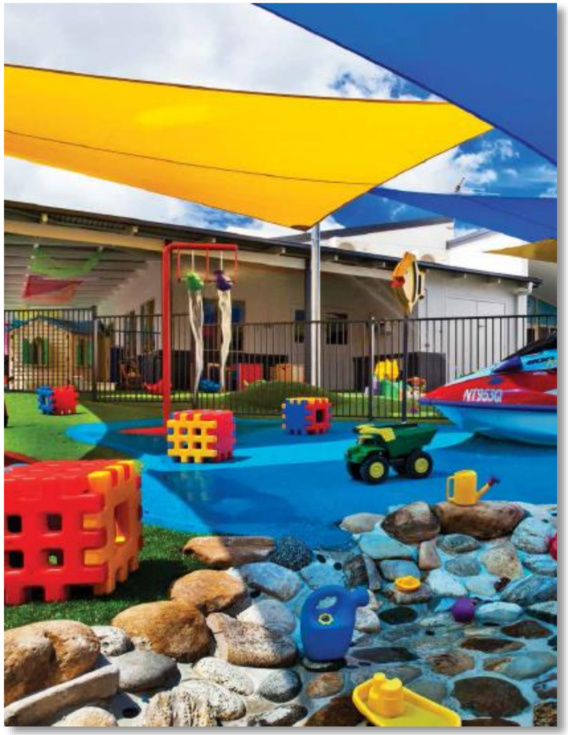

Affinity Education Group

AGM

17 April 2015

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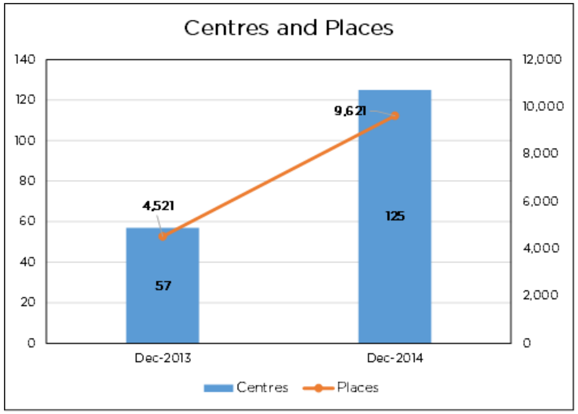
Section 1

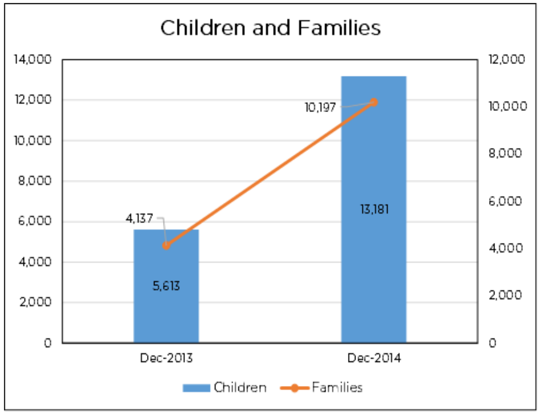
FY2014 Highlights

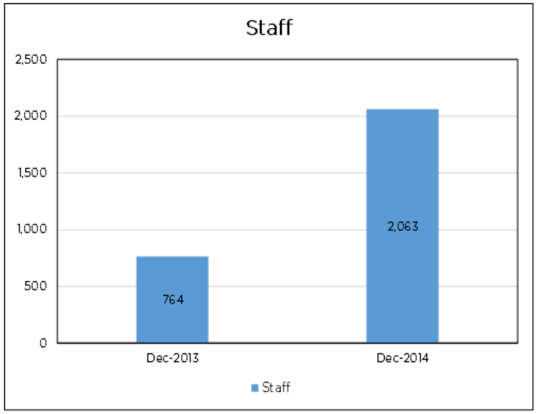
2014 Highlights

Revenue and earnings growth driven by successful integration of acquisitions

	2014	2013
Revenue (excluding interest income)	$111.4m	$3.7m
Underlying EBITDA[(1)]	$17.9m	($1.2m)
Underlying NPAT[(1)]	$11.4m	($0.8m)
Acquisition & integration costs (after tax)[(2)]	($15.5m)	($7.9m)
Statutory NPAT	($4.1m)	($8.9m)







(1) *Excluding acquisition & integration costs, also refer page 2*
(2) *Largely non-deductible for tax purposes*

2014 Financial Performance

Affinity Education Group

Revenue

- Increase driven by acquired centres
- Increase in average fees and occupancy across the year

Expenses

- Strong focus on cost management
- Improving wage to revenue ratio

EBITDA Margin

- 16% underlying EBITDA(1) margin for full year

Acquisition & Integration Expenses

- These costs include stamp duty, agent's commissions, due diligence and legal costs
- Higher than target driven by activity in year 1 to create the platform
- Second half 2014 consistent with first half 2014

$'000s	FY14 Actual	FY13 Actual
Revenue from continuing operations	111.4	3.7
Employee expenses	(69.0)	(3.3)
Building occupancy expenses	(14.8)	(0.7)
Direct expenses of providing services	(6.8)	(0.5)
Other expenses	(2.9)	(0.3)
Total expenses	(93.5)	(4.8)
Underlying EBITDA(1)	17.9	(1.1)
Depreciation	(1.2)	-
Underlying EBIT(1)	16.7	(1.1)
Net finance income / (expense)	(0.4)	(0.1)
Underlying profit / (loss) before tax(1)	16.3	(1.2)
Income tax (expense) / benefit	(4.9)	0.4
Underlying profit / (loss) after tax(1)	11.4	(0.8)
Acquisition & integration costs (after tax)	(15.5)	(7.9)
Loss for the period	(4.1)	(8.9)

(1) Refer page 2

2014 Financial Position

Intangibles

- Increase represents goodwill on acquired centres

Current liabilities

- Increase consistent with increased scale of operations

Non-current liabilities

- Includes $22m utilised of $100m acquisition facility

Borrowing capacity

- Balance sheet capacity as at 31 December 2014 was 11% effective Gearing(1)
- Total expected drawn debt after settlement of all announced acquisitions at 31 March 2015 would have been approximately 35% gearing

$'000s	FY14 Actual	FY13 Actual
Current assets		
Cash and cash equivalents	3.3	3.1
Other current assets	7.9	2.8
Non-current assets		
Intangibles	172.7	62.1
Other non-current assets	12.2	6.8
Total assets	196.1	74.8
Current liabilities	22.3	8.4
Non-current liabilities	25.6	1.0
Total liabilities	47.9	9.4
Net Assets	148.2	65.4
Equity		
Issued share capital	161.2	74.3
Retained earnings	(13.0)	(8.9)
Total equity	148.2	65.4

(1) Gearing defined as net debt divided by (total equity plus net debt)

Operational achievements across 2014

Operations continued to improve across a number of areas throughout the first year

- **Occupancy –** the group achieved occupancy of 80% across the full year of 2014, with the original IPO portfolio peaking at 90%
- **Fees -** average 5% increase implemented across 2014, with centres individually analysed through a local market assessment process to ensure sustainability of performance
- **High levels of employee engagement –** with an effective employee engagement of 83% and various programs underway to improve efficiency & retention
- **Successful Training Grants** – receipt LDCPDP training with plans underway for utilisation of $5m across next 3 years to improve Professional Development of staff
- **Established corporate platform -** Leveraging strong platform to become a leading player in the sector

Critical Integration Items Addressed

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Integration was managed across several critical work streams focussing on families, people, operations, systems, financial and risk management

1. **Government Subsidy receipts** – all required licencing, regulatory and compliance objectives met to ensure approved provider status and receipt of revenue.

2. **Financial integration completed** - with all critical items addressed across payroll, accounts receivable, accounts payable and centre based expenditure

3. **Reporting Methodology Implemented** – system infrastructure in place and operating in line with expectations, providing weekly, fortnightly and monthly performance information

4. **Successful Debt Activation** – met all objectives across asset, integration and corporate requirements to successfully activate the company's debt facilities

5. **Critical Systems Integration objectives met** – all operating in accordance with expectations with the implementation of: SAP General Ledger, QikKids and AFJ Policies and Procedures successfully rolled out across all centres, with only Payroll split across the larger group acquired last year

Critical Systems	1-Jan-14	31-Dec-14
	Centre Numbers	
General Ledger-SAP	57	125
QikKids	57	125
Payroll-SAP	57	97
Payroll-Other		28
AFJ P&P	57	125

Ongoing work streams are continuing across: systems, people/culture, operations and finance areas

Section 2

FY2015 Outlook

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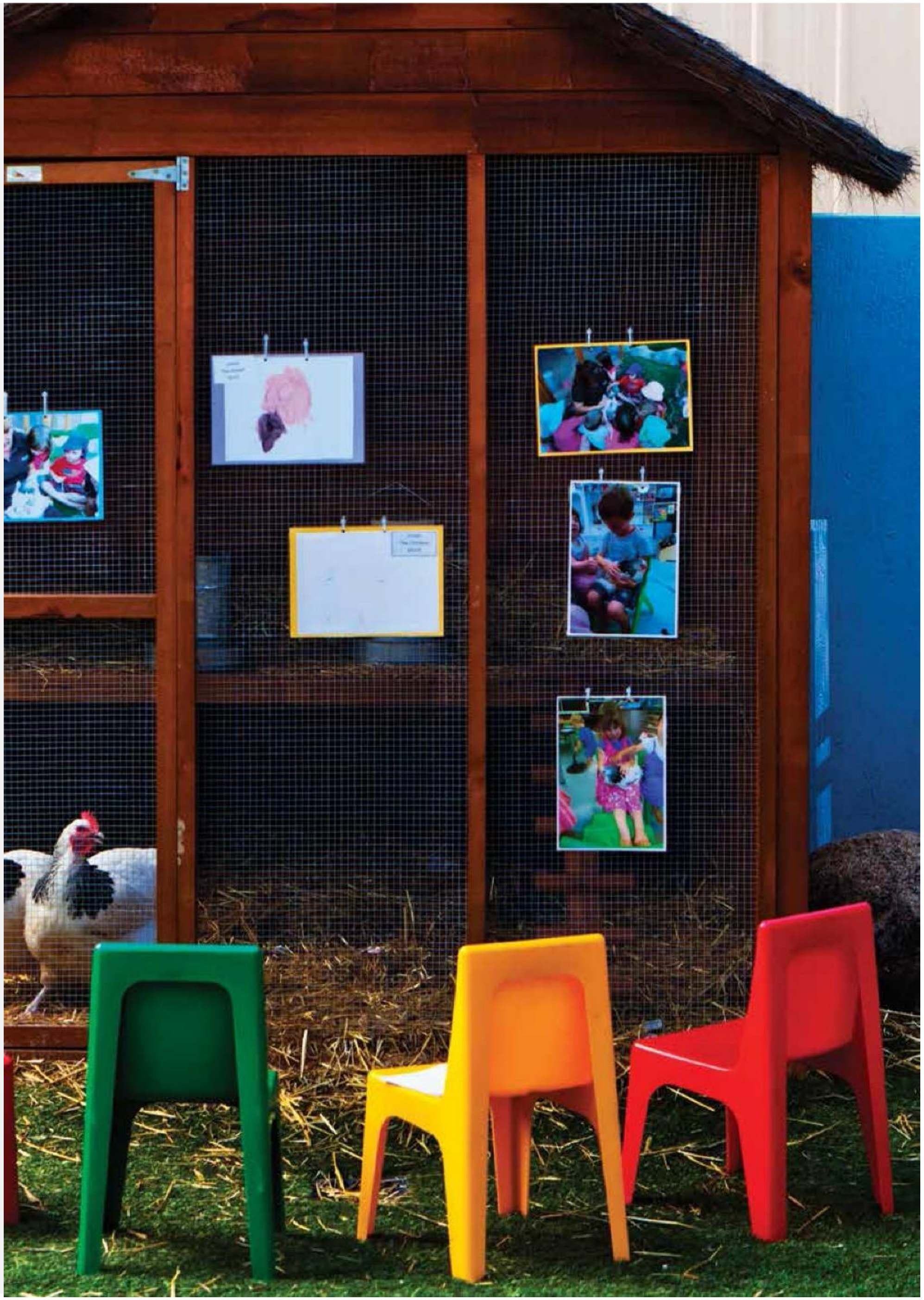

Trading Update

Improvement across operations continuing into 2015

- **Revenue** – multiple improvement actions across all centres focusing on**:**
  - ✓ Weekly management cascading from Centre Support to Area Managers to Centre Directors
  - ✓ Marketing: migration, new inquiry generation and community engagement
  - ✓ Forecasting disciplines ; across enrolments and rostering
  - ✓ Wage to revenue focus across multiple areas, different for each centre
- **Occupancy** – is expected to increase throughout the year, individual action plans underway with existing and new families to improve performance
- **Fee Increase** – executed 2.7% fee increase across portfolio in Q1 2015
- **Wages** – Improvement in wage control processes continuing across the group, further improvements expected with the introduction of rostering technology
- **Leasing** – Average lease tenure is strong at 23 years
- **Other Expenses** – Further savings in procurement and other process efficiencies is expected across the group

Technology to Drive Improvement

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Affinity Education has identified that technology has not been a significant investment across the industry in recent years, and see it as an important deliverable in 2015

Technology will improve

1. **Family engagement and satisfaction**
2. **Employee satisfaction**
3. **Reduce duplicated process**
4. **Reduce manual process**
5. **Improve relationships with regulators**

Systems Initiatives Underway across 2015

- Roster automation
- QK centre kiosks
- Online community engagement with families
- Improved child learning controls
- Intranet Performance management platform
- ERP improvements

Funding Update

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Affinity Education is in a strong position with respect to existing and future funding:

- ✓ **CBA strong support continues**
- ✓ **Full availability of current facilities allowed**
- ✓ **Given equity position significant additional debt capacity available**

- Net debt of $18.7m as at 31 December 2014. Note pro forma gearing of approximately 35% would have been incurred by 31 March 2015 after completion of all previously announced acquisitions, without the recent March 2015 AREO
- Pro forma net debt position of $35m drawn after completion of recently announced acquisition post AREO
- The $100m CBA Acquisition Facility is capable of full utilisation and fully supported by CBA, with a maturity date of mid 2017
- In advanced discussions to grow and diversify domestic bank funding

Government Response to PC Report

Affinity Education Group

Affinity Education expects the Government to release its response to the Productivity Commission Report shortly before the May 2015 Budget

- Proposal to see a simplification of the current system with a new proposal replacing the current multiple subsidies
- Proposal to be a single means and activity tested subsidy, with 20%-85% of fees paid by Government, based on a market rate to be determined
- If implemented is expected to benefit families in the $100k to $130k household income bracket
- Proposed that payments made directly to Service Providers
- Suggested that nannies will be eligible for childcare subsidies and subject to increased regulation including NQF, but unlikely to be significantly market disruptive
- Possibility of increased overall funding to the sector
- Affinity is well placed to work with Government and all stakeholders to improve the services and value delivered to families

Steady Growth Strategy

Affinity Education will continue to execute on organic growth and assess value creating acquisitions

Organic growth initiatives	▪ Increasing revenue through individual centre specific strategies ▪ Growing capacity of existing centres ▪ Continued focus on staffing costs and retention ▪ Greater economies of scale anticipated as the corporate platform matures ▪ Introduction of programs and technology to deliver better value to families
Acquisition growth strategy	▪ Continued focus on disciplined acquisition strategy targeting earnings accretive opportunities ▪ Growth target of 20%-25% per annum in the ordinary course of business ▪ Assessment of both individual and group opportunities ▪ Quality, pricing, location and integration remain key acquisition criteria for Affinity Education

2015 Year Ahead

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2015 to focus on delivering continued steady growth and better margins with multiple initiatives underway to increase profitability

- 2015 continuing in accordance with budget expectations
- Continued investment in people and systems
- Affinity continuing to work with Government on future industry opportunities
- Continued growth opportunities through steady acquisition pipeline, with growth target of 20%-25% per annum in the ordinary course of business
- Maiden dividend is to be paid for the full year 2015, in line with the company's policy of up to 60% of NPAT

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Resolutions

Annual General Meeting

17 April 2015

Item 1a: Financial Reports

Affinity Education Group

- The motion under consideration is:

- **That the resolution be passed to receive and consider the company's Annual Report for the financial year ended 31 December 2014.**

Item 1b: Remuneration Report:

- The motion under consideration is:

- ***That the Remuneration Report for the year ended 31 December 2014 (as set out in the Directors' Report) be adopted.***

- Proxy Votes:

For	Against	Open Usable	Abstain
114,519,451	961,258	2,396,113	107,574

Item 2: Re-election of Director

- The motion under consideration is:

  To consider and, if thought fit, pass the following ordinary resolution of the Company:

  - ***That Stuart James, who retires by rotation in accordance with Clause 8.3 of the Constitution, and being eligible, be re-elected as a Director of the Company.***

- Proxy Votes:

For	Against	Open Usable	Abstain
106,609,213	17,502,069	2,396,114	120,618

Item 3: Approval of Long Term Equity Incentive Plan

- The motion under consideration is:

  To consider and, if thought fit, pass the following resolution as an ordinary resolution:

  - ***That , for the purposes of Listing Rule 7.2 Exception 9 and for all other purposes, the Equity Incentive Plan, the terms and conditions of which are summarised in the Explanatory Memorandum, be authorised and approved.***

  - Proxy Votes:

For	Against	Open Usable	Abstain
119,088,047	1,028,021	2,396,113	46,574

Item 4a: Approval of issue of Performance Rights to Executive Directors under the Long Term Equity Incentive Plan

AFFINITY EDUCATION GROUP

- The motions under consideration are:

(a) Issue of Performance Rights to Justin Laboo

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

- ***That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the issue to Justin Laboo, Chief Executive Officer and Executive Director, of 576,922 Performance Rights under the 2015 Performance Rights Award, the terms and conditions of which are summarised in the Explanatory Memorandum, be authorised and approved.***

For	Against	Open Usable	Abstain
119,055,466	1,067,744	2,421,113	39,431

Item 4b: Approval of issue of Performance Rights to Executive Directors under the Long Term Equity Incentive Plan (continued)

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(b) Issue of Performance Rights to Gabriel Giufre

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

- ***That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the issue to Gabriel Giufre, Chief Operating Officer and Executive Director, of 335,462 Performance Rights under the 2015 Performance Rights Award, the terms and conditions of which are summarised in the Explanatory Memorandum, be authorised and approved.***

- Proxy Votes:

For	Against	Open Usable	Abstain
118,982,206	1,091,004	2,471,113	39,431

Item 5a: Approval of financial assistance for acquisitions

AFFINITY EDUCATION GROUP

- The motions under consideration are:

(a) Financial assistance in connection with the acquisition of BHL Childcare Limited

To consider and, if thought fit, pass the following resolution as a special resolution:

- ***That for the purposes of section 260B(2) of the Corporations Act, the giving of financial assistance by BHL Childcare Limited (BHL) and each wholly-owned subsidiary of BHL in relation to the acquisition by the Company of all the shares in BHL, as described in the Explanatory Memorandum, be authorised and approved.***

- Proxy Votes:

For	Against	Open Usable	Abstain
124,077,151	95,118	2,471,113	9,631

Item 5b: Approval of financial assistance for acquisitions (Continued)

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(b) Financial assistance in connection with the acquisition of NTL Investments Pty Ltd

To consider and, if thought fit, pass the following resolution as a special resolution:

- ***That for the purposes of section 260B(2) of the Corporations Act, the giving of financial assistance by NTL Investments Pty Ltd (NTL) and each wholly-owned subsidiary of NTL in relation to the acquisition by the Company of all the shares in NTL, as described in the Explanatory Memorandum, be authorised and approved.***

- Proxy Votes:

For	Against	Open Usable	Abstain
124,075,807	96,462	2,471,113	9,631

Conclusion of Meeting

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- ***Thank you for attending.***
- ***Please join us for refreshments.***