



Heads of Agreement for Sale of Elders Insurance operations and share placement

Elders to realise substantial capital but retain long term exclusive insurance distribution partnership with QBE

Key Highlights

- **QBE will acquire 100% of Elders Insurance Limited (underwriting) and 75% of a Managing General Insurance Agency Joint Venture that will be responsible for the long term distribution of products sold through the Elders Rural Services Network for total cash consideration of approximately \$270 million**
- **QBE will also subscribe for 112.5 million Elders Limited shares (12.1% of the total share capital on a pro-forma basis) at 40c per share**
- **Consistent with Elders' capital management plans, total cash proceeds of approximately \$315 million will be used to strengthen Elders' balance sheet**
- **The deal is subject to a number of conditions, including confirmatory due diligence and regulatory approvals, and is expected to close by September 30, 2009**
- **The transaction maintains Elders' differentiated position with regards to its rural service offering and creates strong alignment between Elders and QBE**

Adelaide, 31 July 2009: Elders Limited ("Elders"; ASX: ELD) today announced that it has signed a Heads of Agreement (HoA) with QBE in respect of the sale of Elders Insurance business to QBE and a placement to QBE of 112.5 million Elders Limited shares at 40c per share.

As a result of the HoA, Elders will realise anticipated gross cash proceeds of \$315 million whilst retaining an ongoing interest in the exclusive distribution of insurance products within the Elders network.

The HoA also provides the basis for a strong long term relationship between the two organisations' complementary business operations, supported by QBE's commitment to become a significant shareholder in Elders. Signing of the Sale and Purchase Agreement is expected by 31 August 2009 and receipt of the full consideration by Elders on 30 September 2009. The share placement is expected to settle on or before 31 August 2009.

Sale of insurance operations

Key features of the HoA in respect of the acquisition of insurance operations include:

- QBE will acquire from Elders 100% of the shares in its underwriting (Elders Insurance Ltd; "EIL") and insurance agency operations (Elders Insurance Agencies Pty Ltd; "EIA")

- QBE and Elders to be, respectively, 75:25 shareholders in a Managing General Insurance Agency (Agency Joint Venture) to be responsible for the long term distribution of products through the Elders Rural Services Network.

In doing so, the Agency Joint Venture will acquire distribution rights currently held by the Elders Rural Services Network. All insurance franchisees operating within the Elders Rural Services network will become part of the Agency Joint Venture.

- The Agency Joint Venture is to hold exclusive distribution rights for insurance products through the Elders Rural Services Network for a period of at least 20 years.
- Elders to hold an option to repurchase a further 25% of the Agency Joint Venture exercisable no later than 15 days after production of the 31 December 2010, 2011 and 2012, audited accounts at a price to be determined under an agreed formula.
- QBE to pay consideration of approximately \$270 million. The Share Purchase Agreement is scheduled to be finalised by 31 August 2009 and settlement anticipated by 30 September 2009.
- Conditions precedent include regulatory and other relevant approvals; completion of due diligence, and approval of the final agreement by the QBE and Elders Limited boards.

The acquired business will continue to trade under the Elders brand post-acquisition. Mr Tim Plant, currently Managing Director of Elders Financial Services, will be appointed Managing Director, Elders Insurance and Elders Agency business.

Elders Chief Executive Malcolm Jackman said that the ownership and agency structure proposed in the HoA aligned the interests of both parties in the development of the insurance operations and retained the exceptional value and goodwill of the Elders brand within rural and regional Australia.

“For Elders Insurance policy-holders it will be ‘business as usual’. Our clients are unaffected by the change in ownership. They can take confidence from the knowledge that the insurance coverage remains secure and is now backed by one of Australia’s largest insurers.

“From Elders’ perspective, our shareholding within the Agency Joint Venture means we have strong commercial incentive for its ongoing success. I think the commitment by both parties to a 20 year exclusivity period evidences the value that both parties see in the partnership” said Malcolm Jackman.

Equity investment

QBE is to subscribe to a placement of 112.5 million Elders Limited shares at a price of \$0.40 cents per share. The placement represents 12.1% of Elders issued share capital (on a pro-forma basis).

The placement will increase QBE’s interest in Elders to 12.5%.

“The terms agreed for both the sale of the insurance operations and the share placement recognise the value of the Elders Rural Services distribution network” said Malcolm Jackman.

Elders Chairman Stephen Gerlach said “The Board welcomes QBE’s intention to become a substantial and major shareholder of the Company.

“We recognise that the Heads of Agreement propose a material increase in QBE’s shareholding and commercial relationship with Elders. We think this is an arrangement which holds great promise for both companies and are determined this potential be translated into value for all shareholders.”

Malcolm Jackman said the HoA followed a long history of commercial co-operation between the two organisations with QBE being a provider of underwriting and reinsurance to Elders insurance operations. QBE is also an existing shareholder in Elders, with its shareholdings in the Company dating to 2001.

“For Elders’ shareholders, clients and other stakeholders, the Heads of Agreement presents an unambiguously positive outcome” said Malcolm Jackman.

“We have been able to realise the value Elders have built into its insurance operations through the transfer of ownership at a price which recognises the potential of the business and the leverage that QBE as a leading insurer can achieve.

“Our clients will continue to have their insurance needs met through the Elders network.

“Our balance sheet will be strengthened considerably, which will reinforce our ongoing service delivery to rural and regional Australia and Elders’ investment appeal.

“We are delighted that QBE is seeking to increase its investment in Elders and look forward to their support as we continue through our refinance and recapitalisation program.

“Today’s announcement, and the completion of the transaction in September, represent a major advance in that program and the reduction of debt to desirable levels. We look forward to completing further milestones in the coming months, including confirmation of final agreement and details on 31 August” Malcolm Jackman said.

Further Comment:

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Elders is being advised by Caliburn Partnership.