

ASX Announcement

1 March 2018

ASX Limited
Company Announcements Office
525 Collins Street
Melbourne Victoria 3000

Dear Sir/Madam

ASX Release – Correction

Australian Unity Limited refers to the Australian Unity Half Year Results Announcement released to the market on 1 March 2018 “(the **Announcement**)”.

We make the following clarifications in relation to the Announcement:

- on page one we stated that: “Total revenue and other income from continuing operations was \$750.6 million for the 12 months to 31 December 2017,...”. However, we wish to clarify that the correct period was six months and not 12 months. For the avoidance of doubt, we have amended this sentence to “Total revenue and other income from continuing operations was \$750.6 million for the **six months** to 31 December 2017,...”;
- on page two we stated that: “Total expenses, excluding financing costs from continuing operations, decreased 7.2 percent to \$731.5 million with a reduction in benefit fund expenses partly offset by higher costs...”. We wish to clarify that these costs were partly offset by higher **staff** costs. For the avoidance of doubt, this sentence now reads “Total expenses, excluding financing costs from continuing operations, decreased 7.2 percent to \$731.5 million with a reduction in benefit fund expenses partly offset by higher **staff** costs...”; and
- on page three we stated that: “Loans under advice were \$802 million at 30 June 2017 compared to \$824 million at 30 June 2017....”. We wish to clarify that the first date should have been 31 December 2017. For the avoidance of doubt, this sentence now reads “Loans under advice were \$802 million at **31 December** 2017 compared to \$824 million at 30 June 2017....”.

The corrected Announcement is attached.

—end—

For more information please contact:

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ASX code:
AYU

Securities on Issue:
AYUHB – 2,500,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity 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 Securities on the ASX does not affect Australian Unity Limited's status as a mutual organisation

1 March 2018

Australian Unity actively positioning for growth

Result overview:

- **Profit for the half-year \$73.3 million (incl. \$64.8 million impact from GUCH sale)**
- **Revenue \$750.6 million, down 6.8%**
- **Operating earnings¹ \$12.3 million, down 10.8%**

Health, Wealth and Living group Australian Unity has reported a profit for the half-year of \$73.3 million compared to \$16.6 million for the same period last year.

Of this result, \$64.8 million was a discontinued operation profit arising from the sale of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH), to nib holdings ltd.

Excluding this sale impact, the Group's profit after income tax from continuing operations for the half-year was \$8.5 million, a result \$4.3 million lower than the previous corresponding period. This included \$14.6 million of costs arising from an extensive business transformation announced in October 2017 and some GUCH sale related costs attributable to continuing operations.

Total revenue and other income from continuing operations was \$750.6 million for the six months to 31 December 2017, a decrease of 6.8 percent compared to the previous corresponding period.

The overall revenue growth generated by the Group's operating businesses and solid investment returns were outweighed by a \$58.2 million reduction in benefit fund revenue.

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¹ Operating earnings: Profit before tax less investment income, borrowing costs and discontinued operations, business acquisition and business transformation costs.

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Total expenses, excluding financing costs from continuing operations, decreased 7.2 percent to \$731.5 million with a reduction in benefit fund expenses partly offset by higher staff costs reflecting the business transformation and GUCH sale-related costs.

Operating earnings from continuing operations were down 10.8 percent from the previous corresponding period to \$12.3 million. The underlying performance of the Group was positive, though impacted by non-recurring development profits recognised in the six months to 31 December 2016.

The Group's operations during the half-year were conducted through four business segments: Healthcare, Wealth, Personal Financial Services and Independent & Assisted Living.

Group Managing Director Rohan Mead said the focus of the first half of the financial year was to actively transform the company to position it for future growth.

"We have embarked on a substantial company-wide transformation program that will put us in a strong position to pursue opportunities in the large and rapidly growing markets in which we operate. The transformation has incurred significant front-end costs, which particularly impacted the first-half results, and will require continuing investment. The benefits of the transformation will be derived progressively over coming reporting periods," Mr Mead said.

"As we progress our transformation, we continue to pursue our strategic ambitions of providing community value through the provision of direct-to-consumer products and services. These products and services create community value by responding to Australia's social infrastructure challenge."

Rohan Mead, Group Managing Director

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The **Healthcare** business delivered a solid first half-year result with adjusted EBITDA up \$3.0 million or 8.7 percent to \$37.3 million compared to the prior corresponding period. The increased result was driven largely by an improved underwriting experience.

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Healthcare's adjusted EBITDA margin for the half-year was 10.3 percent (31 December 2016: 9.5 percent).

The number of policyholders decreased slightly during the half-year, while total segment revenue increased by 0.7 percent.

Remedy Healthcare maintained its strong growth trajectory doubling its national health coaching footprint and delivering more than 256,000 episodes of care across its 18 treatment programs.

The **Wealth** business again produced very solid results, achieving strong growth in new business, delivering clients pleasing investment returns in improved but increasingly cautious markets.

The Healthcare Property Trust, the largest fund of its kind in Australia, increased funds under management (FUM) to \$1.59 billion (30 June 2017: \$1.25 billion) and posted a return of 21.01 percent for the year to 31 December 2017.

The Retail Property Fund achieved a 19.98 percent return for investors while the Australian Unity Diversified Property Fund achieved a return of 19.24 percent for the year.

The ASX-listed Australian Unity Office Fund (AOF) achieved a return of 27.49 percent and outperformed the S&P/ASX 300 A-REIT Accumulation Index by 21.05 percentage points in the year to 31 December 2017.

The Life & Super business also performed well with funds under management and administration up 0.7 percent to \$2.13 billion.

The **Personal Financial Services** business focused considerably on the expansion and growth of Australian Unity Trustees Limited after successfully obtaining a trustee licence in February 2017.

Funds under advice decreased by 0.8 percent to \$6.48 billion (30 June 2017: \$6.53 billion). Loans under advice were \$802 million at 31 December 2017 compared to \$824 million at 30 June 2017. Finance broking revenue was slightly down at \$1.1 million (31 December 2016: \$1.3 million).

The **Independent & Assisted Living** (IAL) business operates retirement communities and aged care facilities, as well as providing home care and disability services. These businesses are interconnected, delivering a continuum of care and service that meets the daily needs of its customers.

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Total segment revenue declined by 2.5 percent to \$192.7 million (31 December 2016: \$197.7 million).

The Home & Disability Services business (including Home Care NSW) continued to provide significant growth for the IAL business. Revenue for the half-year was \$136.1 million representing an increase of \$8.7 million compared to the same period last year.

The IAL business continued to progress a number of development projects including Peninsula Grange in Mornington, Victoria, Sienna Grange in Port Macquarie, NSW, and Albert Road in South Melbourne, which is being built next to Australian Unity's current corporate head office.

Mr Mead said that as a customer-focused business shaped for future growth, Australian Unity is well-positioned to address different aspects of Australia's social infrastructure challenge in areas of community need. Social infrastructure is the interdependent mix of facilities, services and networks that maintain and improve standards of living and quality of life in a community.

"We believe that the strategic direction of the Group is on solid footings, and we will look to accelerate our ambitions in coming years," he said.

A summary of key financial metrics for each business is on the following pages.

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About Australian Unity

Australian Unity is a national health, wealth and living mutual company providing services to almost one million Australians, including approximately 280,000 members. Australian Unity's history as a trusted mutual organisation dates back to 1840. It has grown organically—by continually evolving to provide the services and products needed by the communities it serves—as well as through successful strategic mergers and diversification in to new business activities.

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Key financial metrics by business

Health

For period ended:	31/12/17 \$M	31/12/16 \$M	CHANGE %
Total segment revenue	363.1	360.5	0.7
Adjusted EBITDA	37.3	34.3	8.7
Gross claims expense	302.9	305.7	-0.9
Other results:	31/12/17 Number	30/6/17 Number	CHANGE %
Policyholders (AUHL)	199,539	201,516	-1.0

Wealth

For period ended:	31/12/17 \$M	31/12/16 \$M	CHANGE %
Total segment revenue	67.9	60.2	12.9
Adjusted EBITDA	15.5	8.7	77.4
Other results:	31/12/17 \$M	30/06/17 \$M	CHANGE %
Funds under management and administration (FUMA)	10,350	9,430	9.8
Property portfolio total FUM	2,600	2,440	6.6
	31/12/17 \$M	30/06/17 \$M	FUND RETURN (12 month)
Healthcare Property Trust FUM	1,590	1,250	21.01%
Retail Property Fund FUM	286.2	284.8	19.98%
Australian Unity Office Fund (ASX:AOF) FUM	580.5	445.6	27.49%
AU Diversified Property Fund FUM	304.4	313.9	19.24%
	31/12/17 \$M	30/06/17 \$M	CHANGE %
Life & Super FUM	2,131	2,116	0.7
ADI total assets	785	827	-5.1

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Personal Financial Services

For period ended:	31/12/17 \$M	31/12/16 \$M	CHANGE %
Total segment revenue	32.2	32.2	0.0
Adjusted EBITDA	(0.36)	0.93	(138.3)
Other results:			
Financial broking revenue	1.1	1.3	-8.4
	31/12/17 \$M	30/06/17 \$M	CHANGE %
Funds under advice	6,483	6,532	-0.8
Loans under advice	802	824	-2.7
	31/12/17 Number	30/06/17 Number	CHANGE %
Finance brokers	13	14	(7.1)
Financial advisers	175	182	(3.8)

Independent & Assisted Living

For period ended:	31/12/17 \$M	31/12/16 \$M	CHANGE %
Total segment revenue	192.7	197.7	(2.5)
Adjusted EBITDA	(2.0)	3.0	(169.5)
Other results:			
	31/12/17 \$M	30/06/17 \$M	CHANGE %
Total value of development pipeline	574	450	27.6
	31/12/17 Number	30/06/17 Number	CHANGE Number
Retirement villages ILUs	2,362	2,354	8
Aged care beds	711	711	0

—end—

Further information:

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