



AFFINITY EDUCATION
G R O U P
ABN 37 163 864 195

ASX ANNOUNCEMENT
AFFINITY EDUCATION GROUP LIMITED
ASX:AFJ

20 March 2015

Pro-rata accelerated renounceable entitlement offer – despatch of Retail Offer Booklet and letter to Ineligible Retail Shareholders

Despatch of Retail Offer Booklet

Further to the announcement by Affinity Education Group (“Affinity”) on Thursday, 12 March 2015 relating to an 8 for 21 pro-rata accelerated renounceable entitlement offer (“Entitlement Offer”), Affinity confirms that despatch to Eligible Retail Shareholders of the Retail Offer Booklet and personalised Entitlement and Acceptance Form, has been completed today.

Letter to Ineligible Retail Shareholders

Affinity also confirms that a letter (in the form attached) will today be despatched to Ineligible Retail Shareholders under the Entitlement Offer.

ENDS

Paul Cochrane
Company Secretary

[Name]
[Address]

Dear Shareholder

Affinity Education Group Limited
\$75 million pro-rata accelerated renounceable entitlement offer

On Thursday, 12 March 2015, Affinity Education Group Limited (“Affinity”) announced a fully underwritten pro-rata accelerated renounceable entitlement offer of new Affinity shares (“New Shares”) at an offer price of \$1.18 per New Share (“Offer Price”) to raise approximately \$75 million (“Entitlement Offer”). Under the Entitlement Offer, Affinity will offer eligible existing shareholders (“Eligible Shareholders”) the opportunity to subscribe for 8 New Shares for every 21 existing Affinity shares held on the Record Date of 7.00pm (Sydney time) on Tuesday, 17 March 2015 (“Record Date”).

Why are we sending you this letter?

This letter is to inform you about the Entitlement Offer and to explain to you why you will not be able to subscribe for New Shares under the Entitlement Offer.

It is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.
You are not required to do anything in response to this letter.

Details of the Entitlement Offer

Approximately 63.8 million New Shares will be issued under the Entitlement Offer.

The funds raised under the Entitlement Offer will primarily be used to fund the proposed acquisition of a group of nine premium child care centres (“Proposed Acquisitions”) and to repay existing debt. The Entitlement Offer comprises an offer to eligible institutional shareholders (“Institutional Entitlement Offer”) and an offer to eligible retail shareholders to subscribe for New Shares at the same Offer Price and offer ratio (“Retail Entitlement Offer”). The Entitlement Offer is being made under section 708AA of the *Corporations Act 2001* (Cth) (“Corporations Act”) (as modified by ASIC Class Orders 08/35 and 07/571), meaning that no prospectus needs to be prepared. The Institutional Entitlement Offer has already been completed. The results of the Institutional Entitlement Offer were announced to ASX on Monday, 16 March 2015.



Details of the Retail Entitlement Offer

An offer booklet in relation to the Retail Entitlement Offer (“Retail Offer Booklet”) along with personalised Entitlement and Acceptance Forms will be despatched to Eligible Retail Shareholders on or around Friday, 20 March 2015.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing Affinity shares as at 7.00pm (Sydney time) on the Record Date with a registered address in Australia or New Zealand (or certain other countries approved by Affinity);
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds Affinity shares for the account or benefit of such person in the United States);
- did not receive an offer in relation to all of their existing shares (other than as nominee in respect of other underlying holdings) in the Institutional Entitlement Offer and were not treated as ineligible institutional shareholders under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Retail Shareholders and who did not participate in the Institutional Entitlement Offer are ineligible shareholders.

The restrictions upon eligibility to participate in the Retail Entitlement Offer arise because of legal and regulatory limitations in some countries other than Australia and New Zealand and the potential costs to Affinity of complying with these legal and regulatory requirements compared with the relatively small number of shareholders there, the small number of shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. Affinity has determined, in accordance with Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Corporations Act, that it would be unreasonable to make or extend offers to shareholders in countries other than Australia and New Zealand in connection with the Retail Entitlement Offer.

Unfortunately, as you do not satisfy the criteria stated above, you are not an Eligible Retail Shareholder for the purposes of the Retail Entitlement Offer. Accordingly, in compliance with Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Affinity wishes to notify you that



it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. Under the terms of the Retail Entitlement Offer, you are not eligible to apply for New Shares and you will not be sent a copy of the offer materials relating to the Retail Entitlement Offer.

What will happen to the New Shares I would have been entitled to subscribe for if I was an Eligible Retail Shareholder?

New Shares equivalent to the number of New Shares not taken up by Eligible Retail Shareholders and New Shares that would have been offered to ineligible retail shareholders had they been entitled to participate in the Retail Entitlement Offer will be sold through the retail shortfall bookbuild to be conducted on Thursday, 9 April 2015 ("Retail Shortfall Bookbuild"), which is to be undertaken by CBA Equities Limited and Canaccord Genuity (Australia) Limited, as Joint Lead Managers and Underwriters of the Entitlement Offer. If the amount per New Share realised in the Retail Shortfall Bookbuild exceeds the Offer Price of \$1.18 per New Share, the excess will be paid (net of expenses and any applicable withholding tax) pro-rata to ineligible retail shareholders and Eligible Retail Shareholders who did not accept their entitlement in full (with respect to that part of their entitlement they did not accept only) on or around Friday, 17 April 2015.

Please note, there is no guarantee you will receive any proceeds as a result of the Retail Shortfall Bookbuild. The ability to sell New Shares under the Retail Shortfall Bookbuild and the ability to obtain any premium will be dependent upon various factors, including market conditions. Any proceeds you receive may have Australian and overseas tax consequences, depending on individual circumstances. You should seek professional tax advice regarding the taxation of any proceeds received.

If you have any queries regarding the Retail Entitlement Offer, or if you believe you are an Eligible Retail Shareholder, please call the Affinity Entitlement Offer Information Line on 1800 882 147 (within Australia) or +61 1800 882 147 (outside Australia) between 8.30am to 5.30pm (Sydney time) Monday to Friday before the Retail Entitlement Offer closes (5.00 pm (Sydney time) on Thursday 2 April 2015 unless extended). For other questions, you should consult your stockbroker, accountant or other professional adviser.

On behalf of the Board and management of Affinity, thank you for your continued support.

Yours sincerely

Stuart James
Chairman



Important Information

This letter is issued by Affinity. This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Affinity in any jurisdiction. This letter does not constitute financial product advice and has been prepared without taking account of the investment objectives, financial situation or needs of any particular investor. This letter does not and will not form any part of any contract for the acquisition of Affinity shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares referred to herein have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised by, and the entitlements and New Shares may not be offered or sold to, persons in the United States or to persons that are acting for the account or benefit of persons in the United States unless they have been registered under the U.S. Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

To the maximum extent permitted by law, none of Affinity, the Joint Lead Managers and Underwriters, their respective related bodies corporate and affiliates, and the directors, officers, employees and advisers of any of them, will be liable (including for negligence) for any failure to procure applications under the Retail Shortfall Bookbuild at a price in excess of the Offer Price. The Joint Lead Managers and Underwriters are not acting for, or on behalf of, and are not responsible as a fiduciary to any securityholder, and do not have any obligation to any securityholder in relation to the conduct of the Retail Shortfall Bookbuild or in respect of the price obtained in the bookbuild.

No documents relating to the Retail Entitlement Offer may be sent or distributed, in whole or in part to persons in the United States or to persons that are acting for the account or benefit of any person in the United States.

