



23rd January 2015

Market Announcements Platform
ASX Limited
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000

FOR IMMEDIATE RELEASE

Dear Sir / Madam,

Market update regarding half year ended 31st December 2014 and revised FY15 earnings guidance

Austbrokers Holdings Limited (**AUB**) in its AGM results presentation and CEO presentation on 25th November 2014 noted a downturn in broker earnings from premium rate reductions experienced towards the close of the last financial year had continued into the current year and its intention to comment on its budget expectations regarding underlying NPAT growth at the time of announcement of its half yearly results.

Half year update

Historically AUB's earnings have been weighted to the second half of the year and the full year earnings growth has varied from that achieved for the half year. Following receipt of management accounts reflecting actual trading results for the half year to December 2014 and preliminary work regarding its half year accounts for the 6 months ended 31st December 2014, it now appears that:

- In accordance with market commentary of commercial lines premium rate reductions of up to 30%, premium income performance has been reflective of this environment with gross written premium on a same client / same policy basis reducing by 10.8% over the period with the largest reductions experienced in Q1 (-13%) and improving slightly in Q2 (-10%).
- Our broking businesses have been able to partially ameliorate the market decline by increasing client numbers and policy count to achieve a flat year-on-year brokerage income position.

Accordingly, AUB anticipates its Net Profit After Tax (**NPAT**) for that period to be in the range of \$13.5m to \$14.0m (up 5.5% to 9.5% on NPAT for the 6 months ended 31st December 2013), and its Adjusted NPAT¹ to be in the range of \$12.0m to \$12.5m (down 17.8% to 14.4% on the Adjusted NPAT for the 6 months ended 31st December 2013). This guidance is preliminary in nature, subject to finalisation within AUB as well as review by the company's external auditors. As such, the actual results for the 6 months ended 31st December 2014 may differ from the guidance given in this update. The company is scheduled to release its half year results which will have been subject to review by the company's external auditors to the market on 25th February 2015.

¹ NPAT excluding adjustments to carrying values of associates, after tax loss on sale of portfolios, interest in associates and controlled entities and amortisation of intangibles.

Full year budget update

In light of the work undertaken in connection with settling the half year accounts, AUB has reviewed and revised its budgeted Adjusted NPAT growth for FY2015 to be 0% to 5% over FY2014 (down from 5% to 10% as stated in its announcement of results for FY2014) excluding the impact of the BrokerWeb acquisition in November 2014. AUB's achievement of the revised full year budget will be dependent on market conditions including acquisition opportunities, premium rate movements, the level of profit share commissions and the impact of prevailing economic conditions on the SME sector.

AUB Managing Director, Mark Searles commented that the likely half year result was impacted by a shift of certain renewal dates and anticipated broker revenue into the second half of the financial year, premium rate reductions and acquisitions in HY15 (including BrokerWeb, AMIR and Nexus) not contributing significantly to the first half results but the acquisition expenses being accounted for in the current period. Consequently earnings growth for the second half compared to last year is likely to improve over that achieved in the first half. Mr Searles noted that AUB's two other business areas (underwriting agencies and risk services) continued to experience underlying growth in the first half and that AUB will continue to explore acquisition opportunities across all market facing areas and look to leverage recent acquisitions.

Yours faithfully,



Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

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