RESULTS
1H FY2016

AUB GROUP

THE GROUP'S STRATEGIC GOAL

To be the leading provider of risk management, advice and solutions to clients.

ROUTE TO MARKET

BROKERS

INSURERS

CLIENTS

PERFORMANCE SUMMARY 1HY16

Delivering growth in a challenging market .

REPORTED NPAT GROWTH. Including after tax profit on sale of Strathearn	Up 72%
ADJUSTED NPAT GROWTH.	Up 3.5%
DIVIDEND MAINTAINED. Fully franked	12c
DIVERSIFICATION. 27% of earnings outside Australian broking	↑ To 27%
GROUP REVENUE INCREASED. Increase of 8% over 1HY15 to $105.9M	Up 8%
GROUP COSTS (EX-STI).	Down 1.5%

- Pleased with the group’s development and growth over the first half despite a continued challenging insurance market.
- Benefits of income diversification clearly demonstrated.
- Period saw disciplined adherence to the groups 3 main priorities:
  - Adherence to proven business model – owner:driver e.g. planned sell down of equity for Runacres having bought 100%;
  - Adherence to operating model – providing relevant services at cost to partner businesses to help drive performance;
  - Adherence to the Group strategy – ‘total risk solutions for clients’ ensuring focus on long term customer support.

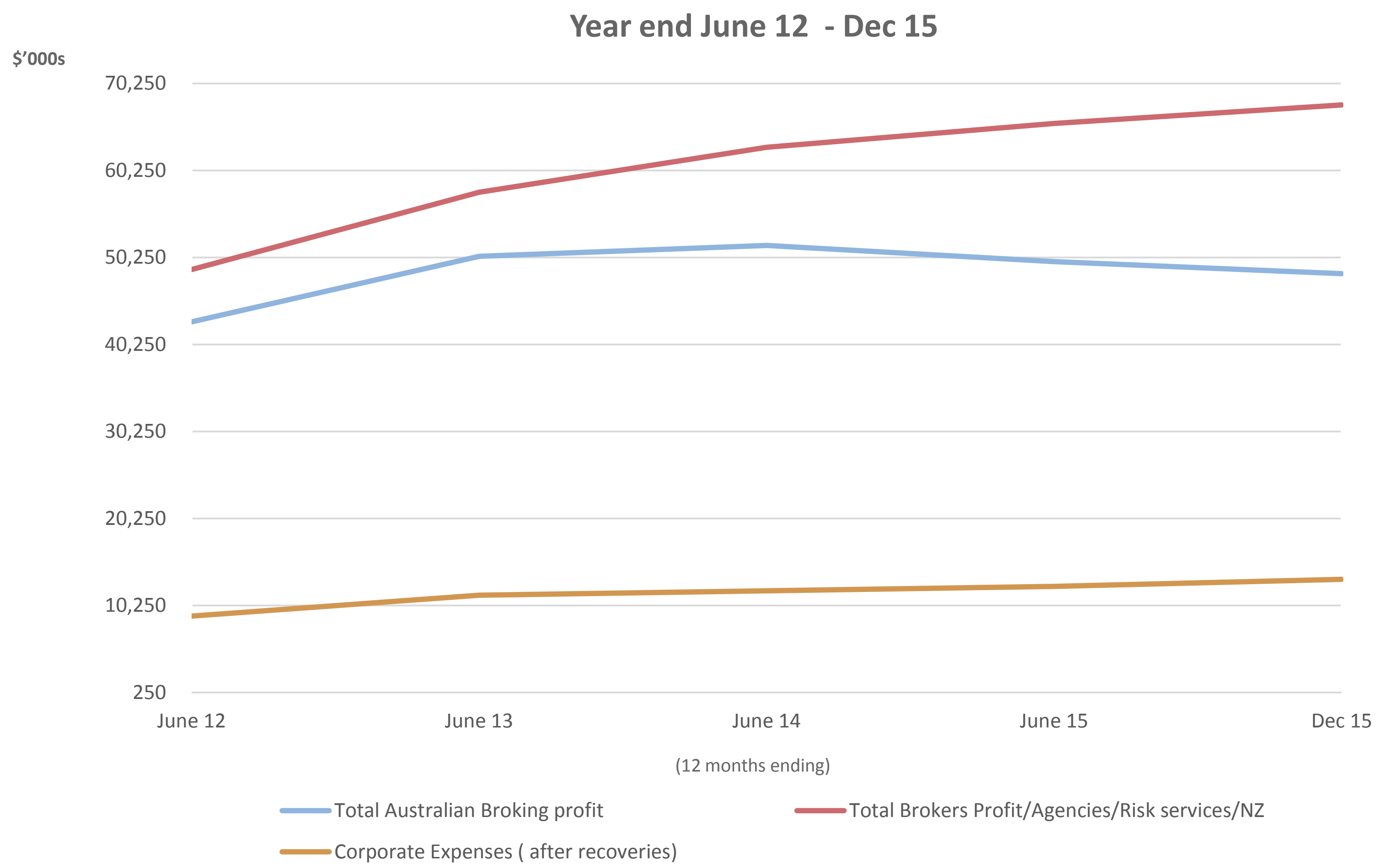
BUSINESS HIGHLIGHTS 1H FY16

Delivering growth in a challenging market.

INSURANCE BROKING. - Australia	• Continued to build customer and policy numbers despite challenging market. • Rate of premium rate decline in market less than prior comparable period. • Income held flat despite premium rate reduction & lower interest income; good evidence of expense control across broking entities. • Acquisition activity continued within period with 1 standalone and bolt-ons. • Businesses performing ahead of plan.
- New Zealand	• Consolidated position as 3rd largest broking entity in NZ with strong growth ambitions. • Acquisition undertaken in both standalone and bolt-ons.
UNDERWRITING AGENCIES.	• Despite challenging market environment, income, customer and policy numbers increased. • Disciplined underwriting ensuring leading combined ratio across the Underwriting business area and pleasing loss ratio performance. • Ongoing development of existing businesses and central services providing a solid platform for the future.
RISK SERVICES.	• Acquisition activity continued within first half, both on a standalone and a bolt on basis. • Investments delivering according to plan and strategic objectives. • Traction between Risk Services capabilities and broking entities gaining – supports our strategic objective of providing total risk solution for clients.
GROUP SERVICES.	• New support services introduced: HR, legal. • Increasing usage of AUB Datacentre to drive efficiency and improve security. • Successful implementation of new product builds. • Strengthening of AIMS JV.

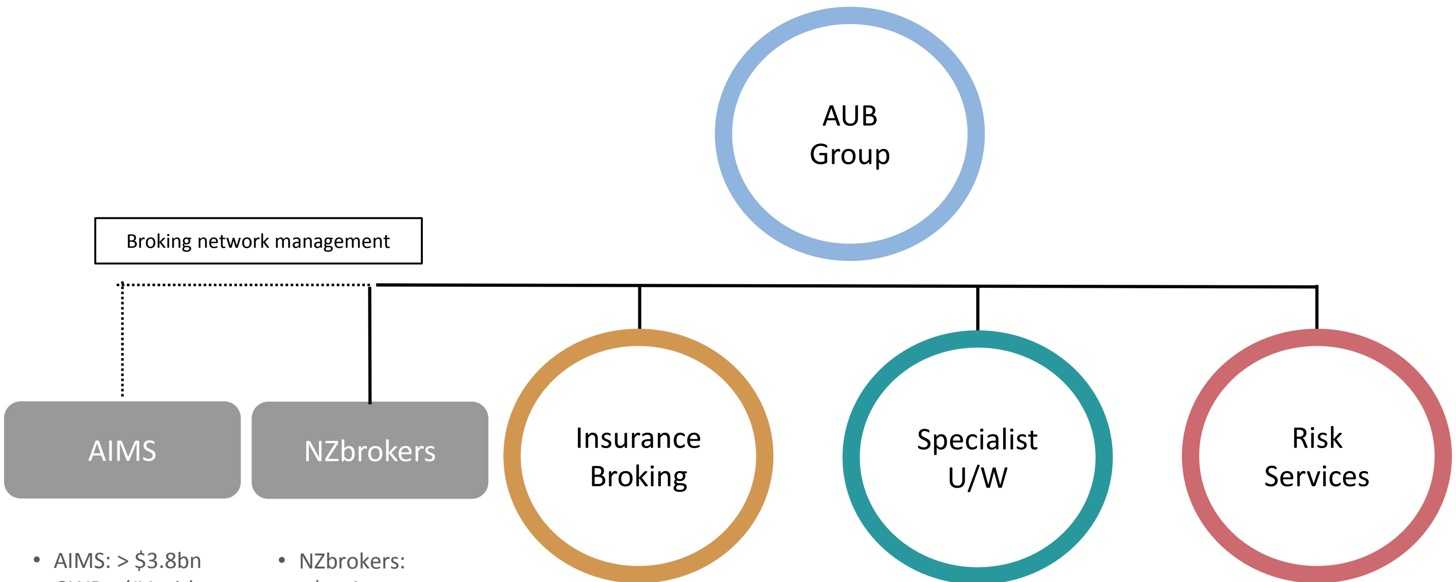
BENEFITS OF GROUP STRATEGY DELIVERING

Income generated from non Australian broking supporting growth.



GROUP STRUCTURE SUPPORTS STRATEGY

Fully integrated structure facilitates growth.



AIMS
- AIMS: > $3.8bn GWP (JV with leading broking cluster in Australia - IBNA

NZbrokers
- NZbrokers: >$0.5bn GWP: New Zealand's largest cluster group

Insurance Broking
- 50+ broking groups
- Largest equity-based broking group in AUS and NZ
- >$2.6bn in gross written premium

Specialist U/W
- 21 agency groups
- 50+ specialised product lines
- $300m in gross written premium

Risk Services
- 4 leading group/businesses
- Specialist risk advice and consultancy
- Complementary risk products and services

GROUP SERVICES: TECHNOLOGY; BUSINESS SUPPORT; MARKETING

GROUP FUNCTIONS: FINANCE, INVESTOR RELATIONS; RISK & COMPLIANCE

FINANCIAL PERFORMANCE

KEY RESULTS

Growth in challenging market.

- Reported NPAT increased to $23.8m up 72% on 1HY15, including $6.3m after tax profit on sale of associates.
- Adjusted NPAT increased 3.5% to $12.9m.
- Strong EPS growth, with 10 cps contribution from sale of Strathearn.
- Interim dividend per share of 12 cents.
- Costs down 1.5% before impact of Short Term Incentive (STI).

	1HY16	1HY15	VARIANCE
REVENUE FROM ORDINARY ACTIVITIES ($000S)	105,938	97,691	8.4%
ADJUSTED NPAT ($000S)	12,885	12,447	3.5%
REPORTED NPAT ($000S)	23,788	13,853	72%
EPS (ADJUSTED/REPORTED)			
- REPORTED (CENTS)	38.00	22.82	67%
- ADJUSTED (CENTS)	20.58	20.51	0.4%
DIVIDENDS PER SHARE (CENTS)	12.0	12.0	-

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REPORTED NPAT

	1HY16 $'000	1HY15 $'000	INCREASE %
Revenue from ordinary activities[1, 2]	105,938	97,691	8.4%
Expenses from ordinary activities[2]	(89,623)	(81,599)	9.8%
	16,315	16,092	1.4%
Net profit before tax on sale of interests in associates, portfolios and controlled entities	9,122	-	
Adjustment to the carrying value of associates and contingent consideration adjustments (before income tax)	6,313	3,525	79.1%
Profit before tax	31,750	19,617	61.8%
Income tax expense	(5,187)	(2,956)	75.5%
Net profit	26,563	16,661	59.4%
Profit attributable to non controlling interests	(2,775)	(2,808)	(1.2)%
Net profit attributable to members	23,788	13,853	71.7%

1 Revenue from ordinary activities includes the Group's share of net profit after tax from associates which are companies and the Group's share of net profits before tax from associates which are unit trusts.

2 During the period one former controlled entity became an associate and as a result their revenue and expenses are no longer included in those line items and their share of after tax profits are included in revenue.

ADJUSTED NPAT[1]

Reconciliation.

	1HY16 $'000	1HY15 $'000	INCREASE %
Net Profit after tax attributable to equity holders of the parent	23,788	13,853	71.7%
Reconciling items net of tax and non controlling interest adjustments for:			
Reduction in contingent consideration for acquisitions of controlled entities and associates[2]	(1,691)	-	-
Add back offsetting impairment charge to the carrying value of associates and goodwill related to the above[2]	1,691	-	-
Adjustment to carrying value of controlled entity (to fair value) on the date it was deconsolidated and became an associate[3]	(6,504)	-	-
Adjustment to carrying value of associates (to fair value) on date they became controlled[3]	-	(3,525)	-
Less profit on sale of interests in associates[4]	(6,318)	-	-
Net Profit from operations	10,966	10,328	6.2%
Add back amortisation of intangibles net of tax[5]	1,919	2,119	(9.4)%
Adjusted NPAT	12,885	12,447	3.5%

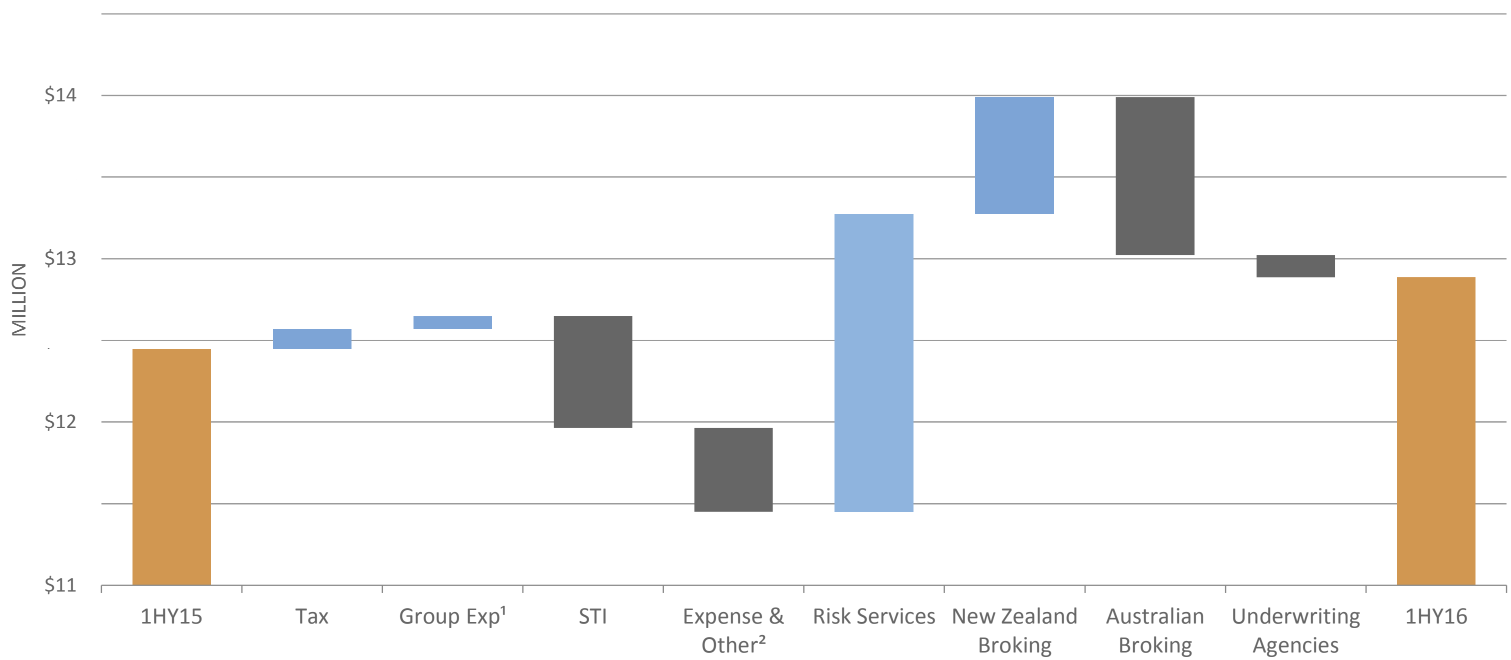
1 The financial information in this table has been derived from the audited financial statements. The adjusted NPAT is non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.
2 The Group's acquisition policy is to defer a component of the purchase price, which is determined by future financial results. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change, or payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate or payment is reduced, an offsetting adjustment (impairment) is made to the carrying value.
3 The adjustments to carrying values of associates or controlled entities arise where the Group increases its equity in associates whereupon they became controlled entities or decreases its equity in a controlled entity and it becomes an associate (deconsolidated). As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in net profit. Such adjustments will only occur in future if further acquisitions or sales of this type are made.
4 During the period the Group sold its entire shareholdings in one associate and sold part of its shareholding in another, resulting in profits on sale. These may not occur in a future periods unless similar transactions occur.
5 Amortisation of intangibles expense decreased over last year due to some intangible assets now being fully amortised. The expense is a non-cash item.

AUB GROUP PROFIT CONTRIBUTION ANALYSIS

Benefits of group diversification delivering.

Strong growth contribution from Risk Services and New Zealand demonstrates benefits of strategy and resultant income diversification. Group expenses decreased on 'like for like' basis (i.e. net of STI provision).

Profit Contribution to AUB Group (after tax and non-controlling interests)



	1HY15	Tax	Group Exp[1]	STI	Expense & Other[2]	Risk Services	New Zealand Broking	Australian Broking	Underwriting Agencies	1HY16
After tax $000s	12,447	126	75	(685)	(513)	1,825	715	(967)	(138)	12,885

Sub total 1, 123
Corporate costs net of income

Sub total (251)
Broking

Notes:
1 Group expenses excluding STI provision
2 Acquisition costs, financing costs net of other income

INSURANCE BROKING - AUSTRALIA

Stable income and tight cost management.

- Broker total income down 0.7% and expenses up 0.6% resulting in 4.7% profit reduction (before non-controlling interests).
- Key drivers of reduction - premium rate reductions and lower interest rate.
- Good growth in life income as brokers expand client value propositions and bolt on life acquisitions.
- Premium funding income stable due to increased penetration, despite reduction in premiums.
- Client numbers have increased by 1% over 1HY15, assisted by acquisition and client retention strategies.
- Excluding impact of stand alone acquisitions and divestments underlying profit reduced only 2.4% (before non-controlling interests), in context of premium rate reductions of circa 6% and margins were stable at 24.6% (vs 1HY15).

Profit contribution to AUB Group – Pre tax	1HY16	1HY15	VAR	TOTAL
Commission and fee income (net)	121,642	122,182	(540)	(0.4)%
Life income	6,786	6,025	761	12.6%
Profit commissions	-	224	(224)	N/a
Premium funding	12,748	12,872	(124)	(1.0)%
Interest	3,752	4,777	(1,025)	(21.5%)
Other income	3,284	3,160	124	3.9%
Total income	148,212	149,240	(1,028)	(0.7)%
Expenses	(112,951)	(112,256)	(695)	0.6%
Profit before tax	35,261	36,984	(1,723)	(4.7%)
Non-controlling interests	(16,261)	(16,604)	343	2.0%
Net profit before tax attributable to equity holders of parent entity	19,000	20,380	(1,380)	(6.7)%

INSURANCE BROKING – NEW ZEALAND

Performing ahead of expectations.

- Pre-tax profit contribution to AUB Group of $0.6m ($0.5m loss in 1HY15, due to acquisition costs). Before non-controlling interests profit increased $1.0m ($0.6m loss in 1HY15).
- Benefits from merger of two largest cluster groups in New Zealand to create the third largest broking entity by premium in the New Zealand market – NZbrokers.
- Premium rate environment challenging, similar to Australia.
- Acquired Runacres & Associates, a NZ Insurance Broker of the year, through 80% owned AUB Group NZ (effective 1st January 2016), which will contribute to second half earnings. Bolt on acquisitions continuing in 50% owned associate, BrokerWeb Risk Services.
- Progressing similar strategy to Australian Broking, expanding by acquisition and organic growth through executing the Total Risk Solutions strategy to clients and expanding premium funding, risk services and underwriting agencies.
- New Zealand management and infrastructure established.

UNDERWRITING AGENCIES

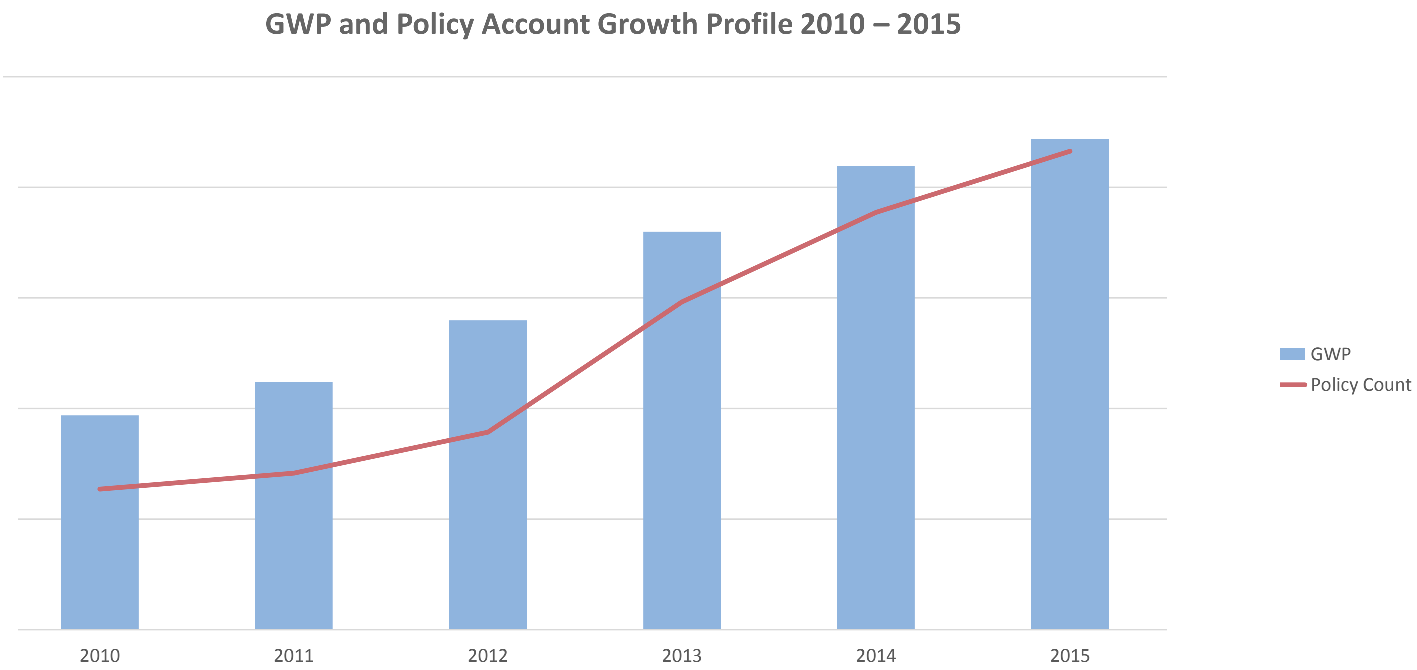
Strong policy growth and profit commissions in competitive market.

- Net profit contribution to AUB Group of $3.6m, down 5.2% on pcp.
- Total income growth up 7.7% (pcp) with strong policy growth offset by reductions in average premiums; and increased profit commissions underpinned by consistent delivery of good underwriting outcomes.
- Expense growth reflects planned investment in supporting infrastructure and management, upfront costs in developing new agencies, and one off expenses in rebranding.

Profit contribution to AUB Group – Pre-tax	1HY16	1HY15	VAR	TOTAL
Commission and fee income (net of sub agents)	21,583	20,556	1,027	5.0%
Interest	316	386	(70)	(18.1%)
Claims handling fee	373	300	73	24.3%
Profit commissions	1,668	1,058	610	57.7%
Other	176	93	83	89.2%
Total income	24,116	22,393	1,723	7.7%
Expenses	(19,366)	(17,109)	(2,257)	13.2%
Profit before tax	4,750	5,284	(534)	(10.1%)
Non-controlling interests	(1,160)	(1,497)	337	22.5%
Net profit before tax attributable to equity holders of parent entity	3,590	3,787	(197)	(5.2%)

UNDERWRITING AGENCIES

Strong policy growth and profit commissions in competitive market.



- Growth in GWP now circa $300m across underwriting agencies driven primarily by start-up investments and organic growth.
- Good growth in policy count over time: 2.5x GWP increase.
- Average premiums impacted by premium rates and product mix.
- Given growth dynamics, discipline in loss ratio management delivering Combined Operating Ratios at industry leading levels.

RISK SERVICES

Growing profit and capability.

- Market has strong growth prospects across workers' compensation, injury management and ancillary risk management activities and is less impacted by the insurance cycle.
- AUB Group has acquired 4 stand alone businesses since February 2014 under the 'owner:driver' model, totalling $31m initial acquisition payments to 31st December 2015.
- $3.2m pre-tax profit contribution to AUB Group from Risk Services, up $2.6m on the prior comparable period, with the inclusion of Allied Health and Altius for the full period.
- Risk Services business continues to deliver strong margins and double digit revenue growth[1] driven by expanding insurer relationships, a broadening geographic footprint and continued quality return to work outcomes.
- Complementary products and services provide value to clients and our partners, the value of which will emerge in increased revenue from clients and flows between risk services and broking businesses.
- AUB Group adds value to these businesses via its broker network, group services and insurer relationships.

1 Based on consistent ownership of risk services businesses for the period

BALANCE SHEET & FUNDING

Balance sheet remains strong, with increased facility for acquisitions.

Group balance sheet:

- Investments (the aggregate of Investments in Associates and Intangible Assets and Goodwill) have increased by $14.5m due to acquisitions in the current half year, changes in shareholdings and carrying value adjustments, net of disposals.
- Gearing increased on funding of NZ acquisition. Net gearing (i.e. net of surplus cash held in Corporate) stable at 17.5%.
- Total consolidated entities debt increased to $88.6m (including subsidiaries which have separate facilities).
- Borrowing by associates at 31st December 2015 not on AUB Group balance sheet $41.8m ($43.9m at 30th June 2015).

Parent entity funding position:

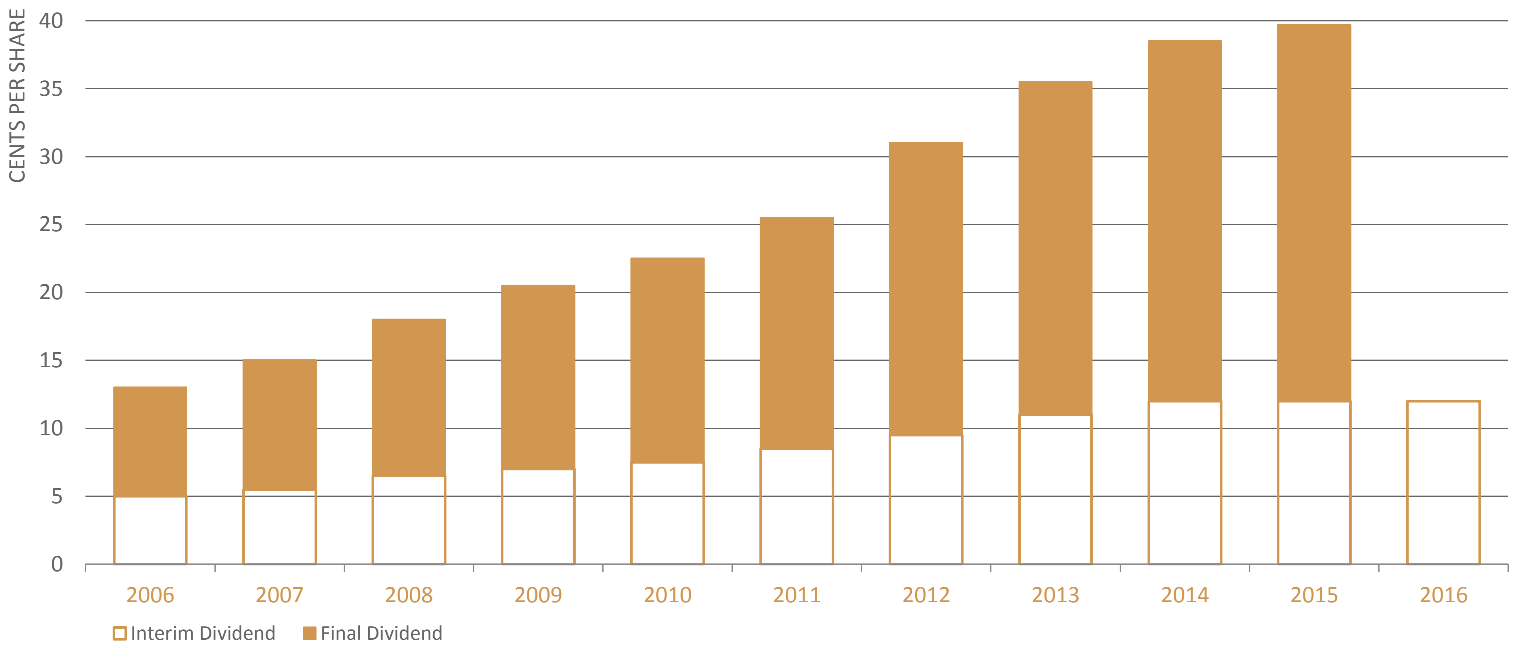
- Parent entity debt facility increased by $29m, to $79.45m and terms extended to November 2018. Improved rates on debt and cash.
- Cash and undrawn facilities total $36.7m at 31st December 2015.
- As at 31st December 2015, $26.7m committed to future earn out payments over next 12 months which will largely be funded from operating cashflow.

BALANCE SHEET ($M)	31/12/15	30/06/15
CASH	50.9	50.5
CASH - TRUST	91.7	105.5
INTEREST BEARING LOANS AND BORROWINGS	88.6	66.1
INVESTMENT IN ASSOCIATES[1]	131.4	141.7
INTANGIBLE ASSESTS AND GOODWILL[1]	224.6	199.8
TOTAL ASSETS	652.2	675.0
TOTAL LIABILITIES	315.0	363.7
EQUITY	337.5	311.3
GEARING (DEBT TO DEBT + EQUITY)	20.8%	17.3%
INTEREST COVER (EBITA)[2]	9.0x	13.0x

[1] Deconsolidation of certain entities has decreased investment in associates and increased intangible assets and goodwill
[2] Interest cover is finance expense to EBITA (times). EBITA is calculated based Adjusted NPAT plus reported finance charges and adjusted for tax at 30%.

DIVIDENDS PER SHARE

- Interim dividend per share of 12 cents, consistent with prior years.
- DRP remains in place for interim dividend and will not be underwritten.



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FY16 OUTLOOK

- The commercial lines insurance market outlook remains challenging, and while premium rates were expected to stabilise over FY16 in Australia and New Zealand, the last six months have continued to deteriorate, albeit at lower single digit declines. In Australia and New Zealand, premium growth is unlikely before late FY16 although the activities undertaken to offset the impact on commission income are forecast to continue.
- Drivers of revenue in Risk Services remain positive and are not impacted by the soft insurance cycle.
- We will continue to build on the strength of our business strategy, our core ‘owner:driver’ business model and to optimise our Group operating model to be the leading Insurance Broking, Specialist Underwriting and Risk Services group. As our products and services mix continues to expand, this will enable growth across our business divisions building value for our partners and for our clients in Australia and New Zealand.
- Over the remainder of FY16, the Group expects continued organic growth, supplemented by executing relevant acquisition and start-up investment opportunities in Australia and New Zealand across Insurance Broking, Underwriting Agencies and Risk Services.
- Given the current economic and premium rate environment, which remains below where we anticipated, we expect growth in Adjusted NPAT for FY16 of 0% - 5% over FY15, however this could be affected positively or negatively by future economic conditions and premium rates.

DISCLAIMER

This release may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of AUB Group Limited to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither AUB Group nor any other person warrants that these forward looking statements relating to future matters will occur.

APPENDICES

APPENDIX 1 – HY16 RESULTS:

Management presentation.

Adjusted NPAT profit analysis – 100% ownership view	1HY16 $'000	1HY15 $'000	VARIANCE $'000	VARIANCE %
BROKER OPERATIONS				
Commission And Fees	121,642	122,182	(540)	(0.4)%
Life Income	6,786	6,025	761	12.6%
Profit Commissions	-	224	(224)	N/a
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Expenses	(112,951)	(112,256)	(695)	0.6%
Profit from Australian Broking Operations	35,261	36,984	(1,723)	(4.7)%
Profit from Underwriting Agencies	4,750	5,284	(534)	(10.1)%
Profit from Risk Services	5,595	1,161	4,434	381.9%
Profit from New Zealand Broking Operations	1,020	(565)	1,585	N/a
Profit before tax, corporate expenses and amortisation of intangibles	46,626	42,864	3,762	8.8%
Profit attributable to non-controlling interests	20,277	18,566	1,711	9.2%
Profit before tax, corporate office expenses and amortisation of intangibles (attributable to equity holders of parent entity)	26,349	24,298	2,051	8.4%
CORPORATE OFFICE				
Income[1]	876	945	(69)	(7.3)%
Corporate expenses[1]	(7,165)	(6,293)	(872)	13.9%
Acquisition expenses	(381)	(128)	(253)	197.7%
Corporate finance expenses	(1,547)	(1,136)	(411)	36.2%
Net corporate office expenses	(8,217)	(6,612)	(1,605)	24.3%
Profit before tax and amortisation of intangibles	18,132	17,686	446	2.5%
Income Tax	(5,247)	(5,239)	(8)	0.2%
Net profit after tax and before amortisation of intangibles	12,885	12,447	438	3.5%

1 Network management fee recoveries have been offset against the relevant costs they offset, rather than included in income. Prior half year results have been re-stated on a consistent basis.

APPENDIX 2 – CASH FLOW:

	1HY16 $'000	1HY15 $'000
Cash flows from operations	13,130	14,967
Cash flows from investing activities		
Acquisitions[1]	(14,166)	(20,978)
Prepayment for acquisition of controlled entity	(33,974)	-
Proceeds from disposal of associates	28,930	-
Cash out flow from Deconsolidation of controlled entity	(10,539)	-
Sales proceeds / loan repayments	2,424	(159)
Plant equipment / other	(3,298)	(814)
	(30,623)	(21,951)
Cash flows from financing activities		
Dividends	(10,576)	(10,429)
Proceeds from share capital & DRP	-	7,205
Net borrowings	23,702	5,634
Payments for deferred settlements	(3,930)	(1,491)
	9,196	919
Net increase in cash ex broker trust account	(8,297)	(6,065)
Net increase in broker trust account cash	(5,082)	(3,292)
Net decrease in cash	(13,379)	(9,357)

Note:

1 Acquisitions is made up of the following:

Cash payment for acquisitions	(14,166)	(31,063)
Cash acquired (including trust)	-	10,085
	(14,166)	(20,978)