



26th February 2018

The Manager
Market Announcements Office
Australian Securities Exchange Limited
Level 6, Exchange Centre,
20 Bridge Street
Sydney NSW 2000

FOR RELEASE TO THE MARKET

Dear Sir / Madam,

Re: AUB 1H FY18 Results Presentation and Announcement

Attached for immediate release in relation to AUB Group Limited (ASX:AUB) 1H FY18 results are the following documents:

- Announcement
- Results Presentation

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'J Coss'.

Justin Coss
Company Secretary

For further information, contact Justin Coss Tel: (02) 9935 2224
justinc@aubgroup.com.au

ASX release

26th February 2018

AUB Group delivers growth across all divisions, driving improved shareholder returns with Adjusted NPAT and EPS up 15.1%

Half Year Results 1H18 Summary:

- 91.5% increase in Reported Net Profit After Tax for 1H18¹ to \$23.8 million (1H17: \$12.4 million), a \$11.4m increase on prior comparable period due to strong underlying business performance and profits on sale and non cash accounting adjustments relating to mergers and acquisitions in the current period.
- 15.1% increase in Adjusted NPAT² to \$16.7 million (1H17: \$14.5 million), with growth across all operating divisions. Adjusted earnings per share increased 15.1% to 26.2 cents.
- Organic growth is the key driver of business performance as a result of ongoing strategy execution.
- Underlying EBITA³ up 9.5% on prior comparable period.
- Interim fully franked dividend of 13.5 cents per share, up 8% per share on prior comparable period.
- The Group confirms earnings guidance for FY18 of 5-10% growth in Adjusted NPAT over the prior year, with confidence of a result at the top end of the range. This reflects the strong underlying performance of the business in the first half and greater confidence in the premium rate environment, tempered by a one off investment in technology outsourcing in the second half, which will benefit future years, and a cautious view of the impact of the NSW workers' compensation changes on second half revenues.

AUB Group Limited (ASX:AUB) has reported a 15.1% increase in Adjusted Net Profit After Tax (Adjusted NPAT¹), to \$16.7m (1H17: \$14.5m), in a hardening premium rate environment. On an Adjusted basis, earnings per share also increased 15.1% to 26.2 cents per share.

Due to profits on sale of investments and significant non cash accounting adjustments relating to mergers and acquisitions in the half, AUB Group's consolidated Net Profit After Tax (Reported NPAT) increased significantly to \$23.8 million (1H17: \$12.4m).

AUB Group CEO and Managing Director, Mark Searles, said: "We are very pleased with the strength of the Group's result. This performance is based on solid strategic execution which has delivered organic growth across all business areas and greater collaboration between partner businesses. It is particularly pleasing to note the growth in our Risk Services division, which has successfully managed the changing market conditions. The positive rate environment that we are now experiencing bodes well for those areas of the Group exposed to premium movements."

The company has increased its interim dividend to 13.5 cents per share fully franked (1H17: 12.5 cps), payable on 27th April 2018.

Highlights of the 1H18 results by operating area include:

Australian Broking:

- **6.8% increase in profit contribution from Australian Insurance Broking in the half.** Australian Broking contributed \$20.4 million (1H17: \$19.1m) to the Group in the period, supported by organic growth, a contribution from new acquisitions and reflecting the impact of insurance premiums which have started to harden. Premium rates have

¹ 1H18: six months ended 31 December 2017.

² NPAT excluding adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges, and amortisation of intangibles. Performance measure used by management to assess underlying business performance.

³ Underlying EBITA represents an aggregate of 100% of all business partners' revenue and expenses before deducting non controlling interests.

been variable across class and geographies, and between renewal and new business, with average rate increases in the low to mid single digits.

- **5.9% increase in premium funding income**, with continued growth in the loan book with our partner Hunter Premium Funding.

New Zealand

- **11% increase in profit contribution from New Zealand to \$2.8m** (1H17: \$2.5m), reflecting strong organic growth and improved margins, offset by a 5% weakening of the exchange rate. On a same currency basis profit before tax contribution increased 17%.

Underwriting Agencies

- **5% increase in profit contribution from Underwriting Agencies to \$4.6m** (1H17 \$4.3m), with strong organic growth in revenues (up 11%) from increased policy count (up 7.4%), non-commission fee income and increased average premium rates across most portfolios.
- **Portfolio changes have impacted reported results**, with the lost earnings from the divestment of AMIR (energy sector) and SURA 360 (business pack) in 1H18, offset in part by the additional contribution from Fleetsure and the acquisition of the remaining 50% in AustRe Brokers (wholesale placements). Transition services fees relating to divested businesses will continue into FY19.
- **Margins have been slightly impacted in the first half** by delays in the commencement of startups and continuing price competition in strata, however margins are expected to improve in the second half.

Risk Services

- **21% increase in profit contribution from Risk Services to \$4.3m** (1H17 \$3.5m), with strong organic revenue growth in ancillary risk services and rehabilitation services outside of NSW.
- **The businesses have managed the changes in the NSW workers' compensation environment** with disciplined financial management and providing excellent service to clients. The second half of FY18 is expected to be more challenging as the market transitions to one Managing Agent for new claims and this is likely to result in revenue fluctuations, which are difficult to forecast. However, the long term prognosis continues to remain positive.

Group Services and Corporate Costs

- **Change in delivery of technology services to partners is expected to deliver improved cyber security, greater speed and reliability of services.** Having completed a review of the delivery of technology services, AUB Group has partnered with a major technology provider, who will take over the delivery of infrastructure services to our network partners later this year. One off costs will be incurred in the second half to facilitate this change, however will result in annualised savings in corporate costs in excess of \$1m (pre tax) p.a.
- **New Chief Operating Officer engaged** to lead the drive in improving the Group's value proposition to clients and partners, in turn supporting margin improvement.

Capital management

- **Net assets at 31 December of \$372.7 million** have remained relatively stable (FY17: \$371.7 million).
- **AUB Group entered into a new \$150m syndicated loan facility** with Australia and New Zealand Banking Group and St George Bank. The multi-currency facility has a term of three years, with a mechanism for two one year extensions and provides committed funding for acquisitions in the future.
- **Gearing has increased to 23.4%** (FY17: 20.4%) with debt drawn to fund acquisitions. The parent entity has cash and undrawn committed facilities of \$63.8m at 31 December 2017.

Dividends

The Board has declared an interim fully franked final dividend of 13.5 cents per share. This dividend is payable on 27th April 2018 to shareholders on the record date of 6th April 2018. No Dividend Reinvestment Plan (DRP) arrangements will be offered for the interim dividend.

Outlook

- We expect the benefits of the Group's focus on risk solutions for clients will continue to support organic growth as clients continue to engage across a broader range of risk solutions and services.
- Organic growth will continue to be supplemented by relevant acquisitions and startup opportunities in Australia and New Zealand across Insurance Broking, Underwriting Agencies and Risk Services.

- The hardening premium rate environment is expected to continue with more consistent pricing being enacted by Insurers and average rate increases expected to move to mid single digits for the foreseeable future.
- Risk Services businesses will be impacted by changes in NSW which could result in short term revenue impacts. We remain confident of the growth potential, especially as the diversification of both geography and income source increases.
- The Group will continue to invest in its core capabilities, investment in strengthening the management team and building key competencies support the evolution of the operating model with the objective of underpinning growth. We will continue to invest appropriately to ensure the development of our value proposition ensuring we are highly relevant and attractive to partners, staff and clients, while maintaining a focus on margins.
- The technology outsourcing initiative being rolled-out in 2H18 will provide financial, cyber security and business efficiency benefits into FY19 and beyond with run rate savings expected to exceed \$1m (pre tax) p.a.
- The 1H18 results are ahead of our expectations driven by strong organic growth. Our performance expectations for 2H18 are tempered by our caution regarding the short term impact of the NSW workers compensation changes on our Risk Services business and the one-off corporate costs relating to technology outsourcing (with benefits delivered in future periods). Notwithstanding, we are confident that performance will be at the top end of our current guidance range of 5-10% growth in Adjusted NPAT over FY17.

Webcast

Mark Searles, CEO & Managing Director and Jodie Blackledge, Chief Financial Officer will host a webcast today at 10:00am AEST followed by a Q&A session – details below:

Direct DDI(s) for Teleconference:	Australia Access:	1800 093 431
	New Zealand:	0800 452 257
	International:	+61 2 8047 9393

Teleconference Participant Pin Code: 61117232#

Webcast Audience Link:

<http://event.onlineseminarsolutions.com/wcc/r/1573637-1/3E1E4520DA0883CDC320A8A91AC2D1F4>



M. P. L. Searles
CEO & Managing Director

For further information, contact Mark Searles Tel (02) 9935 2255
Jodie Blackledge Tel (02) 9935 2231

– Ends –

This release contains “forward-looking” statements. Forward-looking statements can generally be identified by the use of forward-looking words such as “anticipated”, “expected”, “projections”, “guidance”, “forecast”, “estimates”, “could”, “may”, “target”, “consider”, “will” and other similar expressions. Forward looking statements, opinion and estimates are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, AUB Group and its directors, officers, employees, advisers, agents and intermediaries do not warrant that these forward looking statements relating to future matters will occur and disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

AUB GROUP FY18 PRESENTATION OF FINANCIAL RESULTS

Table 1 Financial Results Summary

FINANCIAL RESULTS SUMMARY	1H18	1H17	Variance
	\$ 000	\$ 000	%
Revenue from ordinary activities ¹	129,830	121,825	6.6%
Net profit attributable to members (Reported NPAT)	23,752	12,404	91.5%
Adjusted NPAT ²	16,706	14,519	15.1%
Reported earnings per share	37.2	19.4	91.8%
Adjusted earnings per share ²	26.17	22.74	15.1%
Dividend proposed per share	13.5	12.5	8.0%

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. Adjusted NPAT represents the underlying profitability of the business used by management and the board to assess performance of the business. Further details are provided in the table below. Adjusted earnings per share is earnings per share calculated with reference to Adjusted NPAT.

Table 2 Reconciliation of Adjusted NPAT to Reported NPAT¹

The Reported profits of the business include non-operational items, such as profits and losses on sale of equity interests, fair value adjustments to carrying values on ownership changes, changes to estimates or payments of deferred contingent consideration amounts, impairment adjustments and amortisation of intangible assets. These profits or losses are not part of the regular trading activities and can distort the underlying performance of the business. These items have been eliminated to provide a clear representation of the underlying trading performance. This measure, labelled Adjusted NPAT, is used by management and the board to assess operational performance, and is reconciled below.

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT ¹	1H18	1H17	Variance
	\$ 000	\$ 000	%
Net Profit after tax attributable to equity holders of the parent	23,752	12,404	91.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates (net of non controlling interests) ²	169	142	19.0%
Plus loss / (less) profit on sale of portfolios and controlled entities net of tax	(1,101)	40	n/m
Adjustment to carrying value of entities (to fair value) on date they became associates or controlled entities ³	(8,117)	-	n/m
Net Profit from operations	14,703	12,586	16.8%
Add back amortisation of intangibles net of tax ⁴	2,003	1,933	3.6%
Adjusted NPAT	16,706	14,519	15.1%

¹ The financial information in this table has been derived from the financial statements, reviewed by the auditors. 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) may be 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 Amortisation expense is a non-cash item.

Table 3 Management Presentation of Results

A number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, the following table aggregates 100% of these businesses' revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. This provides a view as to the growth in the network without potential distortion from shareholding changes that may move entities from consolidated to associates or vice versa. The following analysis is presented on an Adjusted NPAT basis. A reconciliation of this data to the operating segments per the financial statements is included in the Director's Report.

PROFIT CONTRIBUTION BY OPERATING AREA (after interest expense and non controlling interest)	1H18 \$ 000	1H17 \$ 000	Variance \$	Variance %
Australian Broking	20,390	19,085	1,305	6.8%
New Zealand Broking	2,780	2,503	277	11.1%
Underwriting Agencies	4,568	4,338	230	5.3%
Risk Services	4,268	3,534	734	20.8%
Corporate expenses (net of corporate income)	(7,952)	(8,277)	325	-3.9%
Net profit before tax	24,054	21,183	2,871	13.6%
Income tax expense	(7,348)	(6,664)	(684)	10.3%
Adjusted NPAT	16,706	14,519	2,187	15.1%



AUB GROUP LTD HALF YEAR RESULTS

FOR THE PERIOD ENDED
31 DECEMBER 2017
(1H18)

26 FEBRUARY 2018



NOTICE

SUMMARY INFORMATION

This document has been prepared by AUB Group Limited (ABN 60 000 000 715) (AUB). It is a presentation of general background information about AUB's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with AUB's other announcements released to ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.

TERMINOLOGY

This presentation uses Adjusted NPAT to present a clear view of the underlying profit from operations. Adjusted NPAT comprises consolidated profit after tax adjusted for value adjustments for the carrying value of associates, after tax profits on the sale of portfolios, interests in associates and controlled entities, contingent consideration adjustments, and income tax credits arising from the recognition of deferred tax assets. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in the appendix to this Presentation.

FORWARD LOOKING STATEMENTS

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AUB, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that the actual outcomes will not differ materially from these statements. Neither AUB nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by applicable law or the ASX Listing Rules, AUB disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events.

Statements about past performance are not necessarily indicative of future performance.

NOT AN OFFER

This document does not constitute an offer, invitation, solicitation, recommendation, advice or recommendation with respect to issue, purchase, or sale of any shares or other financial products in AUB. This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended (Securities Act) (US Person)). Securities may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration. AUB shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States.



OVERVIEW

MARK SEARLES
CEO & MANAGING DIRECTOR



AUB GROUP TODAY

The largest equity-based risk management group for SME clients in Australasia

>1
MILLION
CLIENT
POLICIES

>3,800 STAFF

Directly represent \$2.6B
GWP via equity partners,
plus \$1.9B GWP through
cluster partners, for a
combined

\$4.5B
GWP



32YRS
ACTIVE
PARTNERSHIP
EXPERIENCE

TOP 3 UNDERWRITING
AGENCY IN CHOSEN
MARKETS

RISK SERVICES INCLUDE LOSS ADJUSTING;
LEGAL; CLAIMS MANAGEMENT

LEADING PEOPLE RISK
SOLUTIONS PROVIDER –
800 FTE ACROSS
AUSTRALIA

MANAGE THE LARGEST EQUITY BASED BROKING GROUPS IN AUS & NZ

PERFORMANCE HIGHLIGHTS – 1H18

Delivering strong profit and revenue growth

Adjusted NPAT growth to \$16.7m ²	+15.1%
Reported NPAT growth to \$23.8m ²	+91.5%
Underlying ¹ Revenue increase	+7.2%
Underlying ¹ EBITA increase	+9.5%
Underlying ¹ EBITA margin increase	+50 bps

Organic growth: the key driver across all business areas (Increase in Organic EBIT over pcg)

Austbrokers	+7%
New Zealand	+18%
Underwriting Agencies	+4%
Risk Services	+23%

A track record of achieving positive shareholder returns

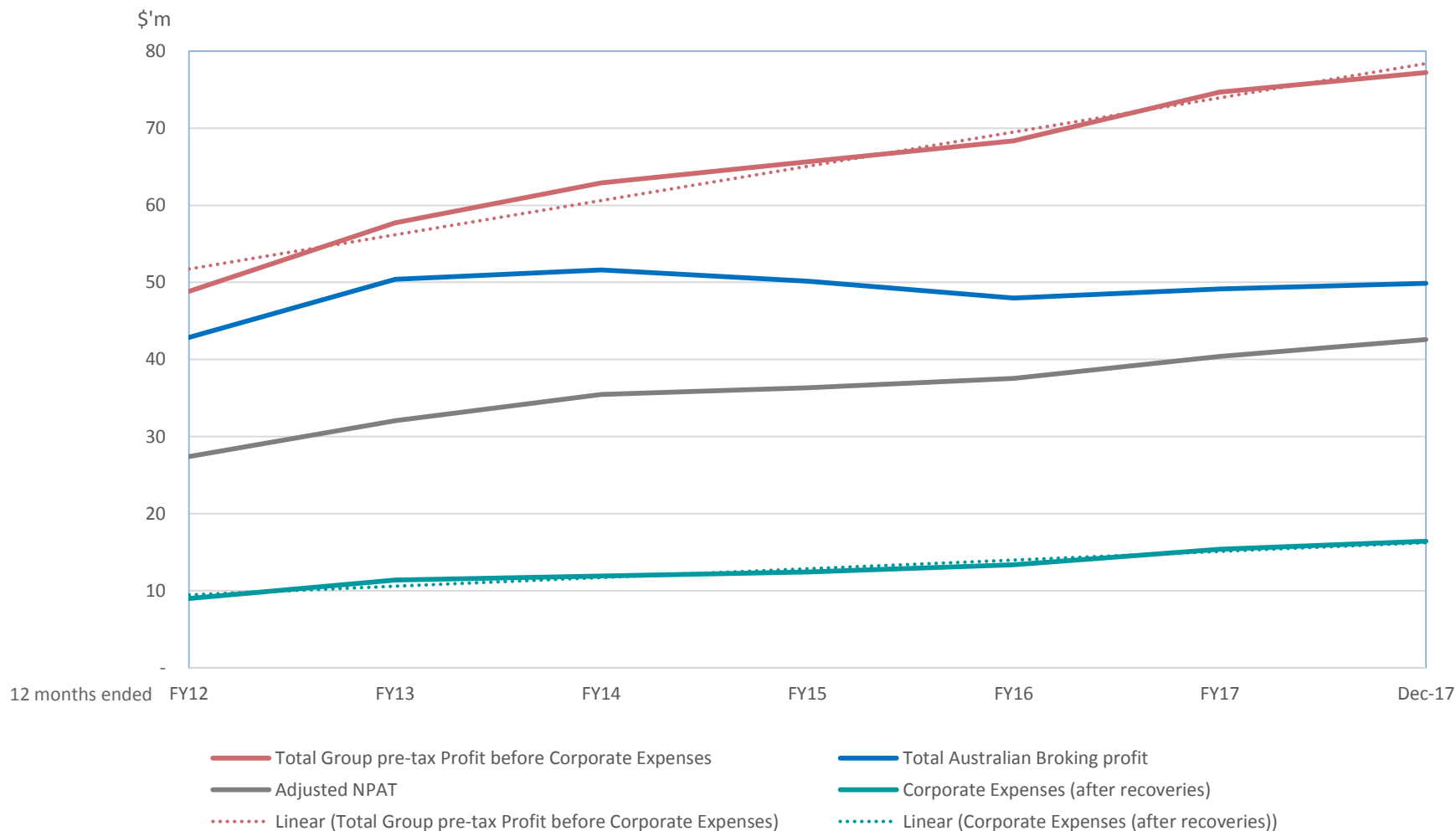
Adjusted EPS growth to 26.2 cents	+15.1%
Interim dividend per share increased by	+ 8.0%

¹ Underlying Management Results: a number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, these numbers aggregate 100% of all business revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. Excludes non-operational accounting adjustments relating to acquisitions. Refer Appendix 2 for further detail.

² Removes the impact of one-off non-cash adjustments, profit on sales and amortisation

GROUP'S APPROACH DELIVERING

Disciplined execution of our strategy supporting continuous growth.



BUSINESS AREA HIGHLIGHTS

Group

- Group 'ecosystem' gaining increased traction
- Outsourcing technology services to improve performance and reduce ongoing cost
- Founding partner of Insurtech Australia
- New COO appointment to drive value of service offering
- Growth in Leadership Academy graduates and new programs being developed

Australian Broking

- Underlying commission & fee income up 9.6%
- Premium rate increase evident although variable across geographies; class and new/renewal business (average low to mid single digit)

Underwriting Agencies

- Growth in commission and fee income from policy growth, hardening rates and increased non-commission income
- Commenced implementation of a new underwriting system that will underpin future business efficiency
- Investment in people capabilities continued in H1

New Zealand

- Organic growth in new clients, and expanding risk advice offering
- Strength and size of NZbrokers further enhanced
- Profitability of portfolio continues to grow with strong broker margins

Risk Services

- Profit, revenue and margin growth shows discipline and strength despite market structural change
- National footprint achieved and performing strongly
- Successful evolution of ancillary services continues to build position



FINANCIAL PERFORMANCE

JODIE BLACKLEDGE
CFO



KEY RESULTS

Growth in all businesses in an improved premium rate environment.

- Strong underlying management results with premium rates hardening – growth primarily organic.
- Underlying performance translates to growth in key performance metrics:
 - Adjusted NPAT increased 15.1% to \$16.7m.
 - Adjusted EPS growth increasing by 15.1% to 26.2 cents.
- Statutory revenue³ up 6.6%, with growth across all divisions.
- Reported NPAT \$23.8m up \$11.4m, due to profits on sale and non cash accounting adjustments relating to mergers and acquisitions (refer Appendix 1 for further details).
- Interim dividend of 13.5 cents.

	1H18	1H17	GROWTH
Underlying Management Results ¹			
Revenue (\$m)	241.6	225.4	7.2%
EBITA (\$m)	62.3	56.9	9.5%
EBITA margin	25.8%	25.3%	0.5%
AUB Group Key Performance Metrics ²			
Adjusted NPAT (\$m)	16.7	14.5	15.1%
EPS Adjusted (cents)	26.2	22.7	15.1%
Statutory Results			
Revenue from ordinary activities ³ (\$m)	129.8	121.8	6.6%
Reported NPAT	23.8	12.4	91.5%
Dividends per share (cents)	13.5	12.5	8.0%

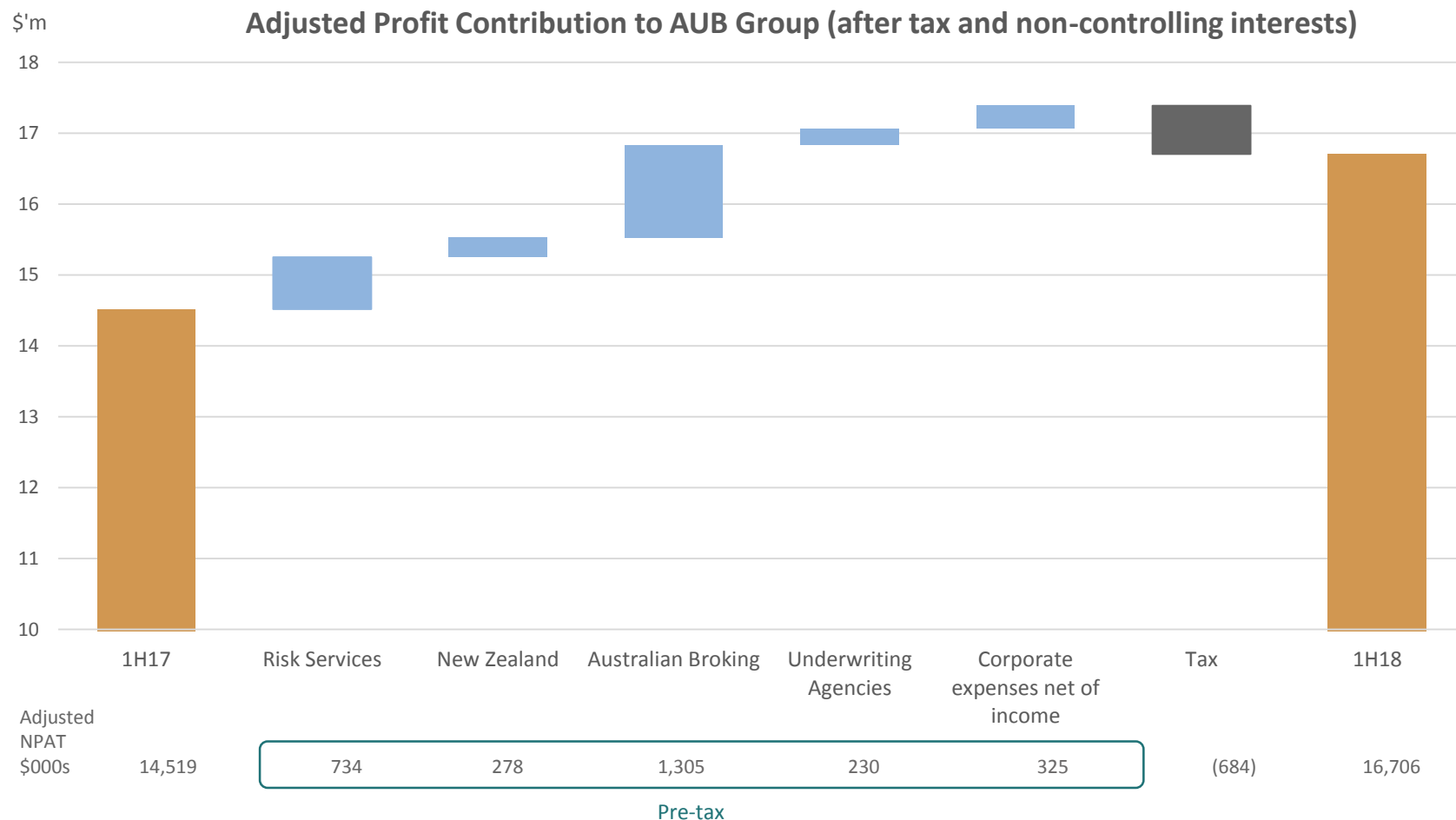
¹ Underlying Management Results: a number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, these numbers aggregate 100% of all business revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. Excludes non-operational accounting adjustments relating to acquisitions. Refer Appendix 2 for further detail.

² Adjusted NPAT is used by management and the board to assess operational performance and is reconciled in Appendix 1. Adjusted EPS is calculated using Adjusted NPAT.

³ Revenue from ordinary activities includes: Revenue and profit from associates, per the 31 December Financial Report.

AUB GROUP PROFIT CONTRIBUTION ANALYSIS

Execution of strategy delivers growth and diversification.



INSURANCE BROKING – AUSTRALIA

Strong growth in a hardening market.

- Pre-tax profit contribution to AUB Group of \$20.4m up 6.8% supported by organic growth and the acquisition of Lea Insurance Brokers and acquisitions by equity partners.
- Strong growth in commission and fee income with low to mid single digit premium rate increases evident across the market, albeit variable across class, geography, and between new / renewal business.
- Life insurance income reduced due to one off factors - the sale of a life portfolio by an equity partner and transitional changes to commissions on default corporate super business, which is largely complete. We continue to focus on optimising penetration of our client base in collaboration with our partners.
- Premium Funding income continues to grow strongly.
- EBIT margins strengthened by 50bps in the period.

Profit contribution to AUB Group – Pre-tax ¹ (\$'000s)	1H18	1H17	Var	% Var	Organic ²
Commission and fee income (net)	126,610	115,510	11,100	9.6%	7.0%
Life income	6,564	7,284	(720)	(9.9%)	
Profit commissions	340	526	(186)	(35.4%)	
Premium funding	14,235	13,440	795	5.9%	
Interest	3,280	3,600	(320)	(8.9%)	
Other income	3,411	3,253	158	4.9%	
Total income	154,440	143,613	10,827	7.5%	5.4%
Expenses	(113,358)	(106,086)	(7,272)	6.9%	5.0%
EBIT	41,082	37,527	3,555	9.5%	6.6%
Profit before tax and non-controlling interests	39,198	35,843	3,355	9.4%	6.6%
Net profit before tax attributable to equity holders of parent entity	20,390	19,085	1,305	6.8%	4.3%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details.

² Organic excludes contributions from directly acquired or divested businesses from both periods.

NEW ZEALAND

Strategy delivering strong organic growth.

- Pre-tax profit contribution to AUB Group up 11% to \$2.8m, in a hardening rate environment. The exchange rate weakened by 5% vs pcp which has detracted from the strong underlying organic growth (revenue up 7%, EBIT up 18% and margin improved by 3% on a like for like basis).
- Premium rates are hardening (on average circa +5%), however are inconsistent across geographies and classes, and the overall market remains competitive.
- Acquisition of equity brokers continue, with a solid pipeline of prospects and we sold down a further 5% in Runacres to management in the period, however the impact of these changes in the half is not material.
- NZbrokers is performing well, continuing to attract new members and build market presence, building on our position as the largest broker management group in the New Zealand market.
- Expanding by acquisition, organic growth and new income streams from a broadening risk advice offering, with a particular focus on life and health, and underwriting agencies in the 2018 calendar year.
- Investment in New Zealand management and infrastructure (including technology) continues as the business expands.

Profit contribution to AUB Group – Pre-tax¹ (\$000s)	1H18	1H17	Var	% Var	Organic² (NZD)
Total income	18,180	17,963	217	1%	7%
Expenses	(11,784)	(12,229)	445	(4%)	2%
EBIT	6,396	5,734	662	12%	18%
Profit before tax and non-controlling interests	5,319	4,684	634	14%	20%
Net profit before tax attributable to equity holders of parent entity	2,781	2,503	278	11%	17%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details. Numbers may not add due to rounding.

² Organic growth is calculated excluding profit from material new acquisitions in the period from both periods, and on a consistent exchange rate.

UNDERWRITING AGENCIES

Income growth in hardening market.

- Pre tax profit contribution from Underwriting Agencies of \$4.6m, up 5% on pcp.
- Achieved strong organic Commission and Fee growth of 13%. Most lines of business are experiencing mid single digit premium rate growth. Policy count increased 7.4% (ex divested and acquired businesses).
- As flagged at 30 June results, profit commissions declined due to the divestment of businesses in prior periods. Fees for transition services continue in FY18 however will reduce in future years.
- AMIR (energy sector) and SURA 360 (business pack) were divested in the half and we increased our holding in AustRe (wholesale placements) to 100%. These transactions together with the contribution from Fleetsure have impacted the half year results.
- Costs in the first half have been impacted by delays in commencement of start ups and continuing competition in strata, with margin recovery expected in the second half.

Profit contribution to AUB Group – Pre-tax ¹ (\$'000s)	1H18	1H17	Var	Var %	Organic ²
Commission and fee income (net of sub agents)	24,214	22,715	1,499	7%	13%
Profit commissions	36	955	(919)	(96%)	
Claims handling	320	293	27	9%	
Other fees	900	710	191	27%	
Interest	363	363	0	0%	
Total income	25,833	25,035	798	3%	11%
Expenses	(18,885)	(17,796)	1,089	6%	14%
EBIT	6,948	7,239	(291)	(4%)	4%
Profit before tax and non-controlling interests	6,136	6,524	(388)	(6%)	
Net profit before tax attributable to equity holders of parent entity	4,568	4,338	230	5%	19%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details. Numbers may not add due to rounding.

² Organic, excludes contribution from entities acquired in and divested in both FY17 and FY18.

RISK SERVICES

Strong growth through uncertain market.

- Pre tax profit contribution increased to \$4.3m up 21%, despite NSW workers compensation changes in the first half.
- Revenue grew 11% and margins improved by 2% over pcp, assisted by growth in ancillary risk services and rehabilitation services outside of NSW. Revenue growth outside of NSW was 20% up on the prior year with new panel appointments and expanding national clients.
- The businesses have dealt with the changing model of NSW workers compensation with quality delivery models, demonstrating great commitment to clients and staff alongside disciplined financial management.
- The second half of FY18 is expected to be more challenging with changes to the iCare scheme agent model effective 1 January 2018 likely to cause revenue fluctuations and we are cautious on revenues in the second half. As stated previously, the changes are expected to be positive for businesses in the medium term.

Profit contribution to AUB Group – Pre-tax ¹ (\$000s)	1H18	1H17	Var	% Var	Organic ²
Revenue	43,172	38,809	4,363	11%	11%
Expenses	(35,264)	(32,380)	(2,884)	9%	9%
EBIT	7,908	6,429	1,479	23%	23%
Profit before tax & non-controlling interests	7,726	6,336	1,390	22%	22%
Net profit before tax attributable to equity holders of parent entity	4,268	3,534	734	21%	21%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details. Numbers may not add due to rounding

² Organic growth is calculated to excluding contribution from new and bolt on acquisitions in the current period over the prior period. In the current period there have been nil such transactions.

BALANCE SHEET & FUNDING

Increased balance sheet capacity.

Group balance sheet:

- Investments (the aggregate of Investments in Associates and Intangible Assets and Goodwill) total \$416.9m up \$11.3m (30 June 2017: \$405.6m), with increases from acquisitions.
- Gearing is increased to 23.4% with an increase in total consolidated entities debt of \$18.9m to \$114.0m including controlled subsidiaries which have separate facilities.
- Borrowing by associates at 31 December 2017 not on AUB Group balance sheet remained relatively stable at \$74.0m (30 June 2017: \$74.7m) with the small decrease resulting from exchange rate movements.¹

Parent entity funding position:

- New Parent entity multi currency debt facility of \$150m, on a 3 year term (with extensions to 5 years). Cash and undrawn facilities total \$63.8m at 31 December 2017.
- As at 31 December 2017, \$4.6m is committed to future earn out payments due by the parent entity over next 12 months (30 June 2017: \$12.2m).

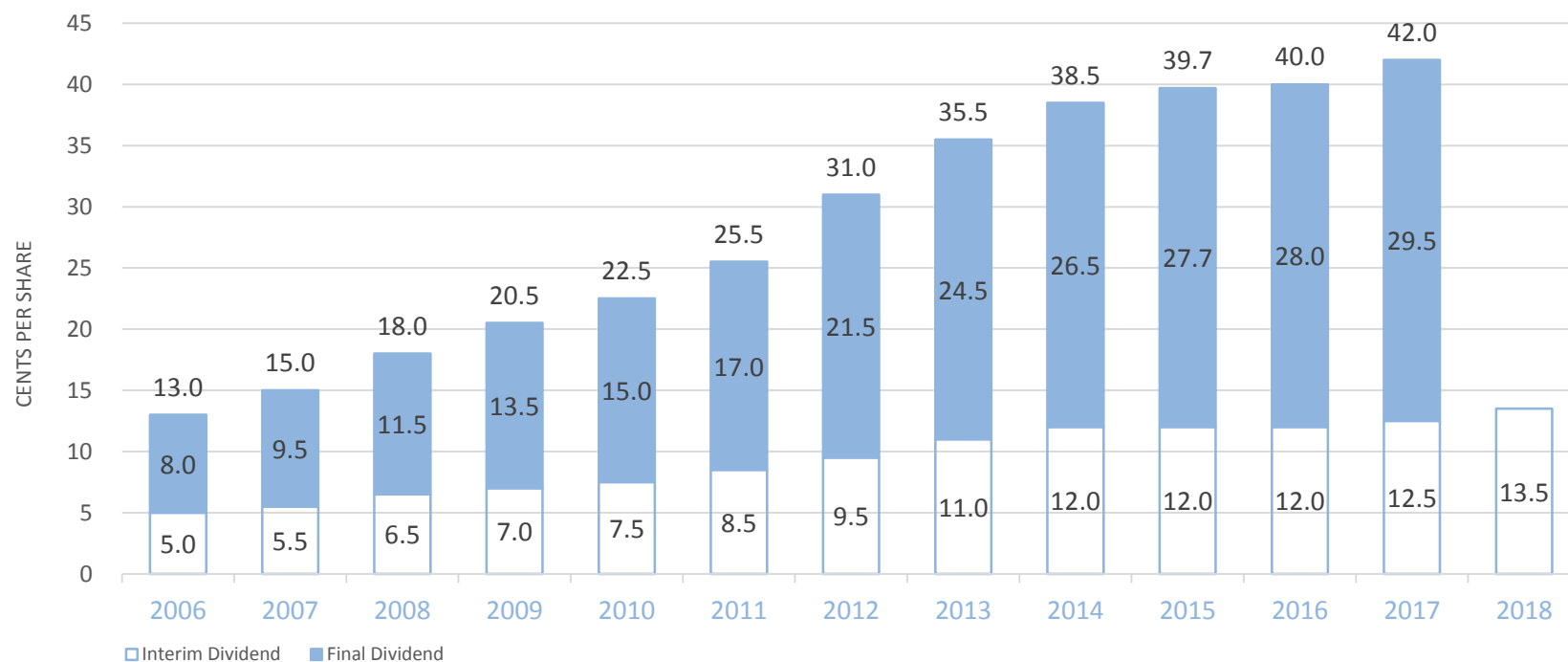
Consolidated balance sheet (\$M)	31.12.17	30.06.17
Cash	65.5	63.5
Cash - Trust	93.6	89.8
Interest bearing loans and borrowings	114.0	95.1
Investment in Associates	145.1	141.7
Intangible Assets and Goodwill	271.8	263.9
Total Assets	711.5	754.4
Total Liabilities	338.8	382.7
Equity	372.7	371.7
Gearing (debt to debt + equity)	23.4%	20.4%
Interest cover (EBITA) ²	13.9x	13.8x

¹ Total debt of associates, before considering AUB Group's percentage shareholding.

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 13.5 cents, fully franked.
- DRP remains suspended for the interim dividend.



FY18 PRIORITIES

The Group will continue its disciplined focus, building on the strength of our Business Model; Operating Model and Group Strategy

- Business Model: we will continue to maximize partnerships and our 'skin in the game' model to drive both organic growth and through attracting new equity partners.
 - Operating model: we will leverage Group scale to deliver leading products and services to partner businesses. Continue to build collaboration between partner businesses across the different areas. We will focus on delivering increased efficiencies, opportunities and margins for our Partners and the Group.
 - Strategy: we will stay focused on delivering client-centric organic growth utilizing the Group's focus on risk solutions for clients and building out our 'ecosystem' and ensuring we stay true to our purpose – 'to safeguard a stronger future' for our stakeholders.
-

FY18 PRIORITIES

Continuing to drive execution of the Group's 'ecosystem'



FY18 OUTLOOK

- We expect the benefits of the Group's focus on risk solutions for clients will continue to support organic growth as clients continue to engage across a broader range of risk solutions and services.
 - Organic growth will continue to be supplemented by relevant acquisitions and startup opportunities in Australia and New Zealand across Insurance Broking, Underwriting Agencies and Risk Services.
 - The hardening premium rate environment is expected to continue with more consistent pricing being enacted by Insurers and average rate increases expected to move to mid-single digits for the foreseeable future.
 - Risk Services businesses will be impacted by changes in NSW which could result in short term revenue impacts. We remain confident of the growth potential, especially as the diversification of both geography and income source increases.
 - The Group will continue to invest in its core capabilities, investments in strengthening the management team and building key competencies support the evolution of the operating model with the objective of underpinning growth. We will continue to invest appropriately to ensure the development of our value proposition ensuring we are highly relevant and attractive to partners, staff and clients, while maintaining a focus on margins.
 - The technology outsourcing initiative being rolled-out in 2H18 will provide financial, cyber security and business efficiency benefits into FY19 and beyond with run rate savings expected to exceed \$1m (pre tax) p.a.
 - The 1H18 results are ahead of our expectations driven by strong organic growth. Our performance expectations for 2H18 are tempered by our caution regarding the short term impact of the NSW workers compensation changes on our Risk Services business and the one-off corporate costs relating to technology outsourcing (with benefits delivered in future periods). Notwithstanding, we are confident that performance will be at the top end of our current guidance range of 5-10% growth in Adjusted NPAT over FY17.
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APPENDICES

APPENDIX 1 – ADJUSTED NPAT

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT ¹	1H18	1H17	Variance
	\$ 000	\$ 000	%
Net Profit after tax attributable to equity holders of the parent	23,752	12,404	91.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates (net of non controlling interests) ²	169	142	19.0%
Plus loss / (less) profit on sale of portfolios and controlled entities net of tax	(1,101)	40	n/m
Adjustment to carrying value of entities (to fair value) on date they became associates or controlled entities ³	(8,117)	-	n/m
Net Profit from operations	14,703	12,586	16.8%
Add back amortisation of intangibles net of tax ⁴	2,003	1,933	3.6%
Adjusted NPAT	16,706	14,519	15.1%

1. The financial information in this table has been derived from the financial statements, reviewed by the auditors. 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) may be 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. Amortisation expense is a non-cash item.

APPENDIX 2 – MANAGEMENT RESULTS¹

MANAGEMENT PRESENTATION OF RESULTS	1H18	1H17	Variance	Variance
	\$ 000	\$ 000	\$	%
Australian Broking revenue	154,440	143,613	10,827	7.5%
Australian Broking expenses	(113,358)	(106,086)	(7,272)	6.9%
EBIT - Australian Broking	41,082	37,527	3,555	9.5%
New Zealand Broking revenue	18,181	17,963	218	1.2%
New Zealand Broking expenses	(11,786)	(12,228)	442	-3.6%
EBIT - New Zealand Broking	6,395	5,735	660	11.5%
Underwriting Agencies revenue	25,833	25,036	797	3.2%
Underwriting Agencies expenses	(18,885)	(17,797)	(1,088)	6.1%
EBIT - Underwriting Agencies	6,948	7,239	-291	-4.0%
Risk Services revenue	43,172	38,809	4,363	11.2%
Risk Services expenses	(35,264)	(32,380)	(2,884)	8.9%
EBIT - Risk Services	7,908	6,429	1,479	23.0%
Total revenue - operating entities	241,626	225,421	16,205	7.2%
Total expenses - operating entities	(179,293)	(168,491)	(10,802)	6.4%
Total EBIT - operating entities (underlying EBITA)	62,333	56,930	5,403	9.5%
Corporate revenue	1,083	1,068	15	1.4%
Corporate expenses	(8,176)	(8,495)	319	-3.8%
EBIT - Corporate	(7,093)	(7,427)	334	-4.5%
Total - Group revenue	242,709	226,489	16,220	7.2%
Total - Group expenses	(187,469)	(176,986)	(10,483)	5.9%
Total - EBIT AUB Group before NCI	55,240	49,503	5,737	11.6%
Interest expense - Operating entities	(3,954)	(3,543)	(411)	11.6%
Interest expense - Corporate	(859)	(850)	(9)	1.1%
Total - Interest expense	(4,813)	(4,393)	-420	9.6%
Profit before NCI	50,427	45,110	5,317	11.8%
Non - Controlling Interest (NCI)	(26,373)	(23,927)	(2,446)	10.2%
Adjusted Net profit before tax	24,054	21,183	2,871	13.6%
Income tax expense	(7,348)	(6,664)	(684)	10.3%
Adjusted NPAT	16,706	14,519	2,187	15.1%

¹ The financials in this table show a management view of the underlying performance of all investments, regardless of ownership level. Revenue and expenses includes all revenue and expenses of the underlying businesses, before considering non-controlling interests. This information is used by management and the board to review business performance.

APPENDIX 3 - CASHFLOW

CONSOLIDATED CASHFLOW	1H18 \$ 000	1H17 \$ 000
Cash flows from operations	28,930	27,391
Cash flows from investing activities		
Acquisitions ¹	(13,497)	(2,673)
Cash out flow from deconsolidation of controlled entity	(4,413)	-
Sales proceeds / loan repayments	2,371	6,113
Plant equipment / other	(2,455)	(2,917)
	(17,994)	523
Cash flows from financing activities		
Dividends	(21,767)	(22,264)
Net borrowings	20,784	(258)
Payments for deferred settlements	(12,532)	(15,298)
	(13,515)	(37,820)
Net increase / decrease) in broker trust account cash	8,362	(1,415)
Net increase/(decrease) in cash	5,783	(11,321)

Note:

¹ Acquisitions is made up of the following:

Cash payment for acquisitions	(14,284)	(2,874)
Cash acquired on acquisition	787	201
	(13,497)	(2,673)

APPENDIX 4 – OPERATING SEGMENT RECONCILIATION

RECONCILIATION OF OPERATING SEGMENTS	Consolidated 1H18			Consolidated 1H17		
	Insurance Intermediary \$000	Risk Services \$000	Total \$000	Insurance Intermedia ry \$000	Risk Services \$000	Total \$000
Profit before tax and after non-controlling interests from:						
Insurance broking - Australia	20,390	-	20,390	19,085	-	19,085
Insurance broking - New Zealand	2,780	-	2,780	2,503	-	2,503
Underwriting agencies	4,568	-	4,568	4,338	-	4,338
Risk Services	-	4,268	4,268	-	3,534	3,534
	27,738	4,268	32,006	25,926	3,534	29,460
Corporate income	1,083	-	1,083	1,068	-	1,068
Corporate expenses	(8,176)	-	(8,176)	(8,495)	-	(8,495)
Corporate interest expense and borrowing costs	(859)	-	(859)	(850)	-	(850)
	19,786	4,268	24,054	17,649	3,534	21,183
Tax	(6,030)	(1,318)	(7,348)	(5,516)	(1,148)	(6,664)
Adjusted NPAT	13,756	2,950	16,706	12,133	2,386	14,519
Less amortisation expense (net of tax and non controlling interests)	(2,003)	-	(2,003)	(1,933)	-	(1,933)
Less contingent consideration adjustments booked by associates net of non controlling interests ¹	(170)	-	(170)	-	(15)	(15)
Plus profit on sale of portfolios by associates net of tax ¹	898	-	898	-	-	-
Less tax and non controlling interests relating to profit on sale of portfolios and controlled entities ²	(254)	-	(254)	-	-	-
Less capital gains tax adjustments relating to sales of associates ²	-	-	-	(39)	-	(39)
Profit after income tax and non controlling interests (refer financial statements note 21 Operating Segments)	12,227	2,950	15,177	10,161	2,371	12,532

1. This includes adjustments to profits on portfolio sales net of tax expense and contingent consideration adjustments booked by associates and included in note 4 (iii) of financial statements.

2. This includes tax expense adjustments on portfolio sales, net of non controlling interests.



THANK YOU

