

Australian Unity Limited Investor Update

Financial half-year ended 31 December 2015

Tuesday 8 March 2016; 2.00pm to 3.00pm AEDST

By teleconference:

Toll-free number: 1800 175 864
Australia, Sydney: +61 2 8373 3507
Conference ID: 318 065 64

By WebEx:

<https://australianunitygroup.webex.com/australianunitygroup/j.php?MTID=mbbb21ac3c1981e24f0562d5d96acc42d>

Meeting Number: 866 023 573
Meeting Password: AustralianUnity

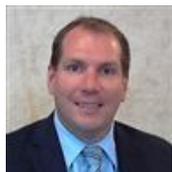


Presenters



- **Kevin McCoy – Chief Financial Officer**

Kevin joined Australian Unity in April 2012 and is responsible for the effective execution of our strategic initiatives, treasury, capital management and organisation-wide performance measures. Kevin took on the role of Chief Financial Officer in April 2014.



- **Darren Mann – Group Treasurer**

Darren joined Australian Unity in 2012 and has been involved in integration and value creation roles across the group. In June 2015, Darren was appointed Group Treasurer. Prior to this appointment, Darren was the Head of Group Capital Management and led the implementation of the internal performance reporting structure.



- **Brad Duggan – CFO, Independent & Assisted Living**

Brad joined Australian Unity in July 2014. Brad has 15 years experience in senior consulting and finance roles at PwC and Grocon.

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Overview of Australian Unity

TRUSTED MUTUAL

- Heritage dating back to 1840; more than 175 years as an independent Australian mutual
- Currently ~300,000 members; almost 1 million customers
- Profits reinvested for the wellbeing of members, customers and the general community
- A prudentially supervised company, regulated by the Australian Prudential Regulation Authority

DIVERSE PORTFOLIO

- A diversified group of interdependent businesses
- Broad capability and deep experience in healthcare, aged care, home care, retirement accommodation, asset management, funds management and financial advice
- Approximately half of group adjusted EBITDA¹ generated by businesses other than health insurance

FINANCIAL SUBSTANCE

- Strong profit history—HY16 NPAT \$14.2 million, an increase of \$3.1 million, or 28.2%, since HY11
- Gearing ratio closely managed—35.8% at 31 December 2015 (AYUHB calculation basis)
- Interest cover steady and stable since FY11. At 31 December 2015 was 4.42 times (Bonds basis on a rolling 12 months)
- AYUHA and AYUHB investment grade credit rating of BBB+ by Australia Ratings

LONG-TERM OBJECTIVES

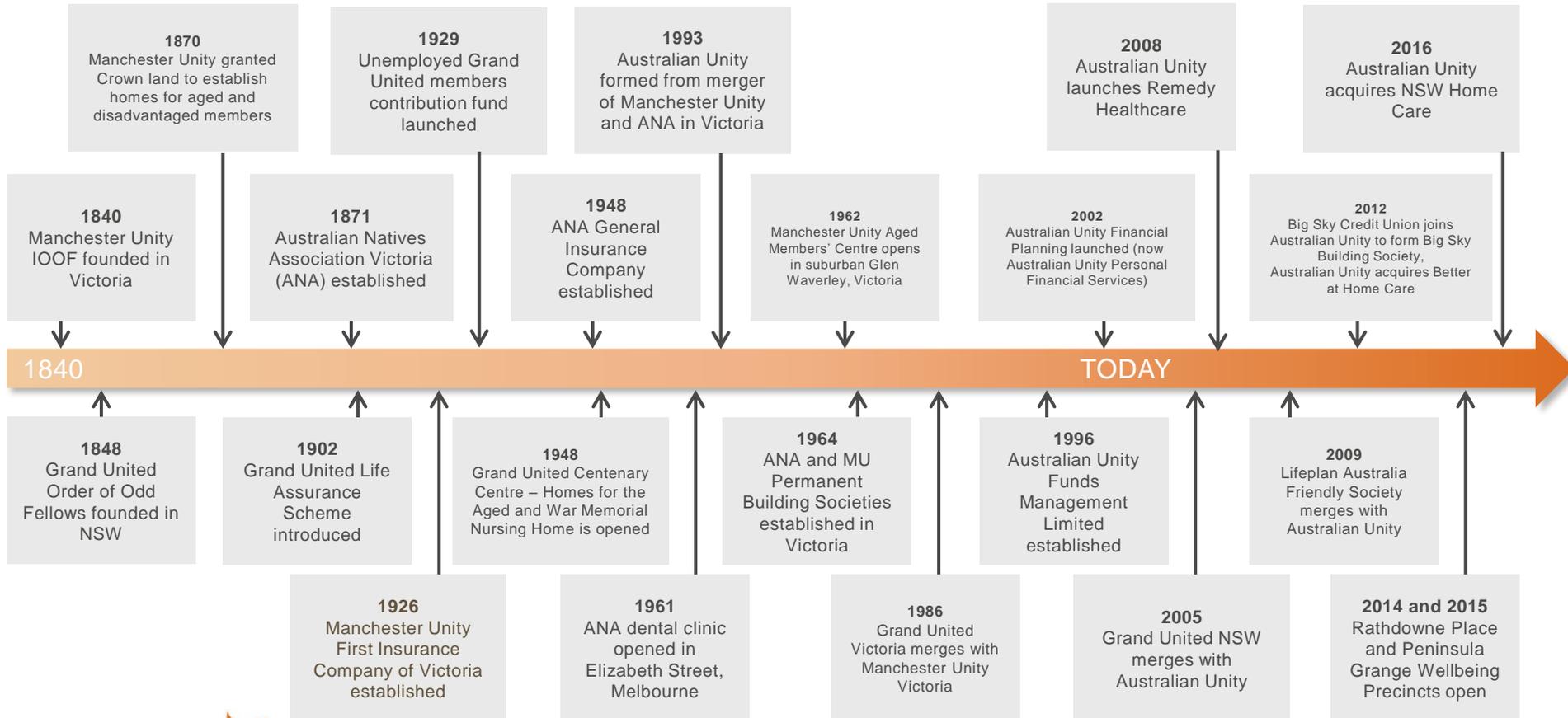
- Aspiring to service two million customers
- Highly influential national brand
- Financial substance with a balanced approach to risk
- Sought after products and services

¹ Group adjusted EBITDA excludes corporate functions and eliminations

Notes and Bonds on issue

- \$120.0 million Australian Unity Notes (AYUHA) listed on ASX issued in April 2011. Currently 574,066 Australian Unity Notes remain on issue
- \$250.0 million Australian Unity Bonds (AYUHB) listed on ASX issued in December 2015

175 years of thinking about the future



Australian Unity at a glance

as at 31 December 2015 except where indicated

1,000,000 customers ¹ ±	300,000 customers who are members of the mutual company, Australian Unity Limited	53,000 home care clients ±	40,000 nursing and allied health visits a year ²	35,000 health coaching and chronic disease management hours per year ³	6,500 employees across Australia ⁴ ±
2,200 residential aged care places serviced with allied health services across NSW and Vic ⁵	609 residential aged care places operated directly ⁶	184 financial advisers	175 years old	119 home care and disability services offices ±	19 retirement communities
12 industry groups or policy institutes that have an Australian Unity executive as a board member	6 major retirement and aged care development projects under construction	100% track record in accreditation for aged care ⁷	96% customer satisfaction ⁸	87% employee engagement score ⁹	More than 10 major government regulatory bodies overseeing all or parts of our operations ¹⁰

± These numbers include the operations of the Home Care Service of NSW, transferred on 19 February 2016.

1 Total for Australian Unity Group

2 By Remedy Healthcare
(wholly-owned subsidiary)

3 By Remedy Healthcare

4 Australian Unity Group

5 By Remedy Healthcare

6 By Australian Unity

7 In aged care

8 Customer satisfaction levels across our care
businesses

9 Across all of Australian Unity

10 Including APRA, ASX, ASIC, ACCC,
ATO, AUSTRAC, Office of Fair Trading,
DSS, Consumer Affairs Victoria and DOH

Social infrastructure challenge:

Australian Unity's business portfolio is connected by its focus on wellbeing and on providing services that help solve community needs.

The Group seeks to play a role in addressing the nation's "social infrastructure challenge" arising from the impacts of an ageing demographic, rise of chronic disease and inadequate retirement savings.

We have expertise to offer this challenge

- We understand the challenges of direct healthcare, particularly in chronic disease management, hospital and rehabilitation in the home and aged care
- We understand the challenges of health financing, both at an individual and population level
- We are experienced in developing and managing large built assets for the healthcare sector
- We are experienced in developing investment instruments for institutional and individual investors who want to contribute to the sector
- We understand the needs of Australians in building and managing retirement savings

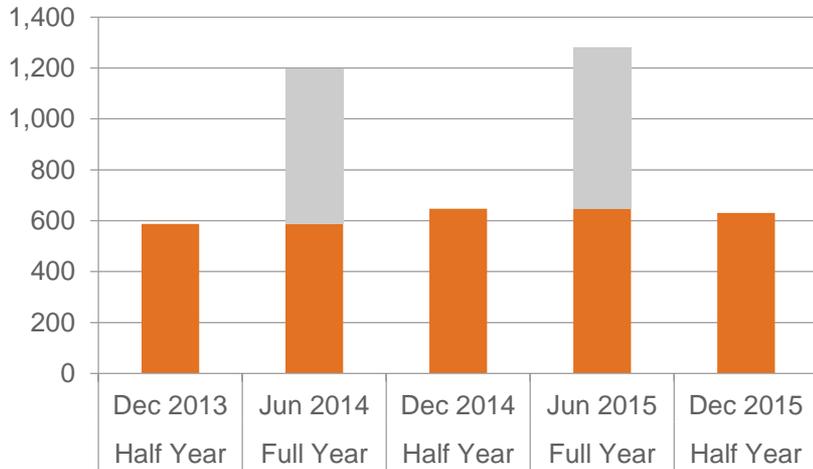
Overview of results and achievements



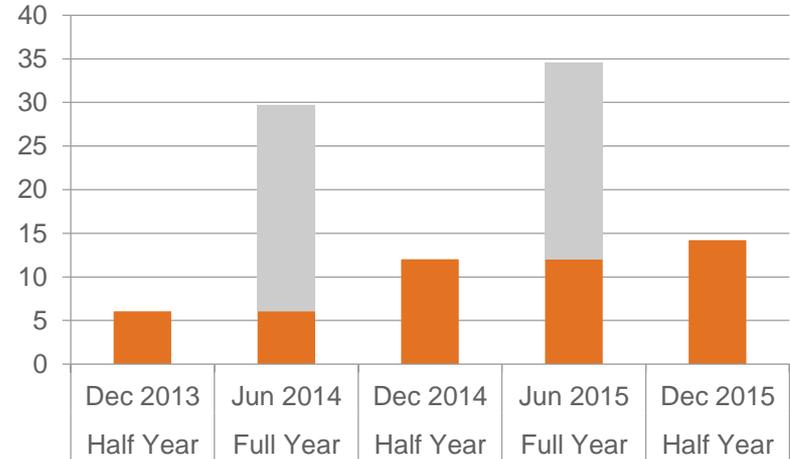
Australian Unity 2016 half year highlights

- Steady year-on-year revenue growth and strong increase in profit after tax

Revenue and other income \$m



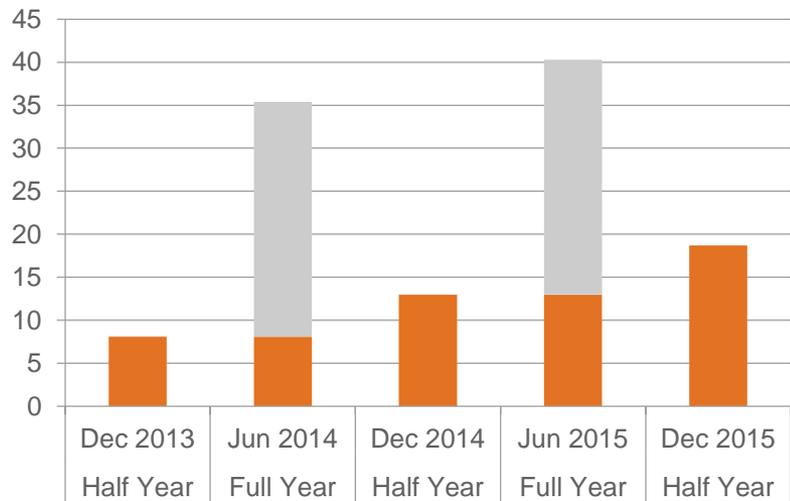
Net profit after tax \$m



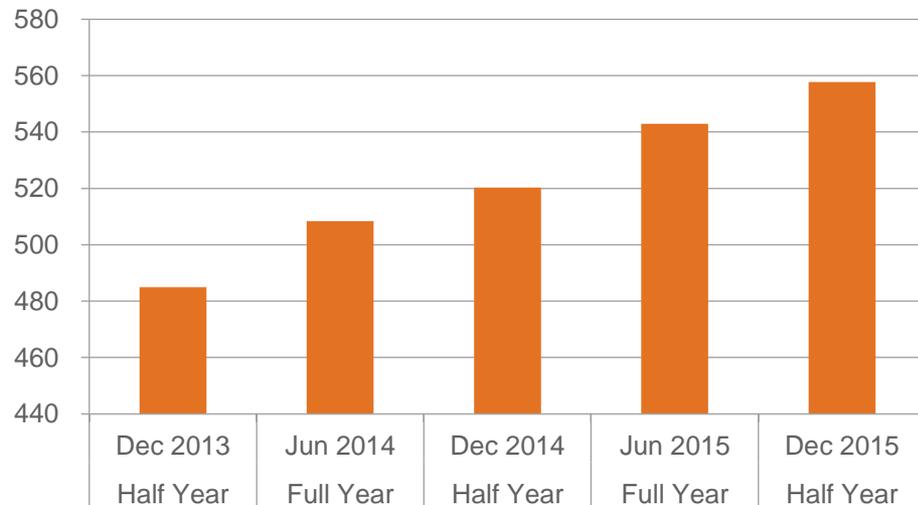
Australian Unity 2016 half year highlights

- Strong year-on-year increases in operating earnings and members' funds

Operating earnings \$m

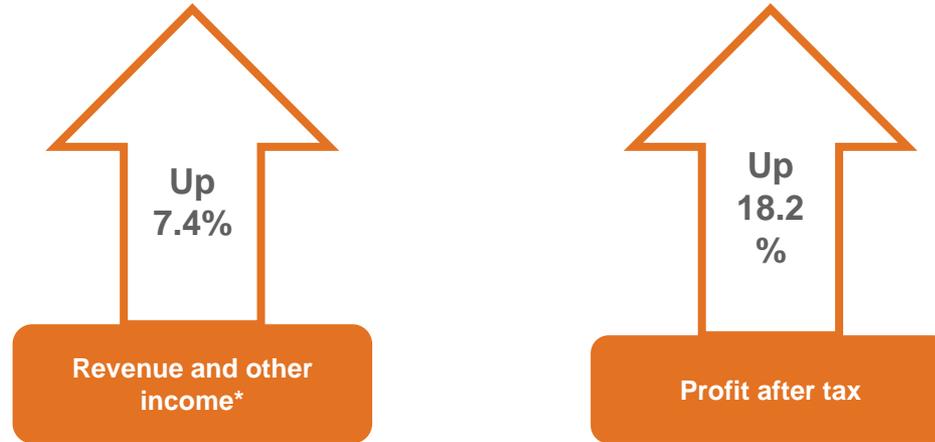


Members' funds \$m



Operating earnings: profit before tax attributable to members of Australian Unity less investment income, borrowing costs exclusive of accommodation bond interest reclassification and discontinued operations and business acquisition costs.

Half year financial results overview

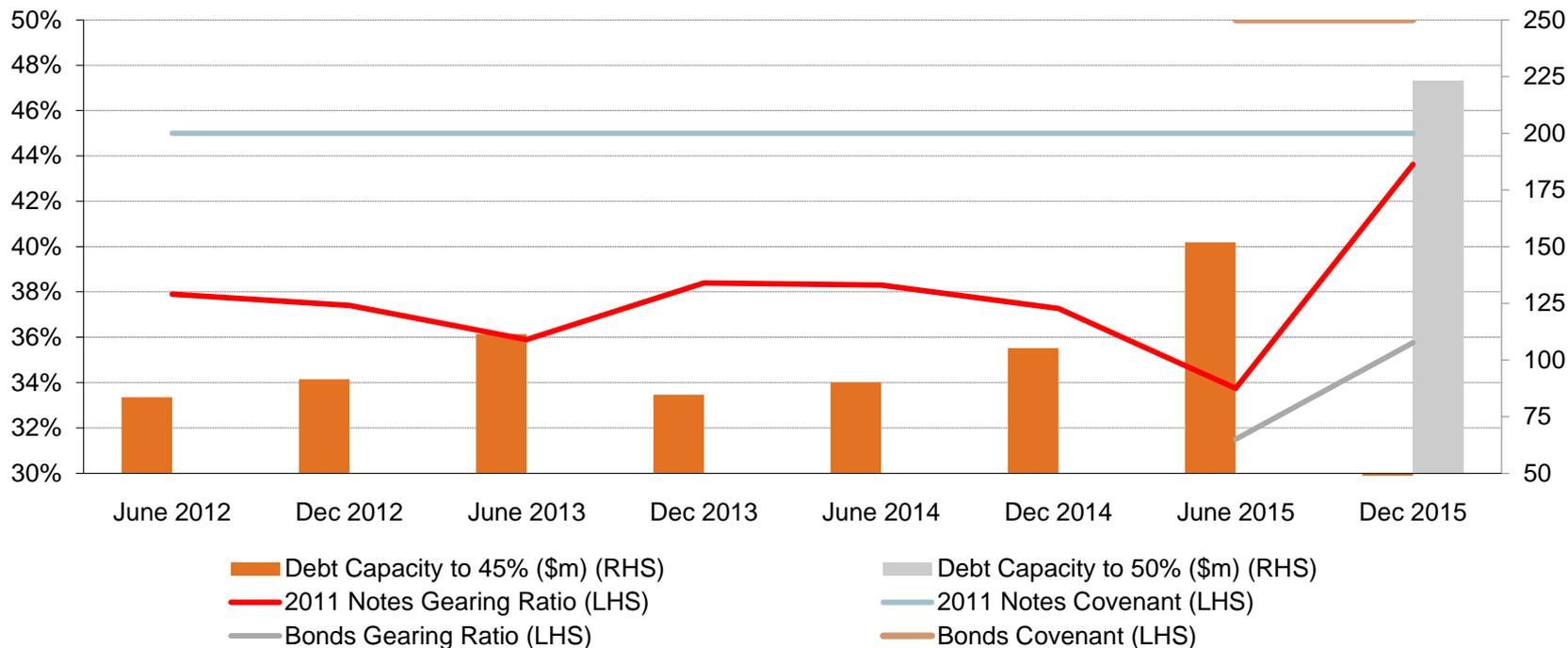


- Revenue and other income of \$630.4 million, (including \$576.1 million attributable to Australian Unity members) and profit after tax of \$14.2 million
- Increases in adjusted EBITDA in all revenue segment areas
- Operating earnings \$18.7 million, up 43.7 percent
- Solid result flowed largely from operating earnings growth generated by the Group's business segments

*Attributable to Australian Unity members

Gearing analysis and interest cover

- The Gearing Ratio on the Bonds calculation basis at 31 December 2015 was 35.8 percent
- The Gearing Ratio on the Notes calculation basis at 31 December 2015 was 43.6 percent
- The interest cover ratio on the Bonds calculation basis at 31 December 2015 was 4.42 times



Business segment highlights

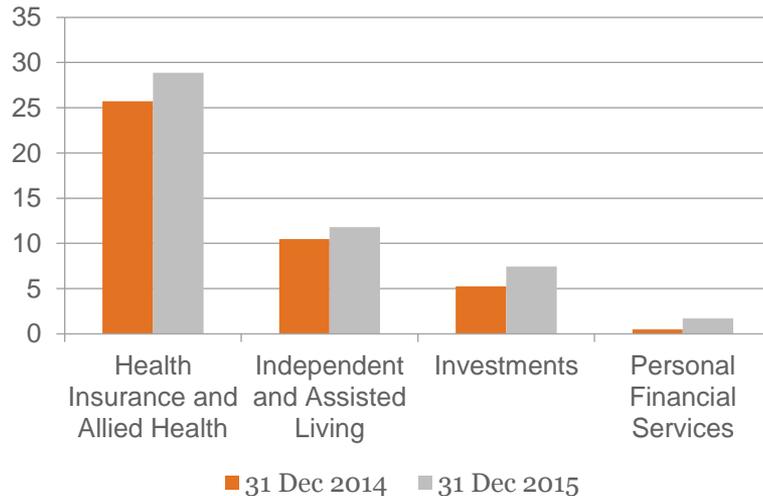


Financial results by segment

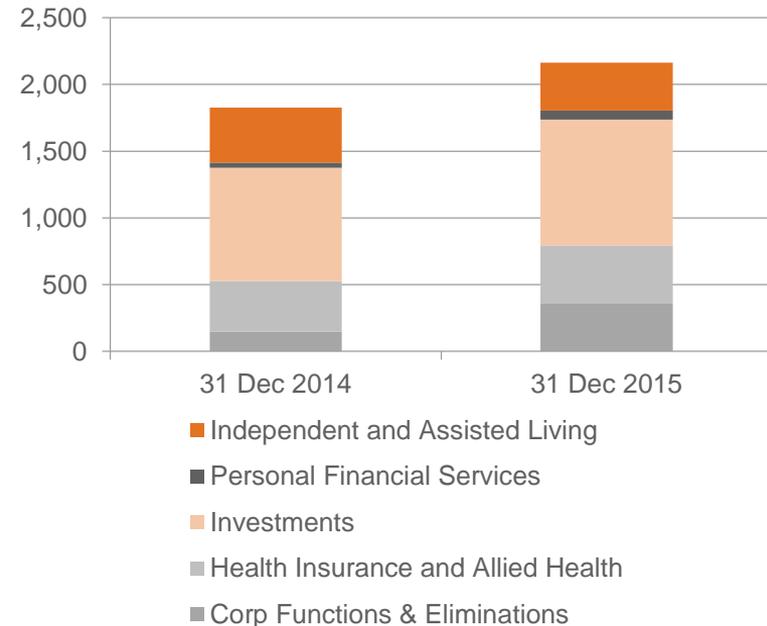
Segment results

All businesses contributed solid results with year on year growth in adjusted EBITDA. The group continues to focus on organic growth and pursuing its strategy of serving the wellbeing needs of Australians.

Adjusted EBITDA \$m



Total assets by business segments \$m



Healthcare



The Healthcare segment results incorporate activities from the Group's retail health insurance fund, the corporate health insurance fund (GU Health), dental clinics, and allied health operations (Remedy Healthcare).

The half-year included the acquisitions of Mobile Physio in July and Lincs Healthcare in December. Both acquisitions support expansion of Remedy's footprint. Remedy also continues to expand chronic disease management programs, and during the period launched its mental health program, MindStep.

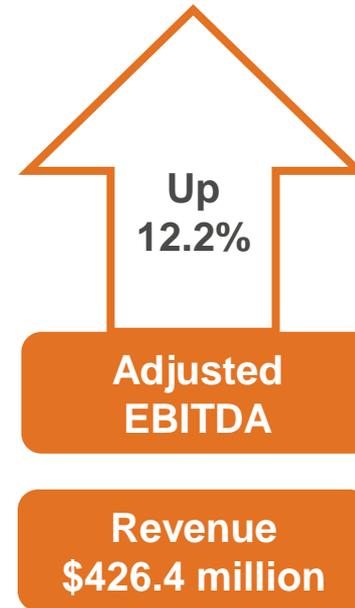
The number of policyholders in both the retail and corporate health insurance funds has remained largely stable.

Notwithstanding this positive half-year result for the Healthcare business, the underlying economics of the Australian healthcare system continue to be under pressure.

Business segment highlights

Healthcare

Healthcare's half-year result entrenches the business' return to better financial performance following the material impacts from the external environment in periods prior to FY15. Despite industry-wide stressors, policyholder numbers in both funds have remained stable.



Independent and Assisted Living

Independent and Assisted Living operations include retirement communities and aged care facilities across NSW and Victoria, as well as a growing home care business in these states.

Growth in the existing home care operations continued to be a key factor underpinning the half-year result, with the business positioned well for further growth in this area associated with the transfer of the Home Care Service of NSW from the NSW Government. The transfer was formally completed on 19 February 2016.

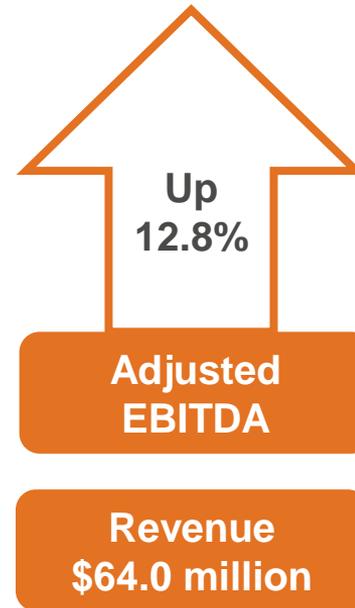
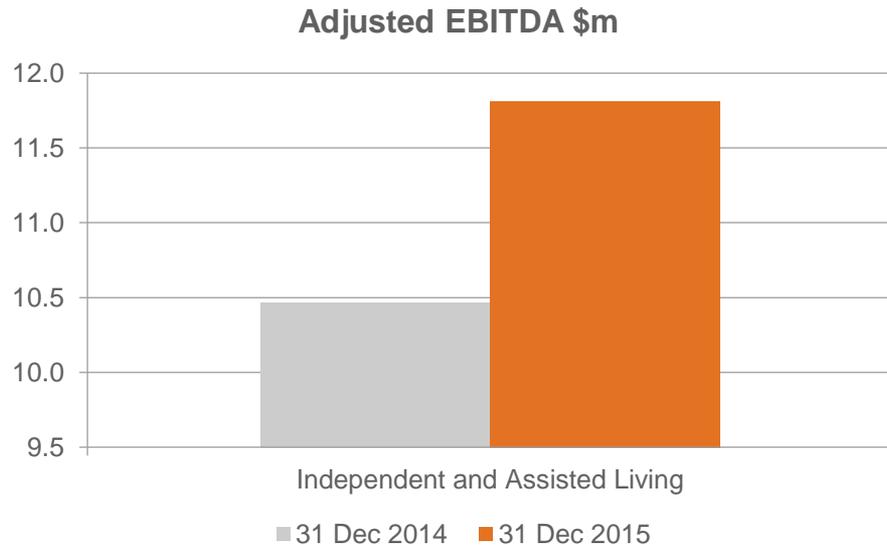
A highlight of the half-year was the continuing high—and above industry average—occupancy levels which continue to be recorded at both retirement villages and aged care facilities.



Business segment highlights

Independent and Assisted Living

The Independent and Assisted Living (formerly Retirement Living) business backed up its strong 2014 and 2015 results with a very positive half-year. The continued rapid growth of the Home Care business was the highlight of the half-year.



Investments



The Investments segment results incorporate activities from the Group's funds management, real estate investment, bonds and banking operations.

Several of the business' leading funds produced very positive performance relative to the market and earned performance fees. Funds under management at 31 December 2015 was \$8.2 billion (30 June 2015: \$7.3 billion).

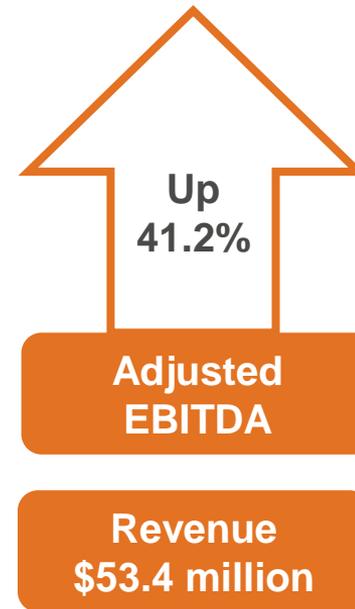
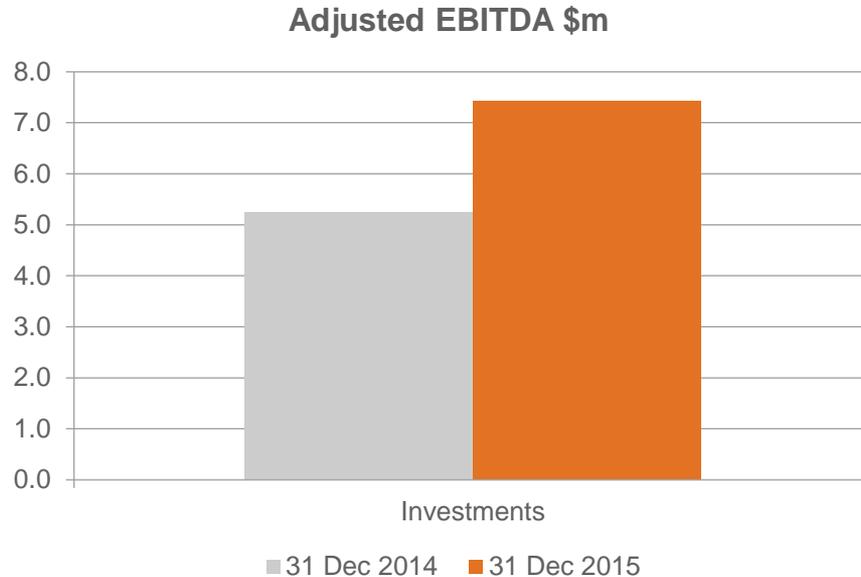
The ADI business, Big Sky Building Society, performed strongly, with continued positive growth in lending. Big Sky finished the half with \$827 million in on-balance sheet assets at 31 December 2015 compared to \$754 million at 30 June 2015.

During the half-year, Big Sky consistently outperformed peer system growth rates, with loan growth at record levels (\$116 million of new loans during the period and net loan book growth of 10 percent).

Business segment highlights

Investments

The Investments business performed very well in the half-year despite the volatility still omnipresent in investment markets.



Personal Financial Services



Personal Financial Services includes activities from the Group's financial advice, finance broking and estate planning and administrations business areas.

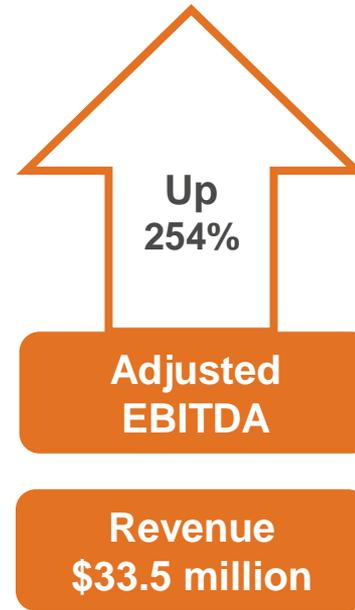
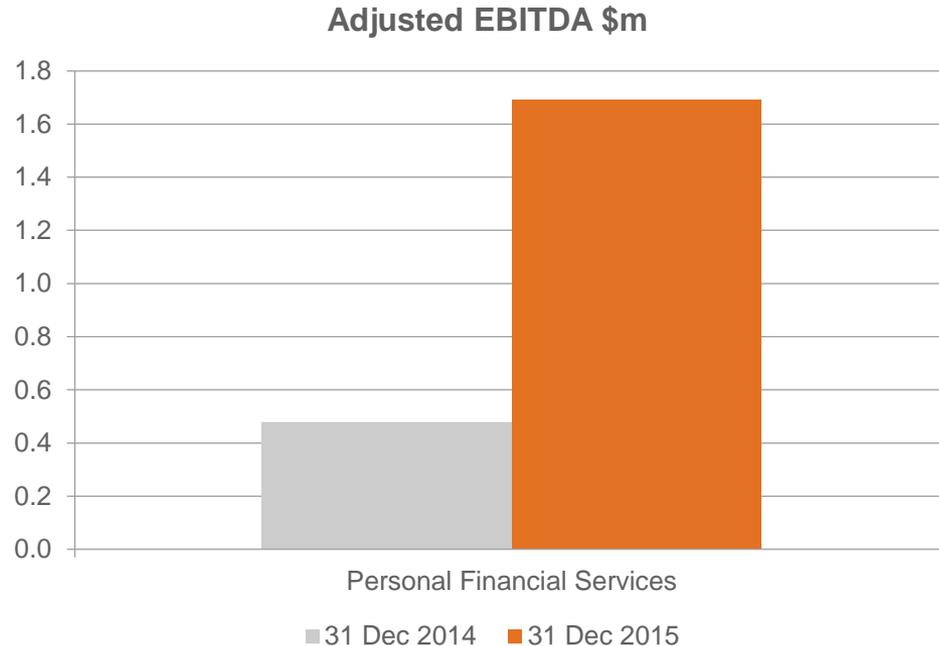
During the half-year the business completed the significant strategic acquisition of estate planning and administration specialists Flinders Australia Limited. This acquisition enables Australian Unity to offer a wider range of services.

The revenue increase was largely as a result of the Flinders Australia acquisition, along with increased productivity from existing advisers and brokers.

Business segment highlights

Personal Financial Services

Personal Financial Services continued to record strong growth in the first half of the 2016 financial year.





Creating community value