

24 September 2018

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgment

Total Pages: 3 (including covering letter)

Dear Sir / Madam

Addresses to Meeting of TELYS4 Holders

Attached is a copy of the Chairman's and the Managing Director & Chief Executive Officer's Addresses to be made at the Meeting of TELYS4 holders commencing at 4.00pm today.

Yours faithfully



Warren Coatsworth
Company Secretary

Seven Group Holdings

Meeting of TELYS4 Holders – 24 September 2018

Chairman, Mr Kerry Stokes AC's, Address

The TELYS4 share price has not enjoyed the same re-rating as our ordinary shares and in fact prior to the proposed transaction traded at a 20 per cent discount to face value.

As a result, the Group was approached by TELYS4 shareholders to provide a potential liquidity event.

This was particularly relevant considering proposed amendments to the franking system that may limit the ability for self-managed superannuation funds and individuals to obtain cash refunds for excess franking credits if enacted.

We noted that when the proposed amendments were first announced in March the TELYS4 price dropped by 10%. Given the prospect for this tax reform being enacted, we proposed to convert the TELSY4 shares into a more liquid ordinary share which is less likely to be impacted by any change in law.

Today we are here as SGH is asking TELYS4 holders to vote on a proposed amendment to the terms of the TELYS4 shares based on a ratio which would have valued them at \$92.50 when we announced this proposal, or sell on market up to 50% of shares at a guaranteed value of at least \$88 per share.

The conversion price represented a 15% premium to the TELYS4 price at the time of the offer. There has also been the opportunity to receive more than the cash underwritten price as a result of an arbitrage opportunity which has seen the TELYS4 trade as high as \$103 post announcement and which I note more than 60 per cent of TELYS4 holders have taken advantage of; To place this into context, the TELYS4 shares have not traded above the conversion price since 2014.

The proposal also benefits both sets of shareholders, through EPS and cash flow accretion, an increase in free float by up to 4.4%, and greater index weighting in the ASX and potentially MSCI inclusion.

The proposal was subject to a TELYS4 shareholder vote which requires 75% of shares held by those who vote to support the amendments and is the critical matter before this meeting. And on that, I would like to invite Ryan Stokes to address you to outline the implications of the conversion proposal.

Thank you, Chairman.

We acknowledge that what is proposed has few if any precedents. Therefore, to support TELYS4 holders to make an informed decision, we obtained an independent expert's report from KPMG.

The expert concluded that the proposal was in the best interest of TELYS4 holders as:

- the implied conversion price and minimum cash price represented a significant premium to where the TELYS4 traded;
- to the extent that TELYS4 holders elect to receive cash they are provided with certainty;
- they will have the opportunity to participate in any capital gains associated with an investment in Ordinary Shares;
- they will participate in a more liquid market; and
- they will exchange a high yield instrument for a lower yield instrument (but which provides an opportunity to participate in capital growth).

If the vote is passed, all of your TELYS4 will be converted into Ordinary Shares resulting in you receiving 4.60645 Ordinary Shares for each TELYS4 you hold.

The benefit to SGH of a unified TELYS4 and ordinary capital structure is that it is expected to increase SGH's market capitalisation by approximately \$460 million, which would effectively increase the number of Ordinary Shares that can be freely traded by 4.4%. The increased free float increases the likelihood of SGH being included in the relevant ASX and MSCI indexes.

The Conversion Proposal will also generate a cash saving to SGH of approximately \$14.2 million per annum given the difference in current dividend rates between the TELYS4 and Ordinary Shares. As such, the Conversion Proposal, is expected to increase SGH's earnings per share and preserve franking credits compared to the current position.

It is also noted that independent proxy advisory firms CGI Glass Lewis and ISS recommended to support the proposed amendments and the Australian Shareholders Association has indicated that it will direct all its proxies in support of the amendment.