

# **PRESENTATION ON STRUCTURAL SEPARATION**

**January 2008**

**Michael King, CEO, MFS Limited**

**Rolf Krecklenberg, Managing Director, Stella Group**



## Agenda

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- Background and overview
- Separation proposal and entitlement offer
- Implementation and timetable



## Section 1

### Background and overview

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### MFS has been considering the structural separation of Stella and MFS Financial Services for some time

- Three years ago, MFS saw the opportunity to create an Australian travel and leisure business, embarking on a strategy to roll-up various travel businesses
- MFS always intended that MFS Financial Services and Stella would ultimately be separated, reflecting their different focus, capital structure requirements and business cycles of their respective markets
- As indicated in previous announcements to the market on 28 November 2007 and 3 December 2007, MFS has been considering a separation of Stella and MFS Financial Services businesses into standalone entities
- Following the conditional approach by City Pacific Limited (ASX:CIY) to acquire MFS' Financial Services business on 14 January 2008 and the subsequent query by the Australian Securities Exchange, MFS is pleased to confirm its intention to separate Stella and MFS Financial Services into two separately listed ASX companies

## Background and overview

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- It is expected that the separation will be achieved via a scheme of arrangement subject to both MFS shareholder and Court approval and that the process will be completed in Q2, 2008
- In conjunction with the separation, both Stella and MFS Financial Services will be recapitalised to reduce indebtedness and to achieve capital structures that are appropriate for the different markets and capital requirements of these respective businesses
- It is intended to fund the recapitalisations via an approximately \$550m renounceable entitlement offer of shares in Stella. The entitlement shares will be attractively priced to maximise participation by MFS shareholders on the register as at the record date
- It is anticipated that the entitlement offer will be fully underwritten
- MFS believes that the proposed separation and recapitalisations will act to crystallise the inherent value of both businesses and will deliver to shareholders two well capitalised companies each with different but attractive investment characteristics
- The separation will also enable MFS shareholders to retain all the benefits of ownership of both MFS Financial Services and Stella



## Section 2

### Separation proposal and entitlement offer

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## Separation proposal - details

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- MFS is proposing a structural separation of MFS Financial Services and Stella
  - the two businesses will operate as stand alone entities and will be separately listed on the ASX
  - MFS shareholders will hold shares in both MFS Financial Services and Stella
  - Michael King will continue as CEO of MFS Financial Services; Rolf Krecklenberg will continue as Managing Director of Stella
- The proposal will be implemented by way of scheme of arrangement requiring MFS shareholder and Court approval
- Further detail as to the mechanics of the transaction will be disclosed in due course

## Impact on MFS shareholders of the entitlement offer

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### **Shareholding impact**

- MFS shareholders will hold shares in MFS Financial Services and Stella
- Stella will also undertake an approximately \$550m renounceable entitlement offer to facilitate the recapitalisations. The entitlement shares will be attractively priced to maximise participation by MFS shareholders on the register as at the record date
- While some of the proceeds of the offer will be retained within Stella, the balance of the proceeds will be used to repay funds provided by MFS to Stella
- MFS recognises its obligations to MFSG holders and will address their interests as part of the separation proposal

### **Taxation impact**

- MFS will apply for Tax Rulings confirming the availability of tax rollover relief so that the structural separation of MFS Financial Services and Stella should not give rise to tax payable by MFS Financial Services, Stella or MFS shareholders



## Section 3

### Implementation and timetable

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## Key transaction implementation workstreams

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### Separation process

- Implementation via Court approved scheme of arrangement
  - scheme booklet to be prepared and lodged with ASIC
  - MFS shareholder approval
  - Court approval
- Shareholder approval required
  - 75% majority (by value)
  - 50% majority (by number)

### Taxation rulings

- Private Ruling to be obtained confirming the availability of taxation relief for MFS
- Class Ruling to be obtained confirming the availability of taxation relief for MFS shareholders

### Entitlement offer

- Prospectus for Stella entitlement offer will be included in scheme booklet

## Indicative timetable

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Transaction announcement	18 January 2008
Despatch of Scheme Booklet & Entitlement Offer Prospectus to Shareholders	Early to Mid March 2008
Shareholder meeting to vote on Scheme	Mid April 2008
Court hearing for approval of Scheme	Late April 2008
Expected date of listing of separated entity	Late April 2008

## Proposal from City Pacific

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- On 14 January 2008, MFS announced that it had received a conditional proposal from City Pacific to acquire MFS Financial Services in exchange for shares in City Pacific and the assumption of debt by City Pacific
- The separation does not preclude MFS from continuing to assess the combination of MFS Financial Services with City Pacific
- MFS continues to assess the proposal

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