ASX Announcement

26 February 2014

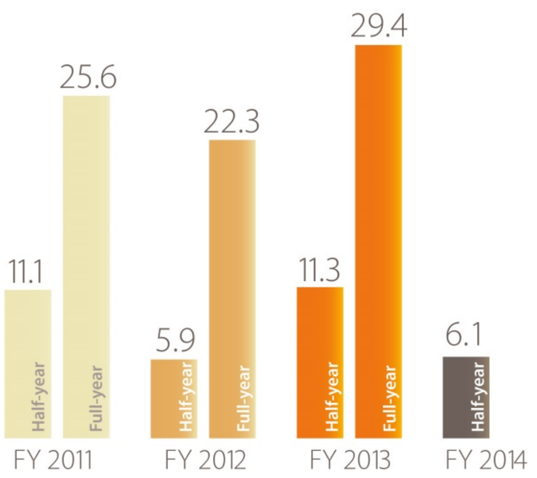
Australian Unity records interim profit of $6 million

Financial services, healthcare and retirement living company Australian Unity Limited (Australian Unity) has reported a profit after tax of $6.1 million for the half-year ended 31 December 2013, compared to a profit of $11.3 million for the same period last financial year.

Revenue and other income for the half-year was $587 million, an increase of $1.3 million compared to the corresponding period last year.

Group Managing Director Rohan Mead said Australian Unity's half-year result was solid considering the impact of higher claim costs in the healthcare business and comparatively lower investment earnings that reflected the prevailing interest rate climate.

"Our position at the halfway mark of the year is in line with expectations and consistent with our growth plans. Profit for the half-year was lower compared to the same period last year and this is attributable to claims costs in the Healthcare business, one-off costs associated with implementing legislative changes and materially reduced income from the company's investment portfolio. These matters aside, the interim result represents an encouraging position for the overall Group's operations," Mr Mead said.



Net profit after tax ($m)

"The benefits of our diversification strategy that were evident throughout 2013 continue to shape our business performance. Our balance sheet is in a positive condition and, considering the historical experience of the Group where we receive most of our earnings in the second half of the year, we are positive about how we are placed at this stage."

ASX code:
AYU

Notes on Issue:
1,200,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Notes registry
1300 554 474

Contact details:
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39

Australian Unity Personal Financial Services continued to record growth in the half-year to 31 December 2013, with Funds Under Advice reaching $3.2 billion. The growth rate in the business was slowed by the uncertainty created by a range of regulatory reforms particularly the Future of Financial Advice (FoFA) changes.

"This result builds on its first positive contribution to Group results in 2013 and is pleasing progress on investment by the Group over a number of years," Mr Mead said.

The Healthcare business was impacted by higher, but anticipated, claims costs in the retail fund that are flowing through the business following rapid growth in policyholder numbers 12 months to two years ago. These higher claims costs were factors featured in the 2014 premium increase submission for the health insurance funds and will take effect from April 2014. The result of this process was announced on 21 December.

The performance of both the retail fund and the corporate health insurance fund, GU Health, continued to be impacted by the cost of implementing legislative change. This factor, combined with the slowdown in the resources sector, created a particularly challenging environment for GU Health.

"Health insurers are required to cover the cost of any and all treatments regardless of whether there is any evidence of their effectiveness. This is one of the key drivers of health inflation. We continue to be motivated to develop preventative health programs that help stop people falling ill in the first place,'' Mr Mead said.

The underlying Investments business continues to perform broadly in line with the half-year to 31 December 2012. Reduced revenue in the recent period reflected timing differences and one-off revenues in the prior period. Despite a lower interest margin, the ADI, Big Sky, achieved solid growth in both its loan and deposits books. The reduction in Investments' adjusted EBITDA from the prior period is primarily due to the one-off items.

Australian Unity's Retirement Living business had a successful half-year with increased revenues driven by ongoing growth in the home care business and continuing progress in development activities.

High occupancy levels at existing retirement villages and improved operating performance in the residential aged care facilities were also contributors to the improved profitability of the business.

ASX code:
AYU

Notes on Issue:
1,200,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Notes registry
1300 554 474

Contact details:
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39

"We continue to build our development profile in the Retirement Living business and are pleased to advise that the first stage of our $180 million landmark Carlton Wellbeing Precinct development is approaching completion," Mr Mead said.

Further information

Andrew Scannell
Head of Public Affairs and Communications
03 8682 6777
Mobile 0429 187 105

About Australian Unity

Australian Unity is a national healthcare, financial services and retirement living organisation providing services to some 600,000 Australians, including 320,000 members nationwide. Australian Unity's history is a trusted mutual organisation dates back 172 years. It has grown organically—by continually evolving and providing services and products needed by the communities it serves—as well as through successful strategic mergers and diversification into new business activities.

ASX code:
AYU

Notes on Issue:
1,200,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Notes registry
1300 554 474

Contact details:
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39

Australian Unity

Highlights by segment for Australian Unity Limited for the half-year ended 31 December 2013

Healthcare

- The business recorded an adjusted EBITDA of $16.68 million for the half-year ended 31 December 2013 (31 December 2012: $22.12). The result reflected higher claims costs in the retail health fund and continued investment in preventative health, chronic disease management and in-home services.
- The relentless cost of legislative compliance and administration was a continued burden for both the retail health insurance fund and for GU Health.
- Preparation for the indexation of the private health insurance rebate has been a considerable administrative burden. This change, effective 1 April 2014, will impact every health fund policyholder.
- Remedy Healthcare's preventative health expertise remains in strong demand and the number of patients who have enrolled in or completed one of Remedy Healthcare's preventative health and chronic disease management programs passed the 14,000 mark. During the half-year Rehability, Remedy Healthcare's home care service joint venture, became wholly owned by Remedy Healthcare.
- The number of policyholders in the retail health insurance business increased in the six months to 31 December 2013 by 0.3 percent to 197,468 policyholders.
- The number of GU Health's policyholders decreased by 1.7 percent to 26,044 at 31 December 2013.

Investments

- The business recorded an adjusted EBITDA of $4.93 million for the half-year ended 31 December 2013 (31 December 2012: $7.63 million).
- Funds Under Management was $7.32 billion at 31 December 2013 representing a small increase from $7.11 billion at 30 June 2013.
- The Acorn Asia Small Cap Fund celebrated its one year anniversary at the end of November 2013 and posted a strong return of 24.87 percent for the 12 months to 31 December. This was ahead of the 24.04 percent benchmark return from the MSCI AC Asia (ex Japan) small cap index AUD net dividends reinvested.
- The Healthcare Property Trust reached $500 million funds under management and posted a solid return of 8.83 percent for the year to 31 December 2013.
- The bonds and specialised products business had a total of $1.9 billion in funds under management and administration at 31 December 2013.
- Big Sky Building Society performed well with a level of $87 million of new loans written leading to a new level of net loan growth of $34 million for the period. Net deposit growth was also positive, up $48 million.
- Federation Managed Accounts—launched last financial year after Australian Unity Investments teamed with Australian Unity Personal Financial Services—received its first inflows and it continues to receive strong interest from independent dealer groups and financial advisers.

ASX code:
AYU

Notes on Issue:
1,200,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Notes registry
1300 554 474

Contact details:
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39

Retirement Living

- With adjusted EBITDA of $7.84 million, the business recorded almost a doubled contribution for the half-year ended 31 December 2013 (2012: $4.15 million).
- Home care was a key growth area of the business and recorded an increase in revenue of $1.63 million to $3.62 million compared to the same period last year.
- The business acquired a 50 percent share of KNS Essential Care, a home care provider based in Bowral, NSW. With organic growth also achieved through the allocation of 99 Home Care Packages in New South Wales and Victoria, and numerous tenders won during the half year, the home care business is well positioned.
- Construction of the first phase—a 162 bed aged care facility—of the Carlton Wellbeing Precinct remains on track for opening to residents in April 2014.
- *Better Together*, the innovative model of care that was trialled at Wahroonga Aged Care, received the prestigious national 2013 HESTA Aged Care Awards for team innovation in August.
- The final stage of the development at Victoria Grange in Vermont South has commenced with construction of the independent living apartments, which will complement the villa housing and residential care accommodation options on site. Of the 113 independent living units and apartments to be built on the site 77 are sold or under contracted to settle. Work is due to be completed early in 2015.

Personal Financial Services

- Funds Under Advice increased to $3.21 billion at 31 December 2013 from $3.09 billion at 30 June 2013. Funds Under Advice at 31 December 2012 were $2.21 billion.
- Revenue increased by 22 percent to $19.02 million due to increased productivity from existing practices (31 December 2012: $15.56 million).
- The business has continued to incur costs, and invest significant time and effort, in complying with a range of regulatory reforms, including the Future of Financial Advice reforms; the Stronger Super reforms; the Tax Agents Services Act; and the Accountants' licensing reforms.
- The business recorded an adjusted EBITDA for the half-year ended 31 December 2013 of $279,000 (31 December 2012: $463,000).
- The number of advisers reduced slightly from 118 to 117 at 30 June 2013. This reflects the inability of advisers to change licensees as a result of changes to revenue grandfathering legislation under the Future of Financial Advice reforms, which took effect on 1 July 2013.
- Finance broking achieved significant growth with loans under advice of $733 million, an increase of $241 million or 49 percent since 30 June 2013. The increased loans under advice are associated with acquisition and improved settlements from employed brokers.

ASX code:
AYU

Notes on Issue:
1,200,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Notes registry
1300 554 474

Contact details:
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39