

25 February 2015

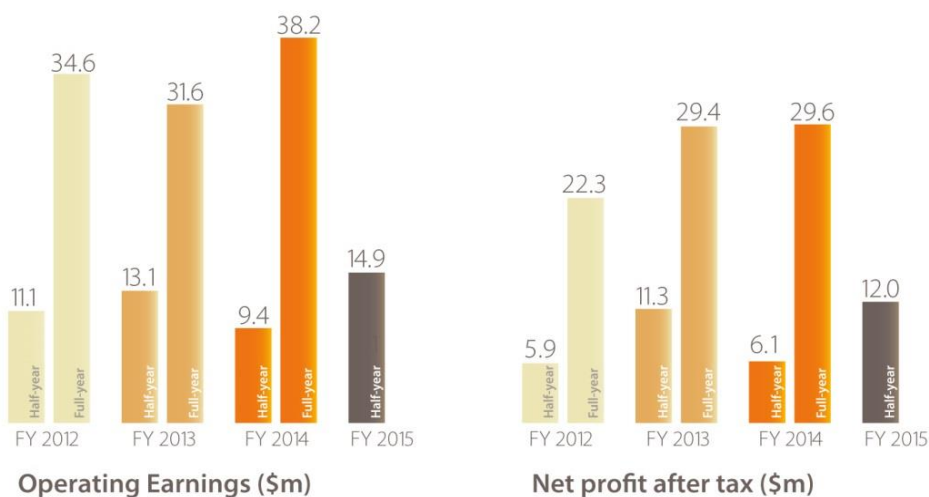
Australian Unity Group increases first half operating earnings by 59 percent

Financial services, healthcare and retirement living company Australian Unity Limited (Australian Unity) has reported revenue and other income of \$648 million for the six months to 31 December 2014, an increase of 10.5 percent compared to the previous corresponding period.

The aggregate adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA¹) of the Group's operating businesses was \$41.9 million for the six months to 31 December 2014, a 41 percent increase on the previous half-year result.

The Group's operating earnings² of \$14.9 million for the half-year ended 31 December 2014 was up 59 percent from \$9.4 million reported for the same period in the previous financial year.

Profit for the period was \$12.0 million, almost doubling from \$6.1 million earned in the prior corresponding period.



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

The listing of Australian Unity Notes on the ASX does not affect Australian Unity Limited's status as a mutual organisation

Group Managing Director Rohan Mead said each of Australian Unity's businesses recorded solid revenue growth in the half-year, contributing to the positive overall interim result.

¹ Adjusted EBITDA: the measure the Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of depreciation and amortisation, interest on external borrowings and investment income. It also excludes non-recurring expenditure.

² Operating earnings: Profit before tax less investment income, borrowing costs and discontinued operations and business acquisition costs.

“The operating earnings progress for the half-year is very pleasing as it is spread across businesses. We have been focused on growing revenues and developing diverse income streams outside of the traditional private health insurance business for a number of years now and we are seeing the benefits of this strategy,” Mr Mead said.

“The Group also focuses on operating earnings growth as part of our strategy to reduce reliance on investment income and its associated volatility.

“Compared to the prior corresponding period, each of our business units recorded an increase in adjusted EBITDA, ranging from a six percent increase in the Investments business to more than 50 percent increase in the Personal Financial Services business,” Mr Mead said.

The Retirement Living business backed up its strong 2014 result with a very positive half-year. The business increased revenue to \$51.8 million (31 December 2013: \$39.4 million) and adjusted EBITDA was \$10.5 million (31 December 2013: \$7.8 million). Continued growth in home care operations and progress in development activities were key factors underpinning this performance.

High—and above industry average—occupancy levels continue to be recorded at both retirement villages and aged care facilities.

“These very pleasing occupancy rates reflect customer support for our *Better Together*® model of care which gives residents more control of their daily lives with the support of care partners. It is clear that the continuum-of-care approach that Retirement Living has been developing and elaborating over several years is resonating in the community,” Mr Mead said.

“Development progress was made at several retirement villages and aged care centres during the half-year, including the completion of a further 14 retirement village units at Peninsula Grange in Mornington, Victoria. Our development pipeline remains solid at \$533 million.”

Towards the end of the period, Australian Unity Personal Financial Services completed the purchase of the Premium Wealth Management business, which boosted Funds Under Advice by 68 percent to \$5.9 billion at 31 December 2014 from \$3.5 billion at 30 June 2014.

“The addition of Premium will increase Australian Unity’s financial advice capability and enhance our strong relationships with accountants and their clients,” Mr Mead said.

“Further, it will better position the business to take advantage of the opportunities that are emerging from the significant regulatory and environmental changes impacting the financial advice sector.”

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

The listing of Australian Unity Notes on the ASX does not affect Australian Unity Limited’s status as a mutual organisation

Healthcare's adjusted EBITDA increased by 54 percent to \$25.7 million for the half-year ended 31 December 2014. This change represents a return to better financial performance after material impacts from the external environment in prior periods. For example, this compares to a 25 percent decrease in adjusted EBITDA for the half-year ended 31 December 2013, and nine percent decrease for the half-year ended 31 December 2012, when the full impact of regulatory change and higher claims costs was prevalent.

The number of policyholders in both the retail and corporate health insurance funds has remained largely stable. However fund profitability remains under pressure from rising medical and healthcare costs, an ageing population and recent government-imposed rule changes, which have added to the complexity of fund administration.

"In recent years Australian Unity's healthcare business has weathered government interventions, high claims costs and a generally unpredictable and at times patchy economic environment. We have used these periods not to chase uneconomic policyholder growth but rather to make significant investments in product design, technology, service capability and scope in order to better position our healthcare operations for the future pressures that we anticipate for the sector," Mr Mead said.

The Investments business performed creditably in choppy conditions. Although subsequent to 31 December 2014 investment markets have rebounded, in the half-year under review, historically low interest rates and plunging world energy prices wiped out much of the gain recorded by the Australian Stock Exchange in the second half of the 2014 financial year.

Despite these sidewinds Australian Unity Investments' funds under management at 31 December 2014 was \$7.4 billion (30 June 2014: \$7.4 billion) while total segment revenue was \$51 million for the half-year to 31 December 2014 compared to \$50 million for the same period in the previous year.

The Big Sky Building Society performed soundly, with positive growth in lending. Big Sky finished the half with \$731 million in on-balance sheet assets at 31 December 2014 compared to \$701 million at 30 June 2014. Big Sky also opened a new service centre in Brisbane during the period drawing its operations together to improve customer service and efficiency.

Further information

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

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

The listing of Australian Unity Notes on the ASX does not affect Australian Unity Limited's status as a mutual organisation

Highlights by segment for Australian Unity Limited for the half-year ended 31 December 2014

Healthcare

- The business recorded total segment revenue of \$410.31 million for the half-year to 31 December 2014 (31 December 2013: \$389.42).
- Adjusted EBITDA of \$25.72 million for the half-year compared favourably to the prior corresponding period (31 December 2013: \$16.68 million).
- Australian Unity joined forces with 14 other health funds to launch Members Own Health Funds on 2 February 2015. Members Own Health Funds has commenced a nationwide public awareness campaign to highlight the choices they have beyond health funds run primarily to benefit investors and overseas owners.
- Remedy Healthcare's preventative health expertise remained in strong demand and the number of patients enrolled in, or who have completed, one of Remedy Healthcare's preventative health and chronic disease management programs passed the 50,000 mark during the period.
- The Dental business expanded its network in September 2014 with the acquisition of an additional dental clinic in Hughesdale, Victoria.

Retirement Living

- Retirement Living increased total segment revenue to \$51.8 million at 31 December 2014 (31 December 2013: \$39.4 million).
- The businesses adjusted EBITDA was \$10.47 million for the half-year ended 31 December 2014 (31 December 2013: \$7.84 million).
- Retirement village occupancy rose to 97 percent, up from 96 percent at 30 June 2014 on the back of 78 settlements on existing units. Aged Care facility occupancy reached 99 percent (31 December 2013: 98 percent) exceeding the industry average by two percentage points.
- Home care is an emerging growth area of the business. The number of staff working in the home care business reached 460 at 31 December 2014, an increase of 87 percent since 30 June 2014. Home care revenue for the half year was \$8.35 million compared to \$3.62 million for the corresponding period last year. This growth was achieved organically and via strategic acquisitions, with the acquisition of INS Health Care in September 2014 and the remaining 50 percent of KNS Essential Care in October 2014.
- A further 14 new home units were delivered across the development portfolio, increasing the total portfolio of home units to 2,000. A further 78 home units are forecast to be delivered in the second half of the year.

Investments

- The business recorded total segment revenue of \$50.98 million for the half-year ended 31 December 2014 (31 December 2013: \$49.96 million).
- Adjusted EBITDA of \$5.25 million for the half-year ended 31 December 2014 represents a 6.5 percent increase on the previous corresponding half-year.

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

The listing of Australian Unity Notes on the ASX does not affect Australian Unity Limited's status as a mutual organisation

- Funds Under Management was \$7.37 billion at 31 December 2014 (30 June 2014: \$7.36 billion, 31 December 2013: \$7.32 billion).
- Federation Managed Accounts continued its strong growth trajectory increasing funds under administration to more than \$214 million at 31 December 2014 (30 June 2014: \$173 million).
- The Healthcare Property Trust increased funds under management to \$638 million (30 June 2014: \$548 million) and posted a solid return of 4.7 percent for the year to 31 December 2014.
- In December 2014, Australian Unity Real Estate Investment acquired the business of Owenlaw Trust Limited which had total funds under management of \$80 million at 31 December 2014.
- The bonds and specialised products business had a total of \$1.95 billion in funds under management and administration at 31 December 2014.
- Big Sky Building Society increased its on-balance sheets assets to \$731 million at 31 December 2014 (30 June 2014: \$701 million) and opened a new service centre in Brisbane in December 2014 bringing its retail banking and financial advice services in Queensland into one convenient location.

Personal Financial Services

- Total segment revenue increased by 16 percent to \$22.14 million at 31 December 2014 (31 December 2013: \$19.02 million).
- The business recorded adjusted EBITDA for the half-year ended 31 December 2014 of \$478,000, an increase of 71 percent compared to the same period last year (31 December 2013: \$279,000).
- Funds Under Advice increased 68 percent to \$5.85 billion at 31 December 2014 (30 June 2014: \$3.48 billion).
- The business completed a significant strategic acquisition in December 2014 with the acquisition of Premium Wealth Management. Premium Wealth Management is an independent financial advisory licensee which was primarily owned by its advisers and contains a significant number of accounting practices.
- The number of advisers increased to 191 (30 June 2014: 125) including 60 Premium Wealth Management advisers.
- Finance broking revenue for the half-year was \$1.2 million which represents an increase of 26 percent over the previous corresponding period.
- General insurance revenue increased 83 percent to \$760,000 as a result of the renegotiation of a key distribution agreement which has provided improved revenue terms and greater control over the marketing spend.

About Australian Unity

Australian Unity is a national healthcare, financial services and retirement living organisation providing services to more than a quarter of a million Australians, including more than 300,000 members nationwide. Australian Unity's history as a trusted mutual organisation dates back 175 years. It has grown organically—by continually evolving and providing the 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

The listing of Australian Unity Notes on the ASX does not affect Australian Unity Limited's status as a mutual organisation