



ASX Release

IOOF Holdings and Australian Wealth Management will merge to create

- **a leading financial services company**
- **over \$88 billion under management, administration, advice and supervision**
- **operations spanning the entire wealth management value chain**

Merger highlights

- IOOF Holdings Limited (“IOOF”) will issue Australian Wealth Management (“AWM”) shareholders with 1 IOOF share for every 3.73 AWM shares
- Enhanced distribution network with over 580 aligned financial advisers nationwide
- Merged group will have over \$88 billion of funds under management, administration, advice and supervision
- Merged group will have substantial net cash and a market capitalisation, based on current prices, of approximately \$700m
- Expected to generate post tax cost synergies of \$20 million per annum in the first 12 months post merger
- Substantial EPS accretion in the first 12 months post merger
- Unanimously recommended by the Boards of IOOF and AWM
- Merged group to be owned approximately 30% by IOOF shareholders and 70% by AWM shareholders
- IOOF Chairman, Ian Blair will be Chairman of the merged group. AWM Managing Director, Chris Kelaher will be Managing Director and Chief Executive Officer of the merged group
- The holding company of the merged group would be IOOF Holdings Limited with head office located in Melbourne

Overview

IOOF Holdings Limited (“IOOF”) and Australian Wealth Management Limited (“AWM”) today announced they have signed an Implementation Deed to effect the merger of their two companies. Under the terms of the Implementation Deed, IOOF will issue AWM shareholders 1 IOOF share for every 3.73 AWM shares.

The merger will be implemented by way of a Scheme of Arrangement between AWM and its shareholders which will be voted upon by AWM shareholders at a meeting expected to be held in March 2009.

IOOF Chairman, Ian Blair said: “We are delighted to announce this merger. The rationale for combining these two organisations is compelling. It will deliver substantial EPS accretion for both IOOF and AWM shareholders. Importantly too, the experience of IOOF and AWM customers will be enhanced.”



AWM Chairman, John Warburton said: “This proposed merger represents a unique opportunity to combine two highly complementary businesses. In a difficult operating environment for wealth managers, we expect that the transaction will realise immediate value for both sets of shareholders and put the merged group in a very strong market position.”

Merger rationale

The transaction provides:

- improved industry position and scale benefits in key areas where scale matters:
 - distribution
 - administration platforms (\$19 billion of assets)
- combined portfolio of highly complementary and successful brands in financial advice, distribution, administration and investment management;
- enhanced financial size and capacity to pursue a wider range of growth opportunities;
- revenue growth opportunities from an enhanced distribution network and broader product offering, including potential fund flow to Perennial Asset Management;
- expected post tax cost synergies of \$20 million per annum in the first year post merger from rationalisation of corporate head offices, increased scale and cost savings in duplicated support infrastructure; and
- substantial EPS accretion for all shareholders commencing in the first year post merger

Board and Management

The Board of the merged group will be Chaired by IOOF Chairman, Ian Blair, and will include three additional Directors from the Board of IOOF and three Directors from the Board of AWM including Chris Kelaher, Managing Director of AWM, who will succeed the current IOOF Managing Director, Tony Robinson as Managing Director and Chief Executive Officer of the combined group.

Other senior management and staff positions will be drawn from the two organisations, based on merit.

Tony Robinson said: “The merger brings together two teams that have both demonstrated strong capabilities. Together, the group will have the capacity to provide greater benefits for all key stakeholders, including advisers, clients and customers and shareholders.

Chris Kelaher said: “Going forward the merged group will benefit significantly from a broader distribution network and product offering. We are very confident that the combination of these two successful businesses will deliver material benefits.”

Strategy of the merged group

The merged group will be a leading manufacturer and distributor of products across the wealth management value chain. The merged group will:



- seek to build on its vertically integrated business model;
- leverage benefits of government legislated superannuation growth;
- focus on improving operating cost efficiencies through the rationalisation of duplicated services across the business;
- not change existing customer relationships;
- look to continue to grow the distribution network; and
- seek value creating acquisitions in a rapidly consolidating sector.

Transaction details

A copy of the Merger Implementation Deed is attached to this release.

The merger is subject to a number of conditions including a three week period of mutual confirmatory due diligence, regulatory approvals, Court approvals and AWM shareholder approval as set out in the Implementation Deed.

As the expected implementation date of the merger is in late March or early April 2009, both companies have resolved to pay their first half year dividend for the 2009 financial year before the implementation date.

A Scheme Booklet, setting out the terms for the merger, and including an Independent Expert's Report and the reasons for AWM Directors' recommendation is expected to be sent to all AWM shareholders in February 2009. A meeting of AWM shareholders to approve the Scheme is expected to be held in March 2009. It is anticipated that scrip-for-scrip capital gains tax rollover relief will be available to AWM shareholders.

The Implementation Deed includes a commitment by each party not to solicit alternative transactions to the merger. Each party has agreed to pay a break fee to the other party of \$3 million under certain circumstances.

AWM has appointed Deutsche Bank as its financial adviser and Blake Dawson as legal adviser.

IOOF has appointed Gresham Partners as its financial adviser and Mallesons Stephen Jaques as legal adviser.

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