



WEST AUSTRALIAN NEWSPAPERS HOLDINGS LIMITED
A.B.N. 91 053 480 845

21 February 2011

Dear Shareholder,

On 21 February 2011, West Australian Newspapers Holdings Limited (**WAN**) announced that it had agreed to acquire the Seven Media Group (**SMG**) for an enterprise value of \$4,085 million and also proposed to conduct associated capital raisings (the **Proposed Transaction**). SMG is one of Australia's leading media groups and includes:

- **Seven Network** – Australia's leading Free-To-Air (**FTA**) television network
- **Pacific Magazines** – Australia's second-largest magazine business by readership, publishing such titles as Better Homes and Gardens and New Idea
- **50% of Yahoo!7** – one of Australia's leading online platforms, with global and local content across online, mobile and IPTV.

We have enclosed WAN's ASX announcement dated 21 February 2011 which provides further details concerning the Proposed Transaction.

Independent Directors' recommendation

The consideration and negotiation of the Proposed Transaction has been under the supervision and control of the Independent Directors of WAN, Mr Doug Flynn, Mr Graeme John AO, Mr Don Voelte and Mr Sam Walsh AO (the **Independent Board Committee**).

The Independent Board Committee considers that the Proposed Transaction represents an exciting and transformational opportunity for WAN. The Proposed Transaction will be conditional on WAN shareholders passing certain resolutions at the Company's Extraordinary General Meeting (**EGM**) to be held on 11 April 2011. We unanimously recommend that you support it by voting in favour of those resolutions, subject to there being no other superior proposal. Each Independent Director who holds or controls WAN shares intends to vote those shares, or cause those shares to be voted, in favour of the Proposed Transaction and its associated resolutions.

SGH and its associates will be excluded from voting on a number of those resolutions.



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Independent Expert's Report

WAN's Independent Board Committee appointed Ernst & Young Transaction Advisory Services Limited (the **Independent Expert**) to prepare an Independent Expert's Report on the Proposed Transaction. The Independent Expert has concluded that the acquisition of SMG and issue of WAN shares and convertible preference shares to SGH is fair and reasonable to WAN shareholders (other than SGH and any WAN shareholders associated with SGH). The Independent Expert's Report will be included in the Notice of EGM and Explanatory Memorandum which are expected to be despatched to Shareholders following ASIC review on or around 11 March 2011. The Independent Expert's Report may need to be updated to reflect any material changes in market conditions and circumstances prior to the date of issue of the Notice of EGM and Explanatory Memorandum.

A copy of the Independent Expert's Report has been lodged by WAN with ASX and ASIC today.

Timing – what do you need to do?

The Proposed Transaction is conditional on WAN shareholders passing certain resolutions at the Company's EGM on 11 April 2011 (excluding SGH and its associates in respect of a number of these resolutions).

In addition, WAN proposes to make a fully underwritten non-renounceable entitlement offer of 4 Convertible Unsecured Loan Securities (**CULS**) for every 7 ordinary shares WAN shareholders hold. The CULS are to be issued at \$5.20 per security (the **Entitlement Offer**). WAN also intends to conduct a fully underwritten general public offer of new WAN shares (the **Public Offer**) at \$5.20 per share in support of the Proposed Transaction. You will shortly receive the Entitlement Offer and Public Offer Prospectus, including a personalised application form.

Approximately two weeks after receiving the Prospectus, you will then receive the Notice of Meeting and Explanatory Memorandum for the EGM. If you are unable to attend the meeting you can vote by proxy.

Each document will contain clear instructions about what you need to do and when. It is advisable to wait until you receive these documents, so you need take no action now.

We have established a WAN shareholder information line to assist with any questions you may then have about the Proposed Transaction details, documents and voting procedure including proxy forms. You can call 1300 133 562 (within Australia) or +61 3 9415 4603 (outside Australia) between 6.00am



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and 5.00pm Perth time (9.00am to 8.00pm Sydney time¹), Monday to Friday during the Entitlement Offer Period or the Public Offer application period (as applicable). You can also access important information at the website established for the Proposed Transaction at www.sevenwestproposal.com.au.

Once you have received the documents, if you have any questions about how the Proposed Transaction fits with your personal investment circumstances, you should contact your stockbroker, accountant or other professional adviser.

Your Independent Directors consider that the Proposed Transaction represents an attractive opportunity to transform WAN into the pre-eminent media company in Australia, and encourage you to support the Proposed Transaction and commend the Offers to you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Doug Flynn', with a long horizontal flourish extending to the right.

Doug Flynn

Non Executive Independent Director

On behalf of the WAN Independent Board Committee

¹ From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.