9 October 2009

Company Announcements
Australian Securities Exchange

Elders announces decision on participation in FEA capital raising

- **Elders to not participate in FEA capital raising**
- **Non-participation to dilute shareholding from 31.1% to approximately 13.5%**
- **Dilution to result in non-cash writedown to carrying value of FEA shareholding**
- **Non-recurring charge to reduce forecast net profit after tax to 30 Sept 2009 by $32.2m**
- **Underlying profit unaffected**
- **FY10 Prospectus forecasts not materially affected**
- **Consistent with strategy of focusing on rebuilding the Elders brand and network**

Elders Limited (ASX:ELD) today announced that it will not be participating in the capital raising announced by Forest Enterprises Australia (FEA) on 16 September 2009 (FEA Capital Raising). Elders holds a 31.1% equity interest in FEA through its wholly owned subsidiary, ITC Limited (ITC).

The decision to not participate in the FEA raising reflects Elders' corporate strategy announced in the Agenda for Change of adopting an owner-operator and cash generating focus and concentrating its capital and resources on the rebuilding of the Company around the Elders brand and network.

As a result of not participating in the FEA Capital Raising, Elders' FEA interest will be diluted from 31.1% to approximately 13.5%.

The combination of this dilution and the increase in FEA's assets through the FEA Capital Raising will require Elders to book a non-cash write down of approximately $32.2 million to the carrying value of its shareholding in FEA. This write down is required because Elders' shareholding in FEA is valued in Elders' balance sheet at its net tangible asset value net of grower loans.

This write down will be brought to account as a non-recurring item in the three months ended 30 September 2009. The write down will reduce Elders' forecast net profit after tax for the three months ended 30 September 2009.

The write down will not affect forecast underlying net profit after tax for that period as disclosed in Elders' prospectus dated 4 September 2009. As noted in the prospectus, Elders considers that its underlying profit is a better reflection of its operating position.

Further, the non-participation in the FEA Capital Raising will not materially affect either net profit after tax or underlying net profit after tax for the year ending 30 September 2010. Elders' expectations for profit in 2010 remain as forecast in the prospectus.

Accordingly, Elders believes that non-participation in the FEA Capital Raising will have an immaterial effect on its underlying financial position or performance.

The financial impacts described above are summarised as follows:

- Balance sheet:
    - $32.2 million reduction to Investments in joint ventures & associates, total assets and total equity
    - No cash impact
- Profit and Loss for three months ended 30 September 2009:
    - Underlying EBIT and Net Profit after Tax unaffected
    - $32.2 million non-recurring charge
    - $32.2 million reduction to Reported EBIT, and Net Profit after tax
- Forecast profit and loss for to the year ending 30 September 2010:
    - No material impact (based on the assumptions in the prospectus)

As at the date of this announcement, Elders has sold 89,222,056 rights in the entitlement offer component of the FEA Capital Raising on market for gross proceeds of approximately $125,000.

Directors maintain their unanimous recommendation that Shareholders vote in favour of the Conditional Placement and SPP at the forthcoming EGM, to be held at 10.00am (Adelaide time) on Thursday, 15 October 2009 at Hall A, Adelaide Convention Centre, North Terrace, Adelaide, South Australia.

Further Comment:

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