

**Sale of Seven Media Group to West Australian Newspapers Holdings to create
new diversified media company, Seven West Media**

- **Seven Group Holdings to sell Seven Media Group to West Australian Newspapers Holdings Limited.**
- **Creation of Seven West Media, Australia's largest diversified media business, as Seven Media Group's media assets combine with The West's.**
- **Seven Group Holdings to become Seven West Media's largest shareholder with 29.6% of Seven West Media shares and \$250m Seven West Media Convertible Preference Shares (CPS).**
- **KKR¹ will have 12.6%² of Seven West Media shares.**
- **Seven Group Holdings net cash investment of approximately \$132m.**
- **Recognition of the market value of Seven Media Group at an attractive premium to Seven Group Holdings' current book value of approximately \$600 million³.**

21 February 2011 -- Seven Group Holdings Limited (SGH) today announced that it has reached an agreement with West Australian Newspapers Holdings Limited (WAN), to create Seven West Media (SWM). Seven West Media will be Australia's largest diversified media business. The proposed transaction would result in a media company with a leading presence in broadcast television, radio, newspaper publishing, magazine publishing and online.

Seven West Media will be formed by WAN acquiring 100% of SMG from SGH, for an Enterprise Value of approximately \$4.1 billion (the Proposed Transaction). Upon implementation of the Proposed Transaction, SGH will hold a 29.6%⁴ stake in SWM and \$250 million of SWM Convertible Preference Shares.

¹ KKR means funds affiliated with Kohlberg Kravis Roberts & Co. L.P. (such funds, KKR)

² Including mezzanine investors and members of management relating to SMG

³ As at 31 December, 2010

⁴ SGH shareholding on a non-diluted basis. i.e. Prior to any CPS conversion



SGH Group Chief Executive Mr. Peter Gammell today welcomed the announcement.

“A year ago we announced the merger of Seven Network and WesTrac Group to create Seven Group Holdings. This transaction to create SGH has delivered considerable shareholder value,” Mr. Gammell said.

“Today represents a logical next step. As a result of the transaction, Seven Group Holdings will be the largest shareholder in Seven West Media which will comprise two iconic Australian media assets, namely: Seven Network and the West Australian.”

The Executive Chairman of Seven Group Holdings, Mr. Kerry Stokes, said: “The media landscape is evolving rapidly. Today’s announcement provides a significant opportunity for shareholders to participate in this expanding sector. The proposed transaction to create Seven West Media brings together some of Australia’s best performing media businesses and their management teams. It is a positive step forward for The West and Seven Media Group, and I believe, for all shareholders in Seven Group Holdings and West Australian Newspapers Holdings.”

Proposed Transaction

Under the terms of the Proposed Transaction, SGH, which owns 45%⁵ of SMG, will initially buy out the interest of its joint venture partner, KKR, as well as the interests of management and mezzanine investors. WAN will subsequently acquire 100% of SMG from SGH, for an Enterprise Value of approximately \$4.1 billion. SWM will have FY11PF EBITDA of \$645 million (including associates) on revenue of \$1,967 million and Pro Forma leverage of 3.1x⁶.

Under the terms of the Proposed Transaction SGH will receive consideration of \$1,081 million in WAN shares, issued at a price of \$5.99 per share and \$250 million of CPS, for a total value of approximately \$1.3 billion. In addition, WAN will repay an existing \$650 million loan owed by SMG to SGH.

As part of the Proposed Transaction, SGH will not take up its entitlements under the WAN entitlement offer (announced by WAN today) and SGH will sell its existing 24.3% interest in WAN, subject to the Proposed Transaction being approved.

Shareholders may refer to the WAN prospectus (lodged with ASIC today) for further information on the transaction, including information on SMG.

⁵ Diluted shareholding, having regard to full future vesting of SMG’s Management Equity Plan

⁶ Pro Forma Net Debt at December 2010 / FY11PF EBITDA including Associates.

The Proposed Transaction is expected to result in a net profit after tax for SGH of approximately \$58 million⁷ and require a total net cash investment of approximately \$132 million⁸.

If not converted, the CPS issued to SGH are redeemable after five years at WAN's discretion. The CPS will be convertible into cash or fully paid WAN ordinary shares at \$6.67 per share but are subject to a non-conversion period, until the release of WAN's first half 2014 results (expected February 2014). The conversion rate increases at a rate of 7.143% per annum compounding semi-annually.

As a result of the Proposed Transaction, the current Chief Executive Officer of SMG, Mr. David Leckie, will be appointed Group Chief Executive Officer and Managing Director of Seven West Media. Mr. Leckie will leave the SGH Board following completion of the Proposed Transaction.

Structure of SGH Post Transaction

Following implementation of the Proposed Transaction, SGH's key assets will include:

- 29.6% of Seven West Media and \$250 million of CPS;
- 100% of WesTrac Group, the sole authorised Caterpillar dealer in Western Australia, New South Wales / Australian Capital Territory and the North East region of China;
- 66.2% of National Hire Limited, which in turn owns 46.1% of Coates Hire, the largest equipment hire business in Australia;
- 24.4% of Consolidated Media Holdings, which owns 25% of Foxtel and 50% of Premier Media Group;
- 100% of 4G broadband group vividwireless; and
- Listed portfolio and other existing Seven investments including 608.6 million shares in Agricultural Bank of China, worth \$300 million as at 31 December 2010

⁷ Assumes a SWM share price at of \$5.80 per share

⁸ After allowing for the proceeds received from the SGH sell down of existing WAN shares. Includes transaction costs



Media, Industrial Services and Investments

Transaction Timetable and Other Matters

The Proposed Transaction will need to be approved by WAN shareholders at an Extraordinary General Meeting (EGM) of WAN shareholders, which is scheduled for 11 April, 2011. SGH will not vote at the EGM. If the Proposed Transaction is approved by WAN shareholders, completion of the transaction is expected on 21 April, 2011.

The Proposed Transaction is conditional, among other things, on approval by the Australian Competition and Consumer Commission (ACCC).

J.P. Morgan is acting as financial adviser to SGH and Freehills is acting as legal adviser.

Disclaimer:

The numbers relating to the proposed transaction are a best estimate only, and final numbers are subject to completion of the transaction and associated issues arising under the definitive document and the prospectus to be issue by WAN in connection with the transaction.

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