.
- D. In accordance with clause 4.2(e) of the Implementation Agreement, Bidder is entering into this deed poll to covenant in favour of the Scheme Shareholders that it will observe and perform its obligations under the Implementation Agreement and attributed to it under the Scheme.
- E. Guarantor is entering into this deed poll to covenant in favour of Scheme Shareholders that it will observe and perform its obligations under the Implementation Agreement and the Scheme, and procure that Bidder observes and performs its obligations under the Implementation Agreement and attributed to it under the Scheme.

1. Definitions and interpretations**1.1 Definitions**

In this deed poll:

- (a) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between WTF and the Scheme Shareholders, a copy of which is annexed to this deed poll, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Bidder and WTF.
- (b) **Implementation Agreement** means the scheme implementation agreement dated 5 July 2014 between WTF, Bidder and Guarantor under which, amongst other things, WTF has agreed to propose the Scheme to Scheme Shareholders, and each of Bidder and WTF has agreed to take certain steps to give effect to the Scheme.
- (c) capitalised terms have the meaning given to them in the Scheme, unless the context requires otherwise.

1.2 Interpretation

In this deed poll, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this deed poll;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;
- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) a reference to any time is a reference to that time in Melbourne, Australia;
- (j) a reference to "\$" or "A\$" is to the lawful currency of the Commonwealth of Australia;
- (k) a reference to a document is to that document as varied, novated, ratified or replaced from time to time;
- (l) the interpretation of a substantive provision is not affected by any heading; and
- (m) "includes" in any form is not a word of limitation.

1.3 Nature of deed poll

Bidder and Guarantor acknowledge and agree that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints WTF and each of its directors and officers (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Guarantor.

2. Conditions

2.1 Conditions Precedent

Bidder's and Guarantor's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

If the Implementation Deed is terminated or the Scheme does not become Effective on or before the End Date, the obligations of Bidder and the Guarantor under this deed poll automatically terminate and the terms of this deed poll will be of no further force or effect, unless WTF, Bidder and Guarantor otherwise agree in accordance with the Implementation Agreement.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it, Bidder and Guarantor are released from their obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination.

3. Obligation to pay Scheme Consideration

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder (and Guarantor must procure Bidder) to:

- (a) deposit the Aggregate Scheme Consideration into the Trust Account; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4. Warranties

Each of the Bidder and Guarantor represent and warrant that:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery by it of this deed poll has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to perform or cause to be performed its obligations under this deed poll and to carry out or cause to be carried out the transactions contemplated by this deed poll; and
- (c) this deed poll will constitute legally, valid and binding obligations on it enforceable in accordance with its terms (subject to any necessary stamping) and does not conflict with or result in a breach of or default under:
 - (i) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate (as defined in the Implementation Agreement); or
 - (ii) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Guarantor have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6. General

6.1 Stamp duty

Bidder or Guarantor will:

- (a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and

- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Waiver

- (a) Waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this deed poll; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,
 does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.
- (e) This clause 6.2 may not itself be waived except in writing.

6.3 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by WTF, Bidder and Guarantor; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by WTF, Bidder and Guarantor, and is approved by the Court,

in which event Bidder and Guarantor will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such amendment or variation.

6.4 Cumulative rights

The rights, powers and remedies of Bidder and Guarantor and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

6.5 Assignment

The rights and obligations of Bidder and Guarantor and the rights of each Scheme Shareholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

6.6 Further action

Bidder and Guarantor will promptly do all things and execute and deliver all further documents required by law to give effect to this deed poll.

7. Governing law and jurisdiction

- (a) This deed poll is governed by the law applying in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings in connection with this deed poll.

Executed as a deed poll.

SIGNED, SEALED AND DELIVERED)
by)

as attorney for EMU AUSTRALIA)
INVESTMENTS PTY LTD under power)
of attorney dated)

in the presence of:)
)
)

Signature of witness)

Name of witness (block letters))
)
)
)
)

By executing this document the
attorney states that the attorney has
received no notice of revocation of the
power of attorney

By Expedia, Inc.:

Name

Title

CLAYTON UTZ

EXECUTION VERSION

Deed Poll

(in respect of the Scheme)

Expedia Australia Investments Pty Limited (ACN 600 494 086)

Bidder

Expedia, Inc.

Guarantor

In favour of each registered holder of fully paid ordinary shares in the capital of Wotif.com Holdings Limited as at the Record Date

Clayton Utz
Lawyers
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Fax +61 7 3221 9669
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Our reference 12261/80154501

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Deed poll made on 28 August 2014**Parties**

Expedia Australia Investments Pty Limited (ACN 600 494 086) of Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000 (**Bidder**)

Expedia, Inc. of 333 108th Avenue NE, Bellevue, WA 98004 (**Guarantor**)

In favour of

Each registered holder of fully paid ordinary shares in the capital of Wotif.com Holdings Limited ACN 093 000 456 (WTF) on issue as at the Record Date (**Scheme Shareholders**)

Background

- A. WTF, Bidder and Guarantor have entered into the Implementation Agreement.
- B. WTF has agreed in the Implementation Agreement to propose a scheme of arrangement between Bidder and the Scheme Shareholders, the effect of which will be that Bidder acquires all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration, subject to the satisfaction of certain conditions.
- C. Bidder has agreed in the Implementation Agreement to take certain steps in relation to the Scheme and Guarantor has agreed in the Implementation Agreement to guarantee the obligations of Bidder.
- D. In accordance with clause 4.2(e) of the Implementation Agreement, Bidder is entering into this deed poll to covenant in favour of the Scheme Shareholders that it will observe and perform its obligations under the Implementation Agreement and attributed to it under the Scheme.
- E. Guarantor is entering into this deed poll to covenant in favour of Scheme Shareholders that it will observe and perform its obligations under the Implementation Agreement and the Scheme, and procure that the Bidder observes and performs its obligations under the Implementation Agreement and attributed to it under the Scheme.

1. Definitions and interpretations**1.1 Definitions**

In this deed poll:

- (a) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between WTF and the Scheme Shareholders, a copy of which is annexed to this deed poll, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Bidder and WTF.
- (b) **Implementation Agreement** means the scheme implementation agreement dated 5 July 2014 between WTF, Bidder and Guarantor under which, amongst other things, WTF has agreed to propose the Scheme to Scheme Shareholders, and each of Bidder and WTF has agreed to take certain steps to give effect to the Scheme.
- (c) capitalised terms have the meaning given to them in the Scheme or the Implementation Agreement, unless the context requires otherwise.

1.2 Interpretation

In this deed poll, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this deed poll;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;
- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) a reference to any time is a reference to that time in Melbourne, Australia;
- (j) a reference to "\$" or "A\$" is to the lawful currency of the Commonwealth of Australia;
- (k) a reference to a document is to that document as varied, novated, ratified or replaced from time to time;
- (l) the interpretation of a substantive provision is not affected by any heading; and
- (m) "includes" in any form is not a word of limitation.

1.3 Nature of deed poll

Bidder and Guarantor acknowledge and agree that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints WTF and each of its directors and officers (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Guarantor.

2. Conditions

2.1 Conditions Precedent

Bidder's and Guarantor's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

If the Implementation Agreement is terminated in accordance with its terms or the Scheme does not become Effective on or before the End Date, the obligations of Bidder and the Guarantor under this deed poll automatically terminate and the terms of this deed poll will be of no further force or effect, unless WTF, Bidder and Guarantor otherwise agree in accordance with the Implementation Agreement.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder and Guarantor are released from their obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains the rights they have against Bidder and Guarantor in respect of any breach of this deed poll by Bidder and Guarantor which occurs before this deed poll is terminated..

3. Obligation to pay Scheme Consideration

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder (and Guarantor must procure Bidder) to:

- (a) deposit the Aggregate Scheme Consideration into the Trust Account; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4. Warranties

Each of the Bidder and Guarantor represent and warrant that:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery by it of this deed poll has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to perform or cause to be performed its obligations under this deed poll and to carry out or cause to be carried out the transactions contemplated by this deed poll; and
- (c) this deed poll will constitute legally, valid and binding obligations on it enforceable in accordance with its terms (subject to any necessary stamping) and does not conflict with or result in a breach of or default under:
 - (i) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate (as defined in the Implementation Agreement); or
 - (ii) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Guarantor have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6. General

6.1 Stamp duty

Bidder or Guarantor will:

- (a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Waiver

- (a) Waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this deed poll; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,
 does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.
- (e) This clause 6.2 may not itself be waived except in writing.

6.3 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by WTF, Bidder and Guarantor; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by WTF, Bidder and Guarantor, and is approved by the Court,

in which event Bidder and Guarantor will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such amendment or variation.

6.4 Cumulative rights

The rights, powers and remedies of Bidder and Guarantor and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

6.5 Assignment

The rights and obligations of Bidder and Guarantor and the rights of each Scheme Shareholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

6.6 Further action

Bidder and Guarantor will promptly do all things and execute and deliver all further deeds, instruments, transfers or other documents and do all acts or things as may be necessary or required by law to give full effect to this deed poll and the transactions contemplated by it.

7. Governing law and jurisdiction

- (a) This deed poll is governed by the law applying in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to for any proceedings in connection with this deed poll.

Executed as a deed poll.

Executed by EXPEDIA AUSTRALIA INVESTMENTS PTY LTD ACN 600 494 086 in accordance with section 127 of the Corporations Act 2001 (Cth):

Frances Erskine
Signature of director

FRANCES ERSKINE
Full name of director

LS
Signature of company secretary/director

LANCE SOLIDAY
Full name of company secretary/director

By Expedia, Inc.: [Signature]

MARK Okerstrom
Name

Executive Vice President
& Chief Financial Officer
Title

FINAL VERSION

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act

Wotif.com Holdings Limited
WTF

The registered holders of fully paid ordinary shares in the capital of WTF as
at the Scheme Record Date

Clayton Utz
Lawyers
Level 28, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000
GPO Box 9806
Brisbane QLD 4001
Tel +61 7 3292 7000
Fax +61 7 3221 9669
www.claytonutz.com

Our reference 12293/12261/80154501

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Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Date **5 September 2014**

Parties **Wotif.com Holdings Limited ACN 093 000 456** of Level 1, 7 Baroona Road, Milton QLD 4064 (**WTF**)

The registered holders of fully paid ordinary shares in the capital of WTF as at the Scheme Record Date

Background

- A. WTF is a public company limited by shares incorporated in the State of Queensland and is admitted to the official list of ASX.
- B. **Expedia Australia Investments Pty Limited** (ACN 600 494 086) (**Bidder**) is a company limited by shares and incorporated in the State of Victoria.
- C. **Expedia, Inc. (Guarantor)** is a Delaware corporation listed on the NASDAQ Stock Market.
- D. WTF, Bidder and Guarantor have entered into the Implementation Agreement pursuant to which, amongst other things, WTF has agreed to propose this Scheme to WTF Shareholders, and each of WTF, Bidder and Guarantor have agreed to take certain steps to give effect to the Scheme.
- E. If the Scheme becomes Effective, then:
 - (a) all the Scheme Shares will be transferred to Bidder and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the provisions of the Scheme and the Deed Poll; and
 - (b) WTF will enter the name and address of Bidder in the WTF Share Register as the holder of the Scheme Shares.
- F. Bidder and Guarantor have entered into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform the obligations contemplated of it under the Scheme.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

Aggregate Scheme Consideration means the aggregate amount of the Scheme Consideration payable to Scheme Shareholders under this Scheme.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Business Day means a day that is not a Saturday, Sunday or public holiday in Australia or the United States and on which banks are open for business generally in Brisbane and New York.

CHES means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

Condition means each condition to this Scheme set out in clause 2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of Queensland or such other court of competent jurisdiction as WTF and Bidder agree in writing.

Deed Poll means the deed poll dated 28 August 2014 executed by Bidder and Guarantor in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means the latest to occur of:

- (a) 28 February 2015; and
- (b) such other date agreed in writing between WTF and Bidder.

Explanatory Memorandum means the explanatory memorandum to be prepared by WTF pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of the Implementation Agreement and to be dispatched to the WTF Shareholders.

Implementation Agreement means the scheme implementation agreement dated 5 July 2014 between WTF, Bidder and Guarantor under which, amongst other things, WTF has agreed to propose the Scheme to Scheme Shareholders, and each of Bidder, Guarantor and WTF has agreed to take certain steps to give effect to the Scheme.

Implementation Date means the date which is 5 Business Days after the Scheme Record Date or such other date as WTF and Bidder agree in writing.

Listing Rules means the official listing rules of ASX.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between WTF and Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Bidder and WTF.

Scheme Consideration means \$3.06 per Scheme Share in cash consideration to be paid by Expedia.

Scheme Meeting means the meeting of WTF Shareholders ordered by the Court in relation to the Scheme to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00 pm (Sydney time) on the date which is 3 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and WTF.

Scheme Share means a WTF Share on issue as at the Scheme Record Date.

Scheme Shareholder means a person who holds WTF Shares as at the Scheme Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Special Dividend means a fully franked cash dividend of A\$0.24 per WTF Share, provided that the franking account of WTF will not be in deficit after the payment of any such dividends, that the Board has resolved for WTF to pay, conditional on the Scheme becoming Effective.

Trading Day has the meaning given in the Listing Rules.

Trust Account means an Australian dollar denominated trust account operated by WTF as trustee for the Scheme Shareholders, as nominated by WTF and notified to Bidder at least 5 Business Days prior to the Implementation Date, being the account into which Bidder will deposit the Aggregate Scheme Consideration in accordance with clause 4.3.

WTF Board means the board of directors of WTF.

WTF Share Register means the register of members of WTF maintained by or on behalf of WTF in accordance with section 168(1) of the Corporations Act.

WTF Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

WTF Shareholder means a person who is registered in the WTF Share Register as a holder of WTF Shares.

WTF Shares means fully paid ordinary shares in the capital of WTF.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this document;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) a reference to any time is a reference to that time in Brisbane, Australia;
- (j) a reference to "\$" or "A\$" is to the lawful currency of the Commonwealth of Australia;
- (k) a reference to a document is that document as varied, novated, ratified or replaced from time to time;
- (l) the interpretation of a substantive provision is not affected by any heading; and
- (m) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where under this document the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the immediately preceding Business Day.

2. Conditions Precedent

2.1 Conditions to the Scheme

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions, and the provisions of clauses 3, 4 and 5 will not come into effect unless and until each of these conditions have been satisfied:

- (a) as at 8.00 am on the Second Court Date each of the conditions set out in clause 3.1 of the Implementation Agreement (other than the condition relating to the approval of the Court set out in clause 3.1(h) of the Implementation Agreement) have been satisfied or waived in accordance with the terms of the Implementation Agreement;
- (b) as at 8.00 am on the Second Court Date neither the Implementation Agreement nor the Deed Poll have been terminated in accordance with their terms;
- (c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act with or without modification;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Bidder and WTF have been satisfied or waived; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

2.2 Certificates in relation to Conditions Precedent

On the Second Court Date:

- (a) WTF must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clause 3.1 (other than clause 3.1(h)) of the Implementation Agreement have been satisfied or waived in accordance with the Implementation Agreement; and

- (b) Bidder must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clause 3.1 (other than clause 3.1(h)) of the Implementation Agreement have been satisfied or waived in accordance with the Implementation Agreement.

The certificates referred to in clauses 2.2(a) and 2.2(b) constitute conclusive evidence that such conditions are satisfied, waived or taken to be waived.

2.3 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date, WTF, Bidder and Guarantor are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. Scheme

3.1 Effective Date of the Scheme

Subject to clause 3.2, the Scheme will take effect on and from the Effective Date.

3.2 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date, or such later date as WTF, Bidder and Guarantor agree in writing.

4. Implementation of Scheme

4.1 Lodgement

If the Conditions are satisfied, WTF must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme as soon as possible after, and in any event by no later than 5.00 pm on the Business Day following, the date on which the Court approves the Scheme or such other Business Day as WTF, Bidder and Guarantor agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date, subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.3, 4.4 and 5 and Bidder having provided WTF with written confirmation thereof, all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to Bidder without the need for any further act by any Scheme Shareholder (other than acts performed by WTF or its directors as attorney or agent for Scheme Shareholders under this Scheme), by WTF effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- (a) WTF delivering to Bidder a completed share transfer form or forms (which may be a master transfer form) to transfer all of the Scheme Shares to Bidder duly executed by WTF as the attorney and agent of each Scheme Shareholder under clause 8.1 of this Scheme;
- (b) Bidder executing and delivering the share transfer form or forms to WTF; and

- (c) WTF immediately after receipt of the share transfer form or forms under clause 4.2(b), entering, or procuring the entry of, the name and address of Bidder in the WTF Share Register as the holder of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

- (a) In consideration for the transfer to Bidder of each Scheme Share:
- (i) Bidder will, at or before 9.00 am on the Implementation Date, deposit the Aggregate Scheme Consideration into the Trust Account operated by WTF as trustee for the Scheme Shareholders (provided that any interest on the amount deposited (less bank fees and other charges) will be credited to the Bidder's account;
 - (ii) Subject to Bidder having complied with clause 4.3(a)(i), WTF must, on the Implementation Date and from the Trust Account, pay or procure the payment to each Scheme Shareholder of the proportion of the Aggregate Scheme Consideration attributable to that the Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date, which obligation will be satisfied by WTF:
 - A. where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the WTF Registry to receive dividend payments from WTF by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount of Australian currency by electronic means in accordance with that election; or
 - B. otherwise, dispatching, or procuring the dispatch of, a cheque in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.4), for the relevant amount.

4.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the WTF Share Register on the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the WTF Share Register as at the Scheme Record Date.

5. Scheme Consideration

5.1 Consideration

Bidder and Guarantor have entered into the Deed Poll pursuant to which they covenant in favour of WTF Shareholders that, in consideration for the transfer to Bidder of Scheme Shares held by Scheme Shareholders under the terms of the Scheme, Bidder or Guarantor will

(pursuant to their obligations under the Deed Poll) provide the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme.

6. Dealings in WTF Shares

6.1 Dealings in WTF Shares by Scheme Shareholders

For the purposes of establishing who are Scheme Shareholders, dealings in WTF Shares or other alterations to the WTF Share Register will be recognised by WTF provided that:

- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the WTF Share Register as the holder of the relevant WTF Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the WTF Share Register is kept by 5:00 pm on the day which is the Scheme Record Date (in which case WTF must register such transfers before 7:00 pm on that day),

and WTF will not accept for registration, or recognise for the purpose of establishing who are Scheme Shareholders, any transmission application or transfer in respect of WTF Shares received after such times on the Scheme Record Date or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 WTF Share Register

WTF will, until the Scheme Consideration has been paid and Bidder has been entered in the WTF Share Register as the holder of all of the Scheme Shares, maintain the WTF Share Register in accordance with the provisions of this clause 6 and the WTF Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

6.3 Information to be made available to Bidder

WTF must procure that as soon as practicable following the Scheme Record Date, details of the names, registered addresses and holdings of WTF Shares of every Scheme Shareholder shown in the WTF Share Register at the Scheme Record Date are made available to Bidder in such form as Bidder may reasonably require.

6.4 Effect of share certificates and holding statements

As from the Scheme Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the WTF Share Register at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

6.5 No disposals after Scheme Record Date

If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and WTF will be entitled to disregard any such disposal, purported disposal or agreement.

7. Suspension and termination of quotation

- (a) WTF must apply to ASX for suspension of trading of the WTF Shares on ASX with effect from the close of business on the Effective Date.

- (b) WTF must apply to ASX for termination of official quotation of the WTF Shares on ASX and the removal of WTF from the official list of ASX with effect from the Business Day immediately following the Implementation Date.

8. General Scheme provisions

8.1 Appointment of agent and attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints WTF as its agent and attorney for the purpose of:

- (a) executing any document or form or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the share transfer(s) to be delivered under clause 4.2(a) and the giving of the Scheme Shareholders' consent under clause 8.3; and
- (b) enforcing the Deed Poll against Bidder,

and WTF accepts such appointment. WTF, as agent and attorney of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.2 Enforcement of Deed Poll

WTF undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder and Guarantor (as applicable on behalf of and as agent and attorney for the Scheme Shareholders).

8.3 Scheme Shareholders' consent

Each Scheme Shareholder irrevocably:

- (a) consents to WTF and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme; and
- (b) acknowledges that the Scheme binds WTF and all of the WTF Shareholders from time to time (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

8.4 Scheme Shareholder's agreements

Under the Scheme:

- (a) each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Scheme;
- (b) each Scheme Shareholder agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (c) each Scheme Shareholder acknowledges that this Scheme binds WTF and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of WTF.

8.5 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to Bidder, be fully paid and free from all mortgages, charges, security interests, liens, Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares to Bidder together with any rights and entitlements attaching to such shares.

8.6 Title to Scheme Shares

Immediately upon provision of the Aggregate Scheme Consideration, Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by WTF of Bidder in the WTF Share Register as the holder of the Scheme Shares.

8.7 Appointment of sole proxy

Immediately upon provision of the Aggregate Scheme Consideration, and until WTF registers Bidder as the holder of all Scheme Shares in the WTF Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) acknowledges that no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.7(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers conferred in clause 8.7(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.8 Alterations and Conditions

WTF may, by its counsel or solicitors, and with the consent of Bidder, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to the Scheme which the Court thinks fit to impose. Each Scheme Shareholder agrees to any such alterations or conditions which counsel for WTF has consented to.

8.9 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to WTF, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at WTF's registered office or at the WTF Share Registry as the case may be.

8.10 Inconsistencies

This Scheme binds WTF and all WTF Shareholders, and to the extent of any inconsistency, overrides the WTF constitution.

8.11 Further assurance

WTF will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

8.12 Stamp Duty

Bidder will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder.

8.13 Governing Law

This Scheme is governed by the law applying in Queensland. The parties submit to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings in connection with the Scheme.

Annexure E – Notice of Scheme Meeting

Notice of Court ordered meeting of holders of Wotif.com Holdings Limited shares.

By an Order of the Supreme Court of Queensland made on Friday, 5 September 2014 pursuant to section 411(1) of the Corporations Act, a meeting of WTF Shareholders will be held at UQ Downtown, Level 19, Central Plaza One, 345 Queen Street, Brisbane on Thursday, 9 October 2014 commencing at 10.00 am.

The Court has also directed that Mr Dick McIlwain act as chairman of the meeting or failing him Mr Ben Smith, and has directed the chairman to report the result of the meeting to the Court.

To enable you to make an informed voting decision, further information on the Scheme is set out in the document of which the notice convening the meeting forms part. Terms used in this notice have the same meaning as set out in the defined terms in Section 9 of the document of which this notice forms part.

a. Business of the meeting

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without any alterations or conditions required by the Court to which WTF, Expedia, Inc. and Expedia Investments agree) proposed to be made between WTF and WTF Shareholders **(the Scheme)**.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

b. Scheme Resolution

To consider and, if thought fit, pass the following resolution:

“That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between the company and the holders of its ordinary shares as contained in and more particularly described in the document of which the notice convening this meeting forms part is approved (with or without modification as approved by the Supreme Court of Queensland).”

c. Voting

How to vote

Shareholders can vote in either of two ways:

- by attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying the document of which this notice forms part.

Voting in person

To vote in person you must attend the meeting. Shareholders are asked to arrive at the venue at least 30 minutes before the time designated for the Scheme Meeting to allow for registration prior to the meeting.

Eligible WTF Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

Voting by proxy

- A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).
- A proxy need not be a WTF Shareholder.
- You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'For' or 'Against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote in the shareholder's behalf on the poll, and WTF Shares the subject of the proxy appointment will not be counted in computing the required majority.
- Shareholders who return their proxy form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary of WTF or any Director which do not contain a direction will be used to support the resolution to approve the Scheme.

- A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by WTF Share Registry by 10.00 am on Tuesday, 7 October 2014.
- Completed proxy forms and an original or certified copy of any authority under which a proxy form is signed should be sent to WTF Share Registry using one of the reply-paid envelopes provided with the document.
- To be effective, Proxy Forms and an original or certified copy of any authority under which a proxy form is signed must be:
 - **submitted online:**
 - ♦ if you are a WTF Shareholder, at www.investorvote.com/au or scan the QR code on the front of the accompanying **Proxy Form** with your mobile device and insert your postcode when prompted; and
 - ♦ if you are a custodian (for intermediary online subscribers only), at www.intermediaryonline.com,
 - **sent by post in the provided reply paid envelope to the WTF Share Registry:**
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
 - **faxed to the WTF Share Registry on:**
1800 783 447 (within Australia) or
+61 3 9473 2555 (outside Australia),
so that they are received by no later than 10.00 am on Tuesday, 7 October 2014. Proxy Forms received after this time will be invalid.
- The Proxy Form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by WTF Share Registry at the above addresses, online or by facsimile transmission by 10.00 am on Tuesday, 7 October 2014. If online or facsimile transmission is used, the power of attorney must be certified.

Voting by Corporate Representative

- If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that WTF will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained by calling the WTF Shareholder Information Line on 1300 721 953 (from within Australia) or +61 3 9415 4802 (from outside Australia) Monday to Friday between 9.00am to 5.00 pm. The certificate of appointment may set out restrictions on the representative's powers.
- The certificate should be lodged at the registration desk on the day of the meeting or be received by the WTF Registry by 10.00 am on Tuesday, 7 October 2014 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:
 - **by post in the provided reply paid envelope to the WTF Share Registry:**
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
 - **by fax to the WTF Share Registry on:**
1800 783 447 (within Australia) or
+61 3 9473 2555 (outside Australia).
- If a certificate is completed by an individual or corporation under power of attorney, the power of attorney, or a certified copy of the power of attorney, must accompany the completed certificate unless the power of attorney has previously been noted by the WTF Share Registry.
- Body corporate representatives of eligible WTF Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

Voting by attorney

- You may appoint one or two attorneys to attend and vote at the meeting on your behalf.
- Your attorney need not be another WTF Shareholder.
- Each attorney will have the right to vote on the poll and also to speak at the meeting.
- The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Wotif.com Holdings Limited), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

- The power of attorney, or a certified copy of the power of attorney, must be received by the WTF Share Registry by 10.00 am on Tuesday, 7 October 2014 by post in the provided reply paid envelope to the WTF Share Registry:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
- Attorneys of eligible WTF Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.
- Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

d. WTF Shareholders who are entitled to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm on Tuesday, 7 October 2014. Only those shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.

e. Court approval

In accordance with section 411(4)(b) of the Corporations Act, in order to become effective the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majorities and the other conditions precedent to the Scheme are satisfied, WTF intends to apply to the Court on Tuesday, 14 October 2014 for approval of the Scheme.

EXPLANATORY NOTES

1. General

This notice should be read in conjunction with the Scheme Booklet of which it forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure D of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in Section 9 of the Scheme Booklet, unless the context otherwise requires.

2. Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be approved by:

- unless the Supreme Court of Queensland orders otherwise, a majority in number of WTF Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate WTF Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution (either in person or by proxy, attorney or, in the case of corporate WTF Shareholders, body corporate representative).

3. Court approval

Under paragraph 411 (4)(b) of the Corporations Act, the Scheme (with or without any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution put to the Scheme Meeting is passed by the requisite majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, WTF intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders must be lodged with ASIC.

4. Entitlement to vote

Under section 411 of the Corporations Act and all other enabling powers, the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm on Tuesday, 7 October 2014. Only those WTF Shareholders entered on the Share Register at that time will be entitled to attend and vote at the meeting, in person, by proxy (including proxies lodged online) or attorney, or in the case of a corporate WTF Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to WTF Shareholders entitled to attend and vote at the meeting.

5. Advertisement

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the Scheme Meeting from Wotif Group's website (www.wotifgroup.com), from the ASX website (www.asx.com.au) or by contacting the Company Secretary of WTF or the WTF Share Registry.

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Corporate Directory

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1 Farrer Place
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AUSTRALIA

Legal Adviser

Clayton Utz
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AUSTRALIA

Independent Expert

Grant Samuel & Associates Pty Limited
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1 Farrer Place
Sydney NSW 2000
AUSTRALIA

Auditor

Ernst & Young
Level 51, One One One
111 Eagle Street
Brisbane QLD 4000
AUSTRALIA

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
AUSTRALIA



wotif group