

**nib**

# 2015 HALF YEAR RESULTS

**INVESTOR PRESENTATION**  
MONDAY 23 FEBRUARY 2015



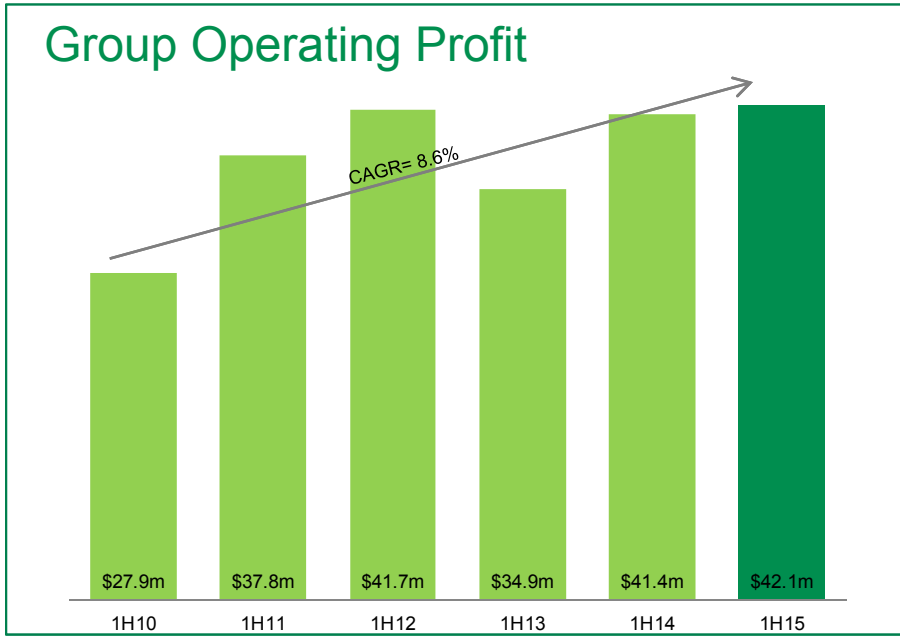
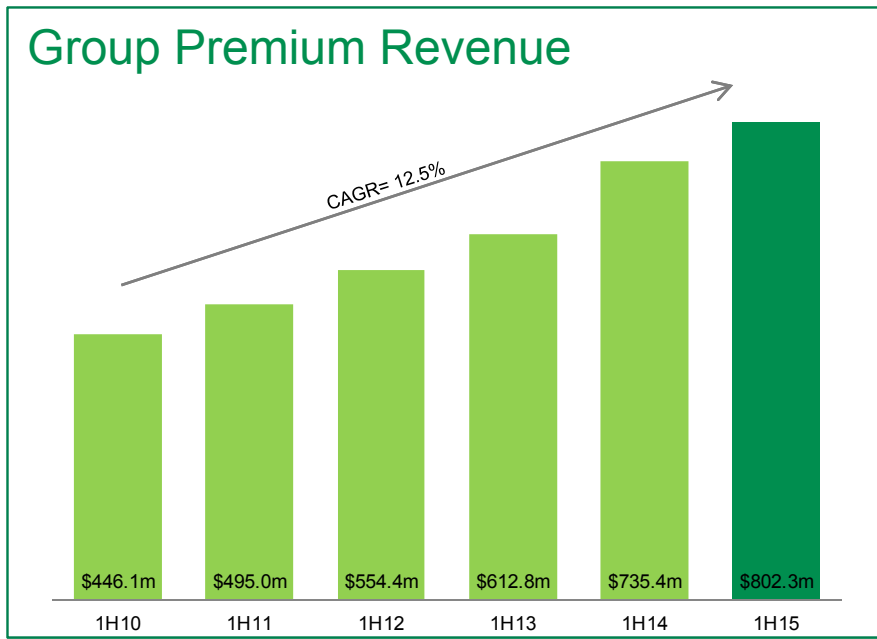
**MARK FITZGIBBON**  
CEO AND MANAGING DIRECTOR

- Group premium revenue up 9.1% to \$802.3m (1H14: \$735.4m).
- Group operating profit up 1.7% to \$42.1m (1H14: \$41.4m) <sup>1</sup>.
- Australian residents health insurance (arhi) operating profit up 10.3% to \$37.5m (1H14: \$34.0m) with net margin of 5.3% (1H14: 5.2%).
- International workers (iwhi) and students (ishi) strong top line growth. Businesses accounted for 18.2% of Group operating profit (1H14: 13.2%). ishi secured Saudi international student business.
- nib New Zealand<sup>2</sup> now growing after decade of decline. Net policyholder growth of 3.3% compared to (0.3)% for 1H14. Operating profit continued to be impacted by ongoing “up front” investment in business capability and growth as well as hampered by Premium Payback (PPB) product portfolio liability.
- Group operating profit includes expenditure to develop nib Options and other new business initiatives.
- Investment return outperformed internal benchmarks with return of 7.6% (annualised), outperformance due largely to gain on sale of Pacific Smiles Group investment.
- NPAT up 3.8% to \$41.1m (1H14: \$39.6m).
- EPS up 4.4% to 9.4cps (1H14: 9.0cps).
- Interim dividend up 4.8% to 5.5cps fully franked (1H14: 5.25cps).
- ROE<sup>3</sup> stable at 21.4% (1H14: 21.9%).

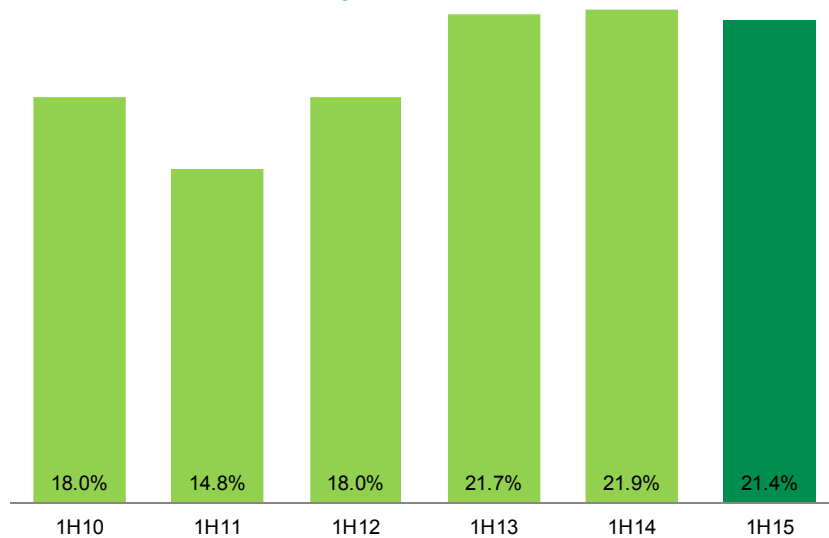
<sup>1</sup> Group underwriting margin of 5.7% (1H14: 5.8%), includes arhi, ishi, iwhi and nib New Zealand

<sup>2</sup> nib acquired New Zealand business in November 2012

<sup>3</sup> Using average shareholders' equity over rolling 12 month period

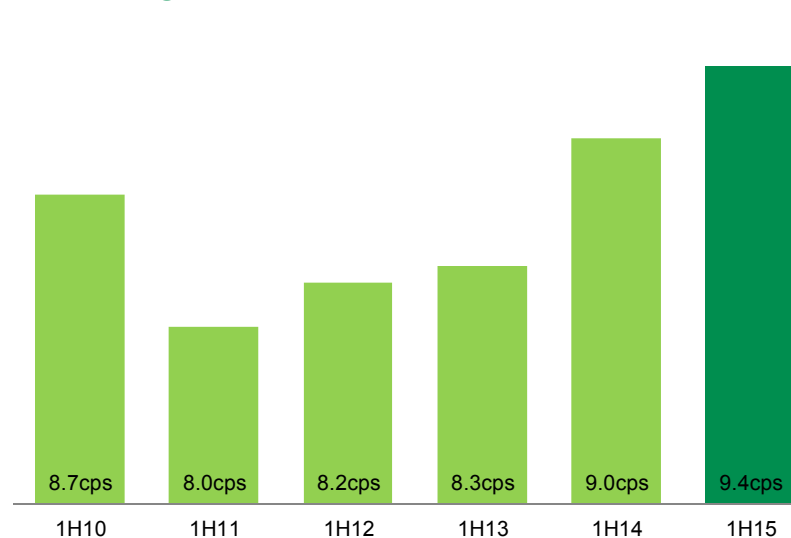


### Return On Equity\*

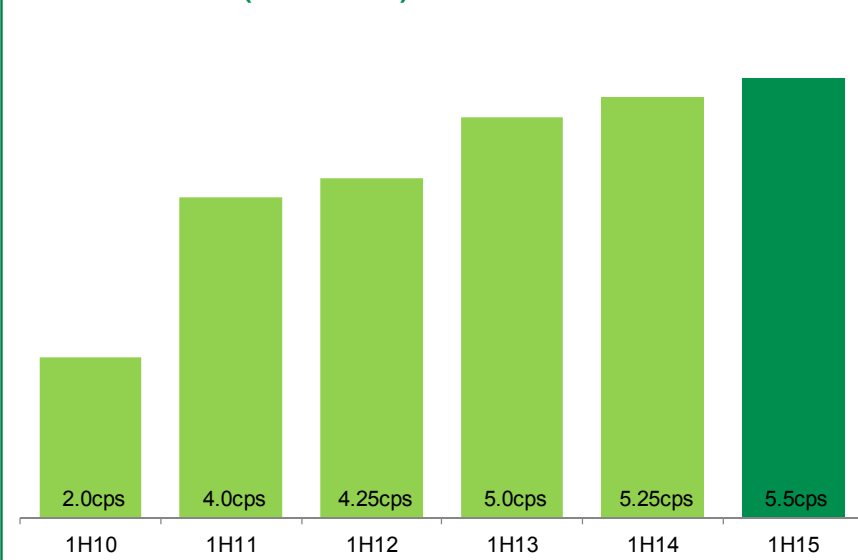


\* Using average shareholders' equity over rolling 12 month period

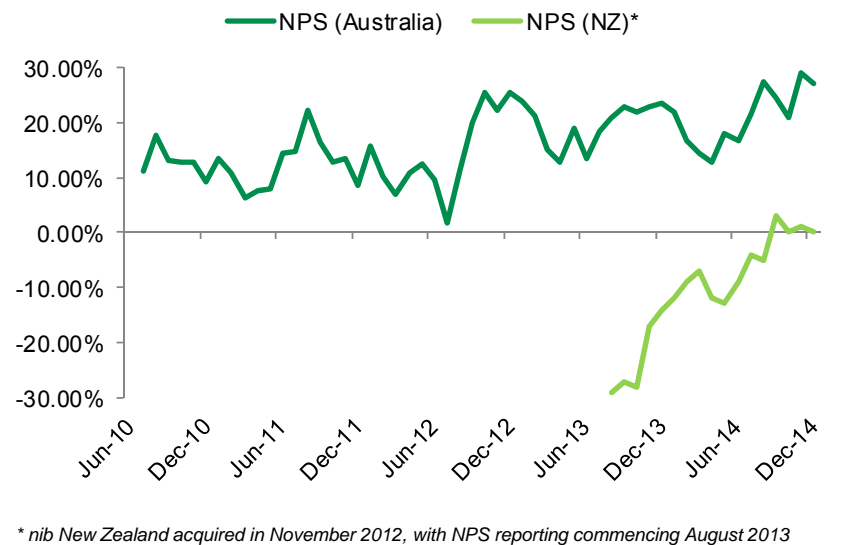
### Earnings Per Share



Dividends (interim)



Net Promoter Score\*





**MICHELLE MCPHERSON**  
CHIEF FINANCIAL OFFICER & DEPUTY CEO

(\$m)	1H15	1H14	%*
Group premium revenue <sup>1</sup>	802.3	735.4	9.1%
Claims expense <sup>1</sup>	(560.6)	(501.1)	11.9%
Risk equalisation	(94.7)	(100.9)	(6.1)%
State levies	(14.2)	(14.1)	0.3%
Premium payback liability movement	(0.6)	2.7	(121.0)%
Gross profit	132.2	122.1	8.3%
- Gross profit margin	16.5%	16.6%	(0.1)%
Acquisition costs	(38.0)	(33.4)	13.8%
Claims handling and other underwriting expenses	(48.5)	(46.0)	5.5%
Net underwriting result	45.7	42.7	7.1%
- Group underwriting margin	5.7%	5.8%	(0.1)%
Other income	2.7	2.1	26.5%
Other expenses	(6.4)	(3.5)	83.4%
Operating profit	42.1	41.4	1.7%
Finance costs	(1.7)	(1.3)	27.7%
Net investment income	20.0	16.5	21.0%
Profit before income tax	60.4	56.6	6.7%
Income tax expense	(19.3)	(17.0)	13.5%
NPAT	41.1	39.6	3.8%
Profit is attributable to:			
Owners of nib holdings limited	41.4	39.7	4.3%
Non-controlling interests	(0.2)	(0.1)	360.8%
EPS	9.4 cps	9.0 cps	4.4%

<sup>1</sup> Net of reinsurance

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results



	1H15	1H14	%*
Total policyholders	491,381	484,541	1.4%
- Net policyholder growth (%)	0.9	2.6	(1.7)%
Net new policyholders	4,587	12,277	(62.6)%
Total customers (persons covered)	967,461	956,207	1.2%
Total sales	32,504	37,002	(12.2)%
- Sales rate (%)	6.7	7.8	(1.1)%
- Sales new to category (%)	45.5	52.8	(7.3)%
- Sales under 40 years of age (%)	49.8	54.8	(5.0)%
- Sales over 55 years of age (%)	27.5	19.8	7.7%
- Sales online (%)	18.0	21.0	(3.0)%
- Sales broker (%)	28.0	35.0	(7.0)%
- Sales outside NSW/ACT (%)	56.2	57.0	(0.8)%
Total lapses	27,911	24,725	12.9%
- Lapse rate (%)	5.7	5.2	(0.5)%

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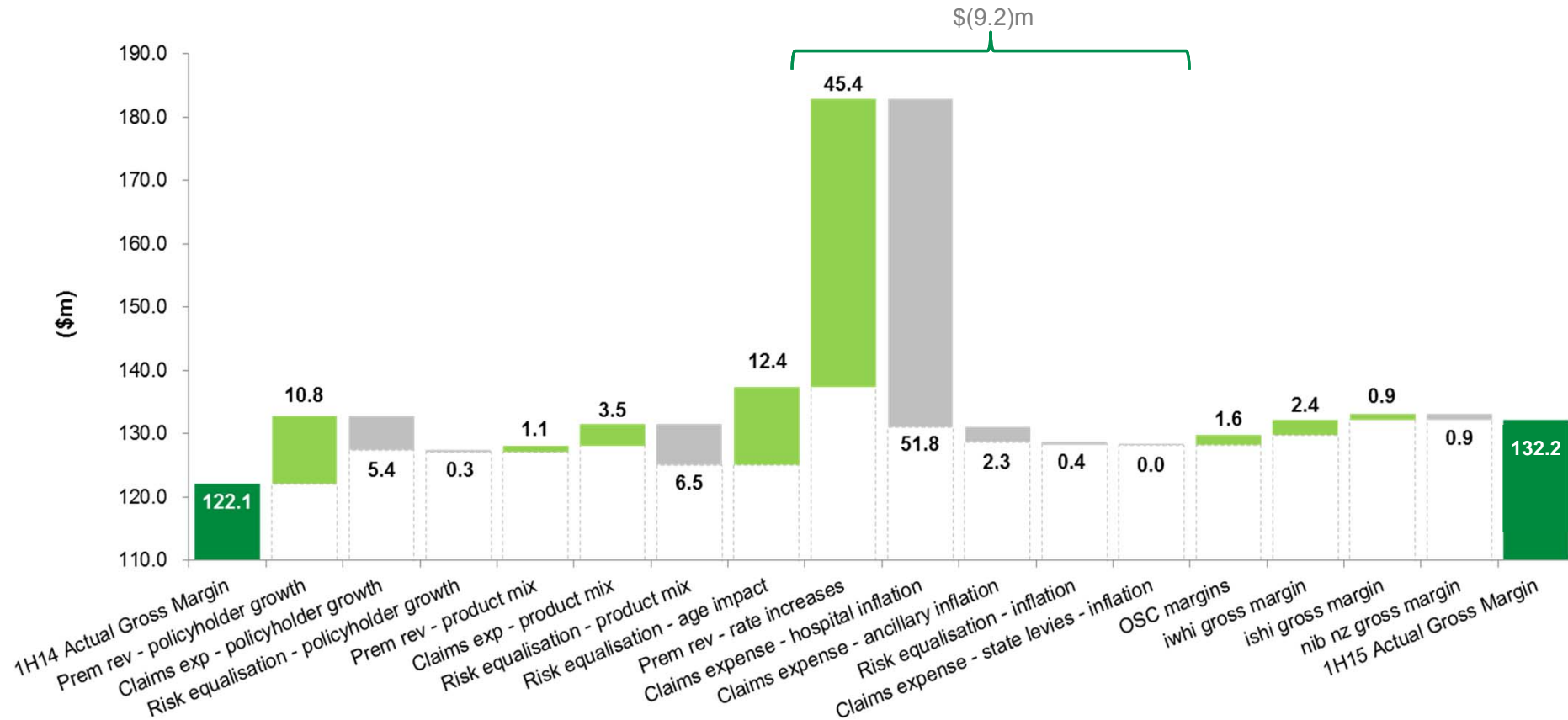
- Net policyholder growth down reflecting:
  - Increased competition and rise of aggregators.
  - Impact of regulatory changes (income testing and indexing of Australian Government Rebate).
  - Flow-on of high 2014 premium increase.
  - Closure of Top Extras 85% during the period.
- These unfavourable trends are partly offset by an increase in sales to over 55s which accounted for 27.5% of all sales (1H14: 19.8%), reflecting the success of distribution strategy (retail brokers, Apia relationship).
- Lower use of retail brokers in first half compared to PCP reflects tactical decisions made given cost of acquisition during the period.

# nib arhi KEY METRICS

(\$m)	1H15	1H14	%*
Premium revenue	<b>706.9</b>	649.7	8.8%
- % of total Group	<b>88.1%</b>	88.3%	(0.2%)
Claims (including state levies, excluding risk equalisation)	<b>(517.8)</b>	(462.1)	12.1%
Risk equalisation	<b>(94.7)</b>	(100.9)	(6.1%)
Gross underwriting result	<b>94.4</b>	86.7	8.9%
- Gross margin (%)	<b>13.4%</b>	13.3%	0.1%
Management expenses	<b>(57.0)</b>	(52.7)	8.2%
- MER (%)	<b>8.1%</b>	8.1%	(0.0%)
Net underwriting result	<b>37.4</b>	34.0	10.0%
- Net margin (%)	<b>5.3%</b>	5.2%	0.1%
- % of Group	<b>81.8%</b>	79.7%	2.1%
Other income/expenses	<b>0.1</b>	-	NA
Operating profit	<b>37.5</b>	34.0	10.3%
- % of Group operating profit	<b>89.2%</b>	82.2%	7.0%

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results

- Premium revenue up 8.8% with 1H15 average premium income per new sale of \$2,426 (1H14: \$2,301).
- Net underwriting margin of 5.3% (1H14: 5.2%):
  - Claims expense (ex risk equalisation) up 12.1%, being primarily driven by hospital benefits paid increasing 17.0% and ancillary benefits up 7.1%.
  - Risk equalisation down 6.1% reflecting success in over 55s market and lower SEU growth relative to industry.
  - 1 April 2015 price increase expected to absorb ongoing forecast claims inflation.
- MER stable notwithstanding investment in marketing up \$3.3m (26.2%) to \$16.1m. Reflects known \$1.2m increase in DAC amortisation and \$2.1m increase in direct marketing to counter competitive market environment.
- Operating profit up 10.3% to \$37.5m reflecting stable gross margin and continued focus upon operational efficiencies.



- Risk equalisation gross deficit has been favourably impacted by ageing (\$12.4m), including the effect of Virgin Silver, offset by product mix with more customers on mid-level products, which on average have lower risk equalisation recoveries (-\$6.5m).
- The \$(9.2)m net rate increase and inflation gross profit variance is largely driven by hospital inflation as previously described, with various initiatives planned and underway to mitigate utilisation and service cost inflation.

# nib ishi KEY METRICS

(\$m)	1H15	1H14	%*
Total policyholders	<b>35,653</b>	15,408	131.4
- Net policyholder growth (%)	<b>36.2%</b>	69.0%	(32.9)%
Premium revenue	<b>7.3</b>	3.9	86.9%
- % of total Group	<b>0.9%</b>	0.5%	0.4%
Claims	<b>(4.4)</b>	(1.9)	128.2%
Gross underwriting result	<b>2.9</b>	2.0	47.1%
- Gross margin (%)	<b>40.1%</b>	51.0%	(10.9)%
Management expenses	<b>(2.6)</b>	(1.2)	106.2%
- MER (%)	<b>35.0%</b>	31.7%	3.3%
Net underwriting result	<b>0.4</b>	0.8	(50.3)%
- Net margin (%)	<b>5.1%</b>	19.2%	(14.1)%
- % of Group	<b>0.8%</b>	1.8%	(1.0)%
Other income/expenses	<b>0.1</b>	-	NA
Operating profit	<b>0.5</b>	0.8	(36.4)%
- % of Group operating profit	<b>1.1%</b>	1.8%	0.7%

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results

- Distribution strategy continues to deliver very strong policyholder growth, up more than 130% since 1H14, with premium revenue up 86.9% to \$7.3m.
- Net margin of 5.1% due to:
  - Gross margin of 40.1% down from 51.0% due to product mix and claims expense reflecting a more mature policyholder portfolio (reduced impact in total portfolio of new to category).
  - Management expenses up to \$2.6m to support ongoing growth and further develop operational capability.
- Addition of Saudi business which equates to ~13,000 customers and ~\$32m in GWP, is positive for future scale and growth. Due to enrolment timing and expected seasonal claims, impact to FY15 operating profit not expected to be material.
- 1H15 net margin of 5.1% in line with expectations given the change in product mix.

# nib iwhi KEY METRICS

(\$m)	1H15	1H14	%*
Total policyholders	19,719	19,215	2.6%
- Net policyholder growth (%)	3.2%	6.3%	(3.1)%
Premium revenue <sup>1</sup>	15.1	14.3	5.4%
- % of total Group	1.9%	2.0%	(0.1)%
Claims <sup>1</sup>	(4.4)	(6.0)	(27.2)%
Gross underwriting result	10.8	8.4	28.9%
- Gross margin (%)	71.2%	58.3%	12.9%
Management expenses	(3.6)	(3.6)	(0.8)%
- MER (%)	23.9%	25.4%	(1.5)%
Net underwriting result	7.2	4.7	51.7%
- Net margin (%)	47.3%	32.9%	14.4%
- % of Group	15.7%	11.1%	4.6%
Other income/expenses	-	-	NA
Operating profit	7.2	4.7	51.7%
- % of Group operating profit	17.0%	11.4%	5.6%

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results

<sup>1</sup> Net of reinsurance

- Total policyholders have grown 3.2% in 1H15, with sales of 36.4% offset by lapse of 33.2%, reflecting shorter skilled migrant worker visa durations.
- Premium revenue up 5.4% to \$15.1m due to growth and premium increases.
- 1H15 net margin favourable due to claims down 27.2% (gross margin 71.2% versus 58.3% in 1H14) due to success of targeted scale pricing, lower than forecast inflation and customer trend to lower level products.
- 1H15 net margin very high due to favourable claims experience.

(\$m)*	1H15	1H14	%*
Total policyholders	<b>81,735</b>	79,000	3.5%
- Net policyholder growth (%)	<b>3.3%</b>	(0.3)%	3.6%
Premium revenue	<b>72.9</b>	<b>67.5</b>	8.1%
- % of total Group	<b>9.1%</b>	9.2%	(0.1)%
Claims	<b>(48.3)</b>	<b>(45.2)</b>	6.9%
Gross underwriting result (excluding PPB)	<b>24.7</b>	<b>22.3</b>	10.6%
- Gross margin (%)	<b>33.8%</b>	33.1%	0.7%
Total management expenses	<b>(23.3)</b>	<b>(21.8)</b>	6.9%
- MER (%)	<b>32.0%</b>	32.3%	(0.3)%
Acquisition costs	<b>(12.9)</b>	(12.8)	0.6%
- Acquisition costs (%)	<b>17.6%</b>	19.0%	(1.4)%
Other management expenses	<b>(10.5)</b>	(9.0)	15.9%
- Other MER (%)	<b>14.3%</b>	13.4%	0.9%
Net underwriting result (excluding PPB)	<b>1.3</b>	<b>0.5</b>	177.8%
- Net margin (%)	<b>1.8%</b>	0.7%	1.1%
- % of Group	<b>2.9%</b>	1.1%	1.8%
Other income/expenses	-	-	NA
Operating profit (before movements in PPB liability)	<b>1.3</b>	<b>0.5</b>	177.8%
(Increase)/decrease in PPB liability	<b>(0.6)</b>	2.7	(121.0)%
Operating profit	<b>0.8</b>	<b>3.2</b>	(76.2)%
- % of Group operating profit	<b>1.8%</b>	7.8%	(6.0)%

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results

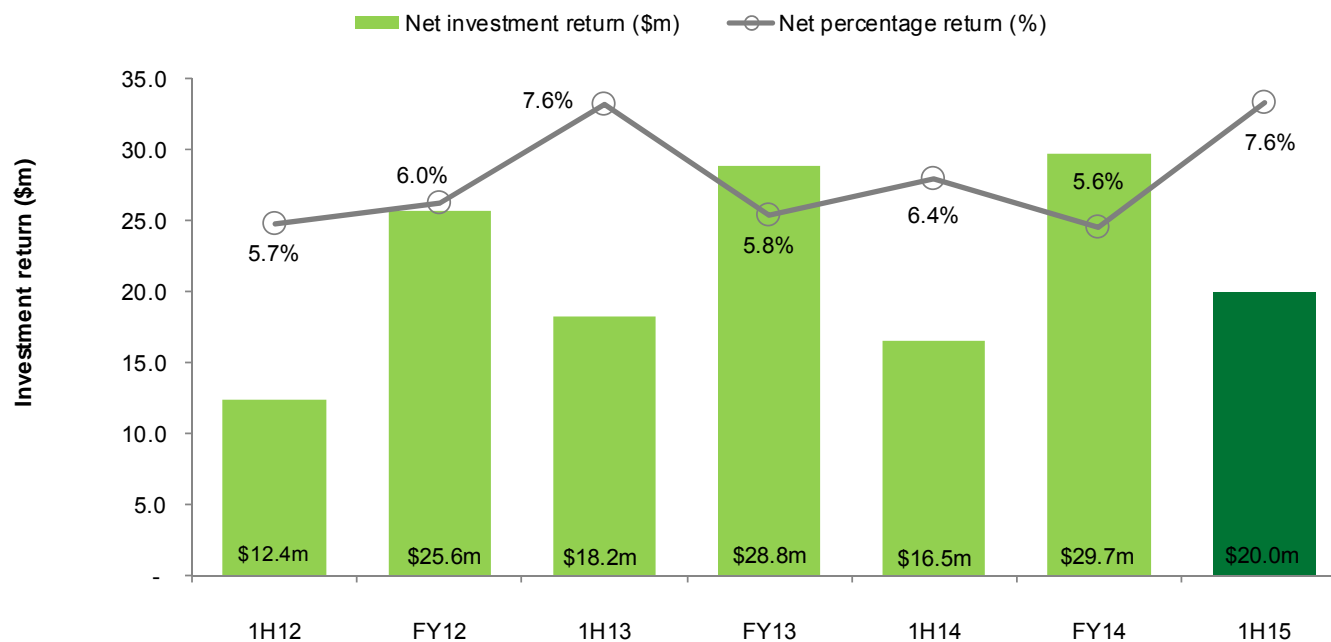
- Premium revenue up 8.1% due to net policyholder growth of 3.3% in 1H15 and premium increases.
- Claims expense up 6.9% reflects return to more normal claims experience after a favourable claims experience in 1H14.
- Management expenses have increased \$1.5m due to:
  - Increases in FTE to support business transition, expansion of product range and increase in policyholders.
  - increased amortisation and depreciation due to IT development.
- Net margin (excluding PPB) has improved from 0.7% to 1.8%.

No variation in operating profit due to exchange rates as impact on individual line items net to \$nil. Refer slide 36 for detailed analysis of impact of exchange rates.

(\$m)	1H15	1H14*	(%)
<b>Other income</b>	<b>0.6</b>	0.2	151.7%
Subscription income	(0.1)	0.2	(144.5)%
Fair value adjustment to contingent consideration	0.7	-	NA
<b>Other expenses</b>	<b>(3.1)</b>	(1.2)	162.9%
Impairment of goodwill	(1.4)	-	NA
Other	(1.7)	(1.2)	44.0%
<b>Operating Profit</b>	<b>(2.6)</b>	(1.0)	165.7%
<i>% of Group operating profit</i>	<i>(6.1)%</i>	<i>(2.3)%</i>	<i>(3.8)%</i>

\* nib Options launched in March 2014

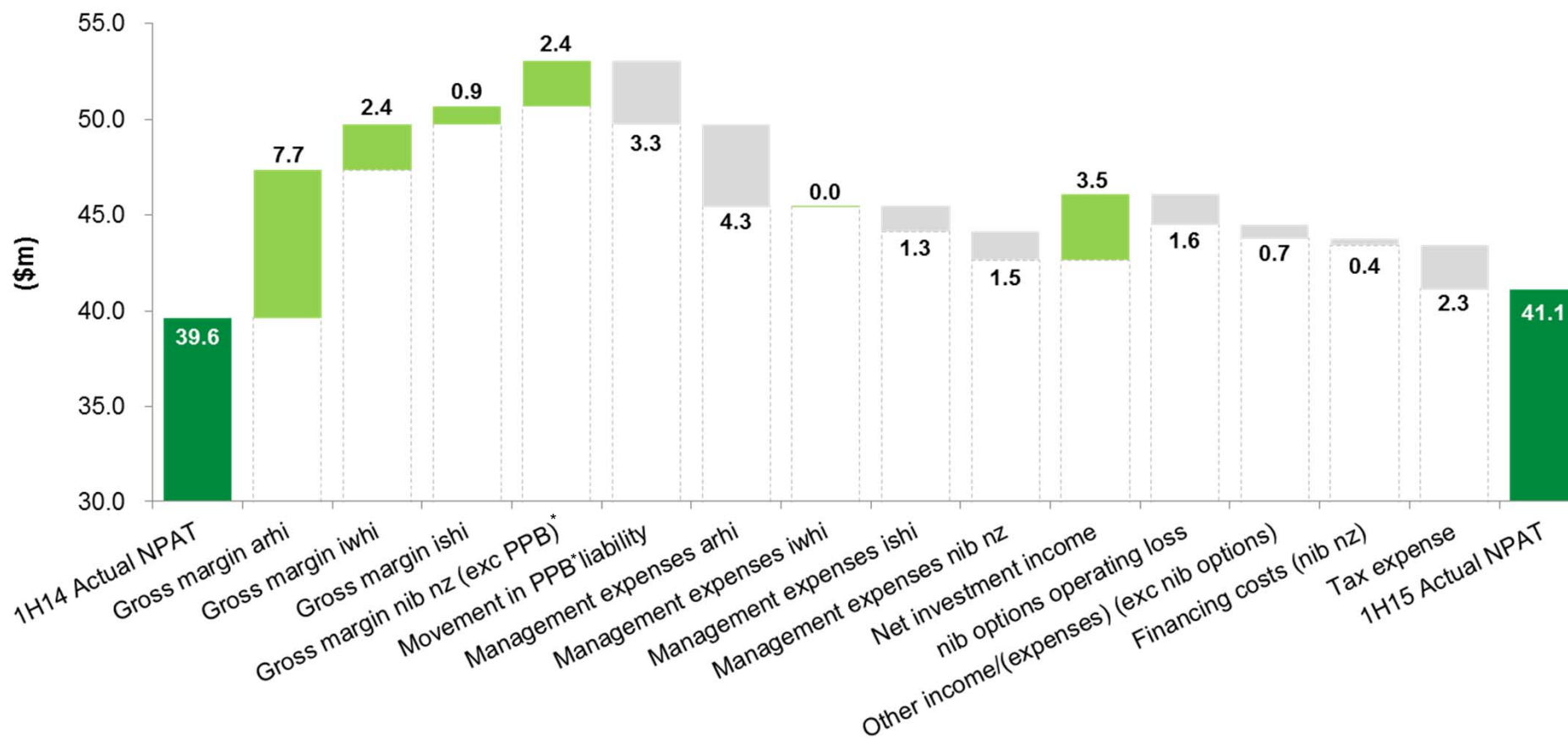
- Operating loss of \$(2.6)m includes one-off write-off of goodwill and contingent consideration liability, net value of \$(0.7)m given change in business model based upon experience to date.
- Subscription income of \$(0.1)m due to refund of domestic subscribers. nib Options value proposition going forward to focus on overseas cosmetic and dental treatment.
- Other expenses (excluding impairment of goodwill) of \$1.7m reflects investment to build business.



\* 1H net investment returns are annualised figures

- Net investment return of 7.6% (1H14: 6.4%). On a normalised basis return would have been 5.5% (annualised) and reflects lower cash rate environment.
  - 1H15 benefited (\$5.4m) from sale of shareholding in Pacific Smiles Group (21 November 2014).
- Consolidated defensive/growth split of 83%/17% as at 31 December 2014 (1H14: 78%/22%).
- Total net investment assets at 31 December 2014 of \$542.2m (including Newcastle office building of \$39.3m).





\* PPB – Premium Payback product

(\$m)	1H15	1H14	%
Net cash inflow/(outflow) from operating	16.6	26.3	(36.9%)
Net cash inflow/(outflow) from investing	(17.2)	(31.5)	(45.5%)
Net cash inflow/(outflow) from financing	(64.9)	(22.5)	189.0%
Net increase (decrease) in cash and cash equivalents	(65.4)	(27.6)	136.9%

\* Change is percentage increase or (decrease), 1H14 to 1H15, where results are a percentage, the change shown is difference between two results

- Net operating cash inflow in 1H15 down \$9.7m due to timing of payments to suppliers, policyholders and employees. We pay on average ~\$5m in claims per day.
- Net investing cash outflow in 1H15 due to reallocation of investment assets from cash to fixed interest.
- Net cash outflow of \$65.4m is mainly due to FY14 final dividend of \$64.7m which included a special dividend of \$39.5m (capital management initiative).

	1H15 (\$m)	FY14 (\$m)
<b>Opening available capital position above internal targets</b>	<b>18.7</b>	<b>14.8</b>
Net profit after tax	41.1	69.8
Movement in foreign currency translation reserve direct to equity	0.8	2.0
Movement in other reserves direct to equity	(1.2)	3.4
Changes in debt*	1.9	5.9
Changes in New Zealand intangibles and other liabilities	0.0	(1.4)
Changes in other intangibles, other assets and liabilities	2.2	(0.5)
(Increase)/Decrease in capital required nib health funds	(12.4)	49.0
(Increase)/Decrease in capital required nib New Zealand	(4.1)	(11.8)
Removal of debt net tangible assets covenant	24.7	(24.7)
Allowance for interim/final dividend	(24.1)	(48.3)
Allowance for special dividend	-	(39.5)
<b>Consolidated available capital position above internal targets</b>	<b>47.5</b>	<b>18.7</b>

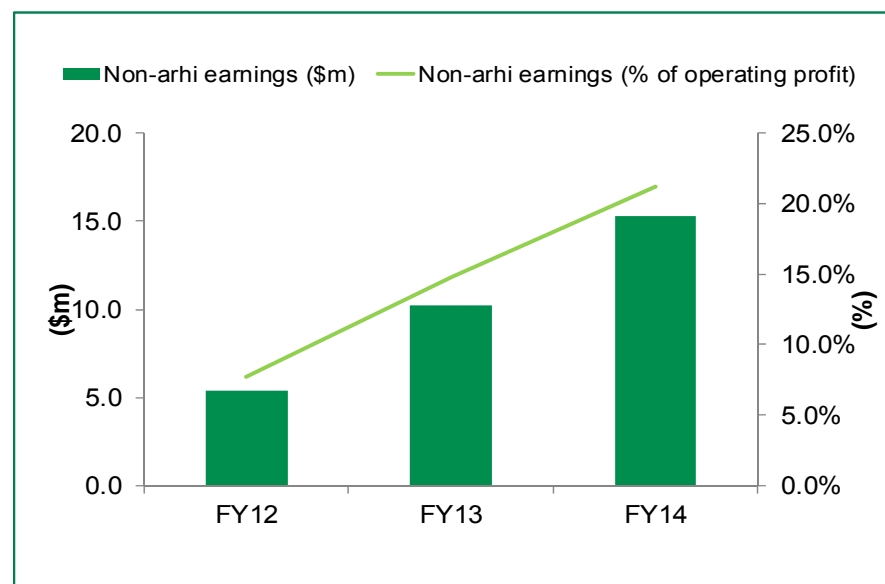
\* Change is due to exchange movement

- Gearing ratio at 31 December 2014 of 17.1% (debt to debt plus equity).
- Continued exploration of other investment opportunities, including M&A, is the reason for below target gearing ratio.
- nib targets a long term average gearing ratio of 30%. nib's short to medium term target is 25% with the remaining 5% reserved for strategic opportunities. In the event of a significant transaction gearing may be above 30% for a short time if necessary to effect the transaction.

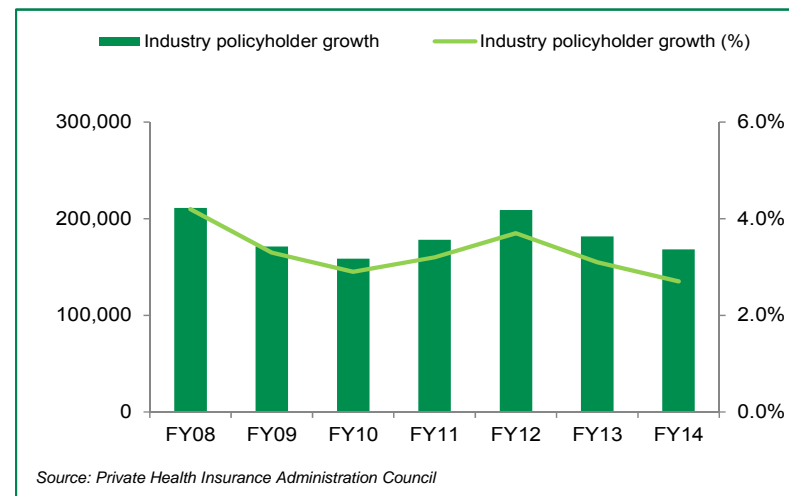


**MARK FITZGIBBON**  
CEO AND MANAGING DIRECTOR

- Steady market and earnings growth in core arhi business.
- Increasing earnings contribution from existing non-arhi businesses.
- Further disciplined investment in innovation and business diversification.
- Disciplined capital management.



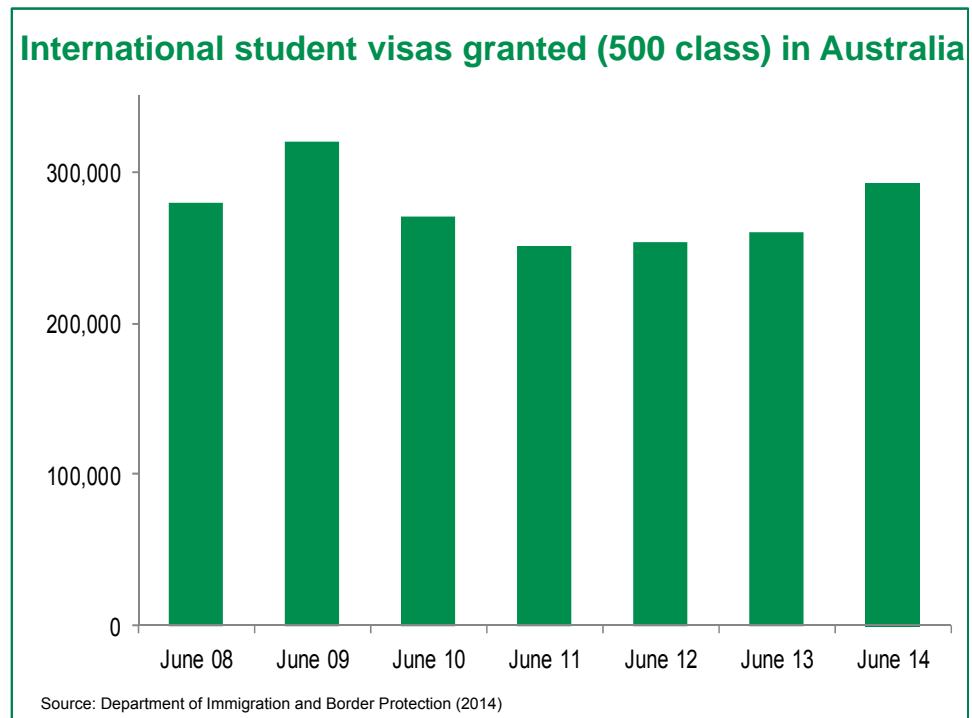
- Ongoing annual system policyholder growth circa 2%-3% with nib expected to grow in range 4%-5%. Intense competition and churn the new “normal” with implications for net growth and required level of investment. But lifetime value remains well ahead of cost of sale and retention.
- nib will maintain market standing in <40s segment (Virgin Green) but will seek to grow further in +55 segment (Virgin Silver) as well. Largely a challenge of distribution.



- Underlying annual claims inflation will be in the order of 6%-7% and maintain pressure on gross margin. Premium pricing will remain designed to cover inflation and achieve a 5%-5.5% net margin (expected FY16).
- Additional efforts can be expected to restrain service cost inflation and mitigate over servicing and avoidable surgery and treatment.
- Government policy will remain very supportive of PHI industry. Opportunities will emerge for PHI to play an increased role in healthcare financing and delivery.
- Prima facie M&A prospects remain limited but logic of industry consolidation compelling.

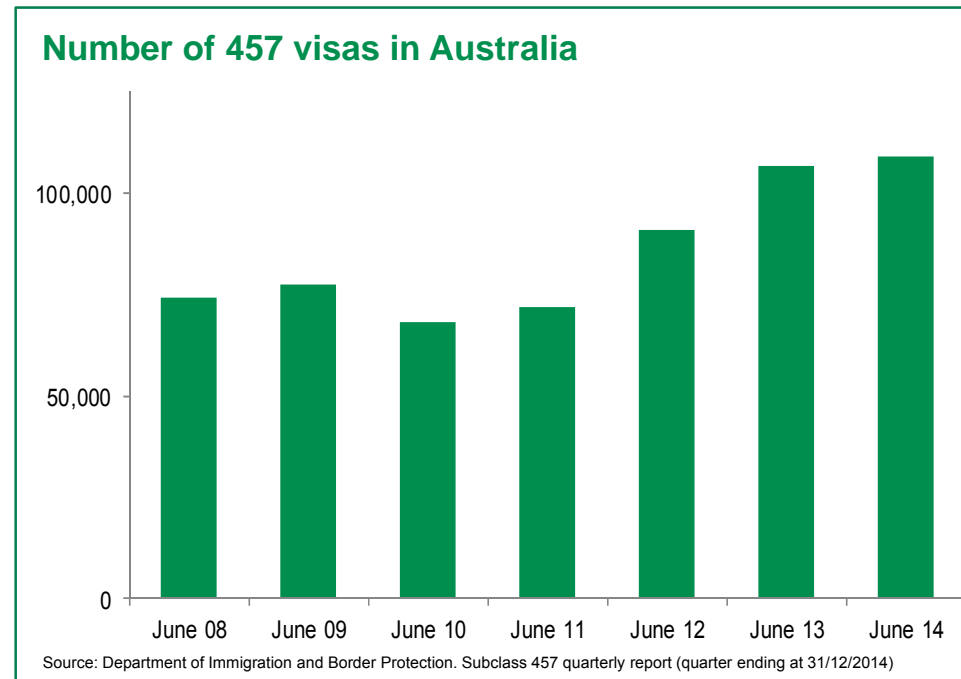
### International students (ishi)

- Powerful organic growth supported by clear business and distribution strategy.
- Saudi student business increases annual GWP x 2 and is expected to contribute towards future earnings.
- Scope remains to grow market share (including in NZ).
- Net margin for FY15 expected to be in range of 5%-10%.



### International workers (iwhi)

- 457 visa entries remain steady causing us to also focus upon other visa classes and distribution possibilities.
- Competition will see some insurance margin pressure (yield), with strategies intended to more than offset this with benefit from market and premium growth (load).
- Plans well advanced to complement business with outbound International Private Medical Insurance (IPMI) product offering (including NZ pilot, launched September 2014).
- Full year net margin expected to be in line with FY14 (30%-35%) as we see less favourable claims experience and increased competition.



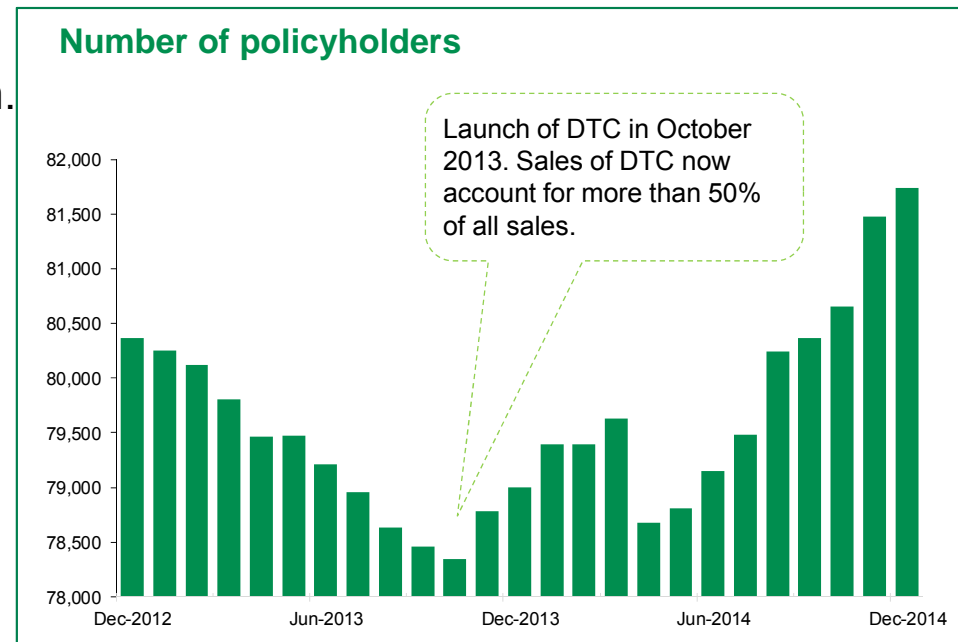


- Focus will remain upon building business fundamentals:
  - nib brand awareness.
  - Improved operating model for wealth advisor sales and distribution.
  - Direct to Consumer (DTC) channel.
  - Competitive group offering.
  - Extracting synergies with Australia.

- Profitability will continue to be impacted by investment in business development and innovation but will improve with growth and net margin improvement.

Priorities around:

- Lowering unit cost of claims via “better risk” selection, claims management and provider contracting.
- Affordability and adding value to product offering via lower claims inflation.
- There appear to be M&A prospects as well as opportunities to grow sales via distribution partnerships (including “white labelling”).
- We remain confident about future prospects and investment returns.



**nib Options**

- Thematic of medical travel remains compelling.
- Losses to date reflect (\$2.6 million in 1H15) building of business capability and key learnings.

**Other insurance lines**

- Further opportunities to increase life, travel and related insurance offerings.
- International Private Medical Insurance will increasingly be sought in market especially amongst corporates. Aim to launch in Australia CY15.
- Researching possibilities to distribute other insurance products.

- FY15 consolidated operating profit of \$75m-\$82m, with result likely to be at the lower end of this range.
- FY15 investment income forecast to be in line with relevant internal benchmarks\*.
- Ordinary dividend payout ratio 60%-70% of full year NPAT.

\* Excluding gain on sale from Pacific Smiles Group

Internal Investment benchmarks

- Australian Regulatory capital (80/20 defensive/growth) - target for portfolio bank bill index plus 1%
- New Zealand regulatory capital (100% defensive) (1) For core portfolio target is a 6 month bank bill index (2) For premium payback portfolio target is a 3.0 years interest rate swap index
- Surplus capital (100% defensive) - bank bill index

**nib**

**Q&A**

**nib**

**APPENDIX**

nib Group	1H12	FY12	1H13	FY13	1H14	FY14	1H15
Total policyholders	457,768	471,455	564,286	578,659	598,164	611,225	<b>628,488</b>
- <i>arhi</i>	440,707	451,647	462,359	472,264	484,541	486,794	<b>491,381</b>
- <i>iwhi</i>	14,960	16,480	16,880	18,071	19,215	19,108	<b>19,719</b>
- <i>ishi</i>	2,101	3,328	4,680	9,115	15,408	26,176	<b>35,653</b>
- <i>nib New Zealand</i>	-	-	80,367	79,209	79,000	79,147	<b>81,735</b>
nib New Zealand (Persons covered)	-	-	164,640	160,891	158,467	156,730	<b>159,955</b>
Employees (FTEs)	576	556	662 <sup>#</sup>	692	767	784	<b>836</b>
<b><i>arhi</i></b>							
Net policyholder growth	2.2%	4.7%	2.4%	4.6%	2.6%	3.1%	<b>0.9%</b>
Market share	7.6%	7.6%	7.7%	7.7%	7.8%	7.7%	<b>Not available*</b>
Persons covered	859,331	881,922	904,567	927,043	956,207	959,974	<b>967,461</b>
Average age of hospital persons covered (yrs)	35.9	35.8	35.8	35.9	36.2	36.7	<b>37.2</b>
Total policyholders "under 40"	212,157	217,322	221,420	222,746	222,492	216,109	<b>210,772</b>
- Growth in "under 40" segment	2.0%	4.4%	1.9%	2.5%	(0.1)%	(3.0)%	<b>(2.5)%</b>
Total policyholders "over 55"	108,889	111,374	114,693	118,881	126,073	132,378	<b>140,224</b>
- Growth in "over 55" segment	2.1%	4.5%	3.0%	6.7%	6.0%	11.4%	<b>5.9%</b>
Total hospital persons "20-39"	269,504	274,922	280,106	280,194	280,688	271,903	<b>265,285</b>
- Growth in hospital persons "20-39"	2.5%	4.5%	1.9%	1.9%	0.2%	(3.0)%	<b>(2.4)%</b>
- Market share	10.7%	10.7%	10.8%	10.7%	10.6%	10.1%	<b>Not available*</b>
Total hospital persons "55+"	142,489	145,646	149,871	155,603	165,159	173,868	<b>184,265</b>
- Growth in hospital persons "55+"	2.3%	4.6%	2.9%	6.8%	6.1%	11.7%	<b>6.0%</b>
- Market share	4.7%	4.7%	4.8%	4.9%	5.1%	5.3%	<b>Not available*</b>
<b><i>arhi Sales by Channel</i></b>							
Call centre	34.7%	33.9%	32.3%	32.2%	32.0%	35.4%	<b>36.4%</b>
Web	33.3%	29.3%	26.5%	23.4%	21.0%	20.8%	<b>18.0%</b>
Broker	18.1%	22.2%	28.9%	31.8%	35.0%	31.0%	<b>28.0%</b>
Retail	12.3%	13.1%	10.6%	10.7%	9.1%	9.7%	<b>9.0%</b>
Corporate	1.6%	1.4%	1.6%	1.8%	2.3%	2.5%	<b>2.2%</b>
Other (includes Apia)	0.1%	0.1%	0.1%	0.1%	0.6%	0.6%	<b>6.5%</b>

\* At the time of finalising this presentation the Private Health Insurance Administration Council (PHIAC) had not published the December 2014 quarter industry statistics

# Increase in FTEs includes nib New Zealand

Source: nib/Private Health Insurance Administration Council

	1H12	FY12	1H13	FY13	1H14	FY14	1H15
Total policyholders	5,815,019	5,936,660	6,012,420	6,118,351	6,191,994	6,286,535	Not available*
- Policyholder growth	1.5%	3.7%	1.3%	3.1%	1.2%	2.7%	
Total persons covered	12,090,453	12,321,848	12,486,627	12,680,337	12,834,128	13,006,018	
Average age of hospital persons (yrs)	40.2	40.3	40.4	40.4	40.5	40.5	
Total hospital persons "20-39"	2,511,625	2,562,382	2,588,562	2,626,727	2,650,792	2,686,824	
- Growth in hospital persons "20-39"	1.4%	3.4%	1.0%	2.5%	0.9%	2.3%	
Total hospital persons "55+"	3,035,666	3,086,206	3,150,140	3,197,316	3,258,920	3,303,394	
- Growth in hospital persons "55+"	2.2%	3.9%	2.1%	3.6%	1.9%	3.3%	

\* At the time of finalising this presentation the Private Health Insurance Administration Council (PHIAC) had not published the December 2014 quarter industry statistics

(\$m)	1H13	2H13	FY13	1H14	2H14	FY14	1H15	%*
<b>Premium revenue</b>	<b>612.8</b>	<b>677.6</b>	<b>1,290.4</b>	<b>735.4</b>	<b>756.2</b>	<b>1,491.6</b>	<b>802.3</b>	<b>9.1%</b>
- arhi	586.7	600.5	1,187.2	649.7	664.8	1,314.5	706.9	8.8%
- iwhi <sup>2</sup>	13.8	13.8	27.6	14.3	14.4	28.7	15.1	5.4%
- ishi	2.1	2.2	4.4	3.9	5.3	9.2	7.3	86.9%
- nib New Zealand	10.1 <sup>1</sup>	61.1	71.1 <sup>1</sup>	67.5	71.7	139.2	72.9	8.1%
<b>Claims expense</b>	<b>(419.4)</b>	<b>(477.3)</b>	<b>(896.7)</b>	<b>(501.1)</b>	<b>(538.9)</b>	<b>(1,040.0)</b>	<b>(560.6)</b>	<b>11.9%</b>
- Hospital benefits paid	(282.9)	(278.3)	(561.2)	(299.4)	(310.1)	(609.5)	(350.2)	17.0%
- Ancillary benefits paid	(126.4)	(148.1)	(274.5)	(148.7)	(166.1)	(314.7)	(159.2)	7.1%
- OSC provision movement (arhi)	4.6	(2.6)	2.0	0.1	(9.4)	(9.3)	5.7	NA
- iwhi benefits incurred <sup>2</sup>	(6.6)	(5.2)	(11.8)	(6.0)	(5.9)	(11.9)	(4.4)	(27.2)%
- ishi benefits incurred	(1.8)	(1.6)	(3.4)	(1.9)	(3.1)	(5.1)	(4.4)	128.2%
- nib New Zealand benefits incurred	(6.4) <sup>1</sup>	(41.4)	(47.7) <sup>1</sup>	(45.2)	(44.4)	(89.5)	(48.3)	6.9%
<b>Risk equalisation levy</b>	<b>(83.9)</b>	<b>(83.5)</b>	<b>(167.4)</b>	<b>(100.9)</b>	<b>(89.7)</b>	<b>(190.6)</b>	<b>(94.7)</b>	<b>(6.1)%</b>
- OSC risk equalisation margin	(0.4)	2.0	1.6	(1.5)	0.6	(1.0)	(0.4)	(74.8)%
- Gross deficit	102.0	100.5	202.6	107.7	114.2	222.0	155.7	44.5%
- Calculated deficit	(185.5)	(186.1)	(371.6)	(207.1)	(204.5)	(411.6)	(250.0)	20.7%
<b>State levies</b>	<b>(15.3)</b>	<b>(13.6)</b>	<b>(28.8)</b>	<b>(14.1)</b>	<b>(14.0)</b>	<b>(28.2)</b>	<b>(14.2)</b>	<b>0.3%</b>
<b>Decrease/(Increase) in premium payback liability</b>	<b>0.6<sup>1</sup></b>	<b>2.7</b>	<b>3.3<sup>1</sup></b>	<b>2.7</b>	<b>0.6</b>	<b>3.3</b>	<b>(0.6)</b>	<b>(121.0)%</b>
<b>Net claims incurred</b>	<b>(518.0)</b>	<b>(571.7)</b>	<b>(1,089.6)</b>	<b>(613.3)</b>	<b>(642.1)</b>	<b>(1,255.4)</b>	<b>(670.1)</b>	<b>9.3%</b>
<b>Gross underwriting result</b>	<b>94.8</b>	<b>106.0</b>	<b>200.8</b>	<b>122.1</b>	<b>114.1</b>	<b>236.2</b>	<b>132.2</b>	<b>8.3%</b>
- arhi	82.9	74.4	157.2	86.7	75.5	162.2	94.4	8.9%
- iwhi	7.3	8.6	15.9	8.4	8.5	16.9	10.8	28.9%
- ishi	0.4	0.6	1.0	2.0	2.2	4.2	2.9	47.1%
- nib New Zealand	4.3 <sup>1</sup>	22.4	26.7 <sup>1</sup>	25.0	27.9	53.0	24.1	(3.7)%
<b>Management expenses</b>	<b>(55.7)</b>	<b>(71.3)</b>	<b>(127.0)</b>	<b>(79.4)</b>	<b>(82.7)</b>	<b>(162.1)</b>	<b>(86.5)</b>	<b>9.0%</b>
- arhi	(49.5)	(48.8)	(98.2)	(52.7)	(53.7)	(106.4)	(57.0)	8.2%
- iwhi	(3.5)	(3.9)	(7.4)	(3.6)	(3.8)	(7.4)	(3.6)	(0.8)%
- ishi	(0.4)	(0.6)	(1.1)	(1.2)	(1.4)	(2.7)	(2.6)	106.2%
- nib New Zealand	(2.3) <sup>1</sup>	(18.0)	(20.3) <sup>1</sup>	(21.8)	(23.8)	(45.6)	(23.3)	6.9%
<b>Net underwriting result</b>	<b>39.1</b>	<b>34.7</b>	<b>73.8</b>	<b>42.7</b>	<b>31.4</b>	<b>74.1</b>	<b>45.7</b>	<b>7.1%</b>
- arhi	33.4	25.6	59.0	34.0	21.8	55.8	37.4	10.0%
- iwhi	3.8	4.7	8.4	4.7	4.7	9.4	7.2	51.7%
- ishi	(0.1)	(0.0)	(0.1)	0.8	0.8	1.5	0.4	(50.3)%
- nib New Zealand	2.0 <sup>1</sup>	4.4	6.4 <sup>1</sup>	3.2	4.2	7.4	0.8	(76.2)%
<b>Other income</b>	<b>1.6</b>	<b>1.5</b>	<b>3.1</b>	<b>2.1</b>	<b>3.5</b>	<b>5.7</b>	<b>2.7</b>	<b>26.5%</b>
<b>Other expenses</b>	<b>(5.7)</b>	<b>(1.9)</b>	<b>(7.6)</b>	<b>(3.5)</b>	<b>(4.1)</b>	<b>(7.5)</b>	<b>(6.4)</b>	<b>83.4%</b>
<b>Operating profit</b>	<b>34.9</b>	<b>34.4</b>	<b>69.3</b>	<b>41.4</b>	<b>30.9</b>	<b>72.3</b>	<b>42.1</b>	<b>1.7%</b>
- arhi	33.4	25.6	59.0	34.0	23.0	57.0	37.5	10.3%
- iwhi	3.8	4.7	8.4	4.7	4.7	9.4	7.2	51.7%
- ishi	(0.1)	(0.0)	(0.1)	0.8	1.1	1.9	0.5	(36.4)%
- nib New Zealand	2.0	4.4	6.4	3.2	4.2	7.4	0.8	(76.2)%
- nib Options	-	-	-	(1.0)	(1.6)	(2.5)	(2.6)	165.7%
- Unallocated to segments	(4.2)	(0.3)	(4.5)	(0.4)	(0.5)	(0.9)	(1.3)	262.2%

\* Change is percentage increase or (decrease), 1H15 to 1H14, where results are a percentage, the change shown is difference between two results

<sup>1</sup> 1H13 nib New Zealand result was a 1 month result and FY13 nib New Zealand was a 7 month result with TOWER Medical Insurance acquired November 2012

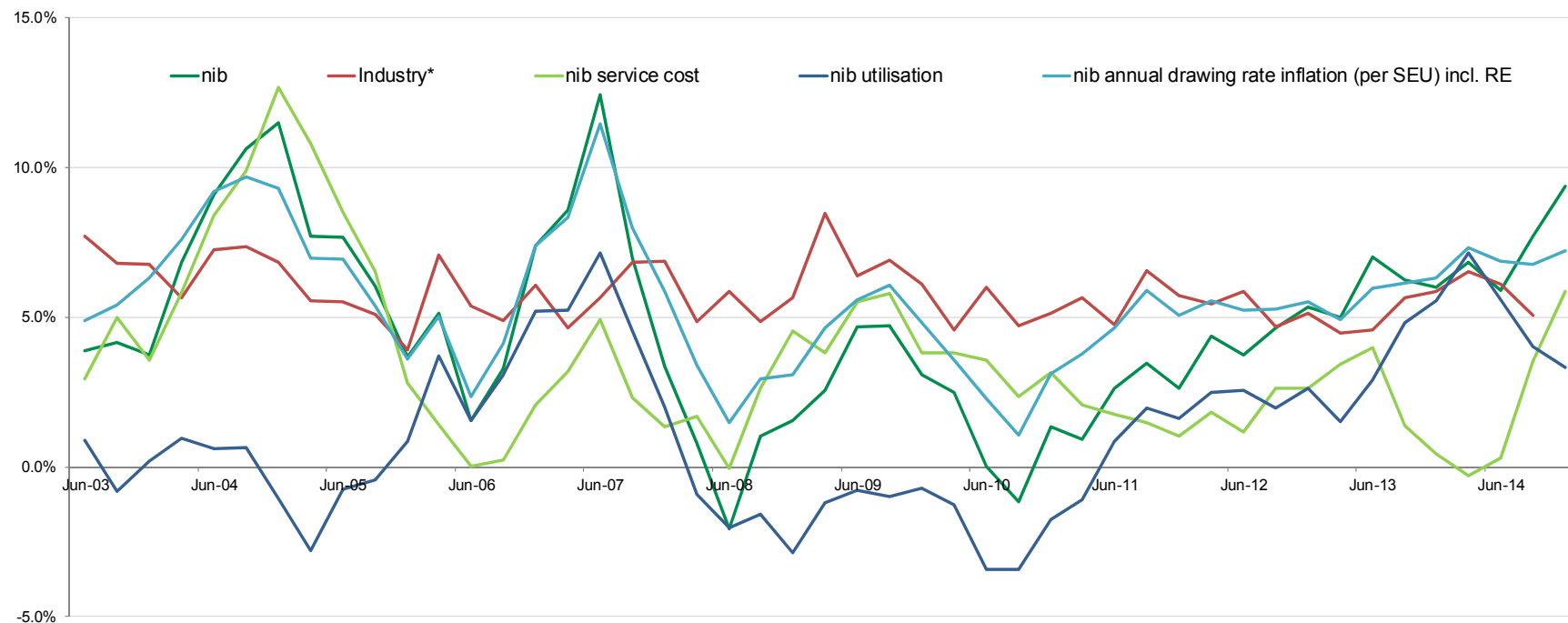
<sup>2</sup> Net of reinsurance



(\$m)	Employment	Marketing (Direct)	Marketing Commissions (Paid)	Marketing Commissions (deferred)	Marketing Commissions (amortisation)	IT	Occupancy	Other	Total Management Expenses	Total MER (%)
<b>arhi</b>										
1H13	22.6	11.2	6.5	(5.8)	1.1	4.0	3.3	6.5	49.5	8.4
2H13	23.6	8.8	8.6	(7.9)	1.6	4.6	3.2	6.3	48.8	8.1
FY13	46.3	20.0	15.1	(13.7)	2.7	8.6	6.4	12.8	98.2	8.3
1H14	24.9	9.6	10.1	(9.3)	2.4	4.9	3.2	6.9	52.7	8.1
2H14	24.9	10.8	7.5	(6.7)	3.0	4.4	2.7	7.1	53.7	8.1
FY14	49.8	20.4	17.6	(16.0)	5.4	9.3	5.9	13.9	106.4	8.1
1H15	26.5	11.7	8.2	(7.3)	3.6	4.8	2.8	6.7	57.0	8.1
<b>iwhi</b>										
1H13	1.5	0.6	0.1	-	-	0.6	0.1	0.6	3.5	25.4
2H13	1.7	1.1	0.1	-	-	0.5	0.1	0.5	3.9	28.4
FY13	3.2	1.6	0.1	-	-	1.2	0.2	1.1	7.4	26.9
1H14	2.0	0.7	0.1	-	-	0.4	0.1	0.4	3.6	25.4
2H14	1.8	0.5	0.1	-	-	0.6	0.4	0.5	3.8	26.2
FY14	3.7	1.1	0.1	-	-	1.0	0.5	0.9	7.4	25.8
1H15	2.1	0.5	0.1	-	-	0.4	0.2	0.3	3.6	23.9
<b>ishi</b>										
1H13	0.1	0.0	0.2	-	-	-	-	0.0	0.4	19.9
2H13	0.1	0.1	0.4	-	-	-	-	0.0	0.6	28.2
FY13	0.3	0.1	0.7	-	-	-	-	0.1	1.1	24.5
1H14	0.8	0.1	0.4	-	-	0.0	-	0.0	1.2	31.7
2H14	0.9	0.1	1.0	(1.4)	0.4	0.2	0.1	0.2	1.4	27.1
FY14	1.7	0.1	1.4	(1.4)	0.4	0.2	0.1	0.2	2.7	29.1
1H15	1.3	0.1	1.0	(1.0)	0.6	0.3	0.1	0.2	2.6	35.0
<b>nib New Zealand</b>										
1H13 <sup>1</sup>	0.6	0.1	1.2	(0.5)	0.6	0.0	0.0	0.3	2.3	23.0
2H13	4.3	0.4	7.6	(4.1)	4.1	0.5	0.2	4.9	18.0	29.4
FY13 <sup>1</sup>	5.9	0.5	8.8	(4.6)	4.7	0.5	0.3	4.2	20.3	28.5
1H14	5.2	3.0	9.2	(4.8)	4.3	0.9	0.3	3.8	21.8	32.3
2H14	6.9	2.7	8.9	(4.8)	5.1	1.4	0.4	3.2	23.8	33.1
FY14	12.1	5.7	18.1	(9.7)	9.3	2.3	0.8	7.0	45.6	32.8
1H15	6.2	2.8	10.5	(6.1)	4.5	1.3	0.5	3.6	23.3	32.0

<sup>1</sup> 1H13 nib New Zealand result was a 1 month result and FY13 nib New Zealand result was a 7 month result with TOWER Medical Insurance acquired November 2012

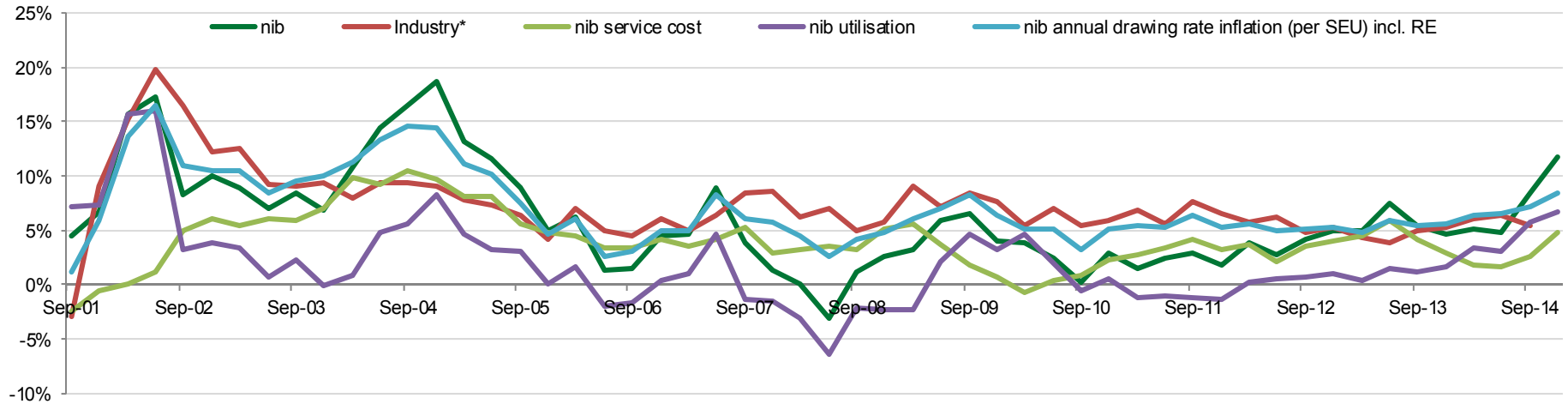
## Overall claims inflation (hospital and ancillary)



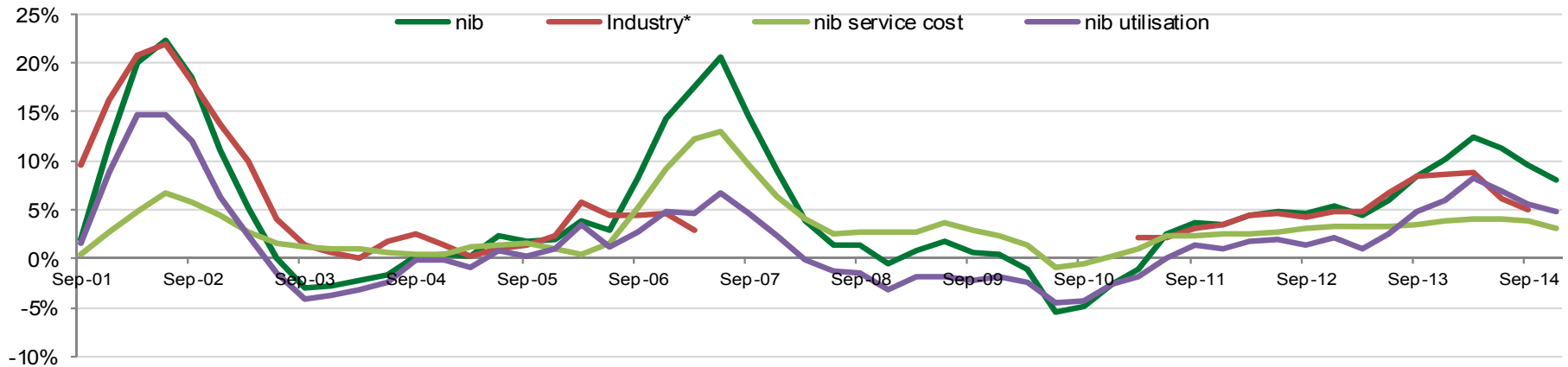
\* At the time of finalising this presentation the Private Health Insurance Administration Council (PHIAC) had not published the December 2014 quarter industry statistics

Source: Private Health Insurance Administration Council and nib  
 All figures exclude ishi, iwhi and nib New Zealand, unless otherwise stated

## Hospital claims inflation



## Ancillary claims inflation



\* At the time of finalising this presentation the Private Health Insurance Administration Council (PHIAC) had not published the December 2014 quarter industry statistics

Source: Private Health Insurance Administration Council and nib

- Premium Payback (PPB) relates to previously offered products, where customers are entitled to receive a refund (or partial refund) of premiums paid less any claims made, once the policy has been in force for a specified period.
- A PPB liability is recognised for these products. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level, adjusted for GST recoveries and expected future lapses. Movements in the PPB liability will also have an impact on profit.
- The PPB liability is matched with investments of approximately the same duration, with gains and losses as a result of movements in the discount rate largely offset by losses and gains in investment returns.

## PPB Liability Movement in Profit and Loss -

Operating profit impact 1H15 NZD \$0.6m expense vs 1H14 NZD \$3.1m income

(\$m) NZD	1H15	1H14	Variance	Comments
Premium Revenue	8.2	8.8	(0.6)	Decline over time as PPB policies mature and lapse.
Medical claims	(3.2)	(3.3)	(0.1)	
Payouts for settlement claims	(4.4)	(6.0)	1.6	Fewer policies maturing in 1H15 compared to 1H14.
Movement in PPB liability (increase)/decrease	(0.6)	3.1	(3.7)	Total movements in PPB liability as shown below.
- Movement in PPB liability	1.4	2.6	(1.2)	Reduction in PPB liability due to movement in settlement claims and risk margin
- Movement in PPB liability from interest rate changes	(2.0)	0.5	(2.5)	Interest rate decrease in 1H15 increasing PPB liability, mainly offset by favourable movement in PPB investment income below.
<b>Gross underwriting result / operating profit impact</b>	<b>0.0</b>	<b>2.7</b>	<b>(2.7)</b>	
Investment income (expense) PPB	2.0	(0.1)	2.1	Interest rate decreases in 1H15 providing unrealised gains on fixed interest portfolio. Offsets with movement in PPB liability due to interest rate changes above, with difference mainly due to movement in credit spreads.
<b>Impact on Net Profit *</b>	<b>2.0</b>	<b>2.6</b>	<b>(0.6)</b>	

\* Excludes commissions and management expenses

Table below shows the variance to nib New Zealand due to exchange rates and underlying business performance.

(\$m)*	1H15	1H14	Variance due to FX		Variance to underlying	
			(\$m)	(%)	(\$m)	(%)
Premium revenue	<b>72.9</b>	67.5	2.5	3.7%	3.0	4.4%
- % of total Group	<b>9.1%</b>	9.2%	-	-	-	-
Claims	<b>(48.3)</b>	(45.2)	(1.6)	3.6%	(1.5)	3.2%
Gross underwriting result (excluding PPB)	<b>24.7</b>	22.3	0.8	3.8%	1.5	6.9%
- Gross margin (%)	<b>33.8%</b>	33.1%	-	-	-	-
Total management expenses	<b>(23.3)</b>	(21.8)	(0.8)	3.6%	(0.7)	3.3%
- MER (%)	<b>32.0%</b>	32.3%	-	-	-	-
Acquisition costs	<b>(12.9)</b>	(12.8)	(0.4)	3.4%	0.4	(2.8)%
- Acquisition costs (%)	<b>17.6%</b>	19.0%	-	-	-	-
Other management expenses	<b>(10.5)</b>	(9.0)	(0.4)	3.9%	(1.1)	12.0%
- Other MER (%)	<b>14.3%</b>	13.4%	-	-	-	-
Net underwriting result (excluding PPB)	<b>1.3</b>	0.5	-	9.4%	0.8	168.7%
- Net margin (%)	<b>1.8%</b>	0.7%	-	-	-	-
- % of Group	<b>2.9%</b>	1.1%	-	-	-	-
Other income/expenses	-	-	-	-	-	-
Operating profit (before movements in PPB liability)	<b>1.3</b>	0.5	-	9.4%	0.8	168.7%
(Increase)/decrease in PPB liability	<b>(0.6)</b>	2.7	-	(0.7)%	(3.3)	(120.3)%
Operating profit	<b>0.8</b>	3.2	-	0.8%	(2.5)	(77.0)%
- % of Group operating profit	<b>1.8%</b>	7.8%	-	-	-	-

(\$m)	1H15	1H14	%*
<b>Complementary insurance</b>			
Life and funeral insurance commission	1.0	0.9	15.3%
Travel insurance and other commission	0.2	0.2	(3.1)%
<b>Total complementary insurance</b>	<b>1.2</b>	<b>1.1</b>	<b>11.9%</b>
<b>Other income (excluding complementary insurance)</b>			
nib Options income (refer slide 15)	0.6	0.2	151.7%
Agency fee	0.1	0.1	27.5%
Rental income	0.5	0.4	18.8%
Sundry income	0.3	0.3	(5.8)%
<b>Total other income</b>	<b>1.5</b>	<b>1.1</b>	<b>40.7%</b>
<b>Other expenses</b>			
nib Options expenditure (refer slide 15)	(3.1)	(1.2)	162.9%
Share registry	(0.7)	(0.6)	16.1%
M&A	(0.7)	(0.2)	242.9%
Other	(1.8)	(1.4)	25.1%
<b>Total other expenses</b>	<b>(6.4)</b>	<b>(3.5)</b>	<b>83.4%</b>
<b>Finance Costs</b>	<b>(1.7)</b>	<b>(1.3)</b>	<b>27.7%</b>

\* Change is percentage increase or (decrease), 1H14 to 1H15

	Consolidated		Australian Investment Portfolio		New Zealand Investment Portfolio	
	Balance (\$m) at 31/12/14	Allocation (%) at 31/12/14	Net return (\$m) 6 months to 31/12/14	Allocation (%) at 31/12/14	Net return (\$m) 6 months to 31/12/14	Allocation (%) at 31/12/14
Cash	114.5	21.1	2.6	22.8	0.4	13.7
Fixed interest	334.8	61.8	4.5	56.0	2.6	86.3
<b>Total defensive</b>	<b>449.3</b>	<b>82.9</b>	<b>7.1</b>	<b>78.9</b>	<b>3.0</b>	<b>100.0</b>
Australian shares	23.9	4.4	0.3	5.4	-	-
Global shares – hedged	4.2	0.8	0.5	0.9	-	-
Global shares – unhedged	24.8	4.6	3.5	5.6	-	-
Direct property	39.3	7.2	-	8.9	-	-
Property trusts	0.7	0.1	-	0.2	-	-
Unlisted security	-	-	5.6	-	-	-
<b>Total growth</b>	<b>92.9</b>	<b>17.1</b>	<b>9.9</b>	<b>21.1</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>542.2</b>	<b>100.0</b>	<b>17.0</b>	<b>100.0</b>	<b>3.0</b>	<b>100.0</b>

Consolidated net investment return for the six months to 31 December 2014 was \$20.0m.

(\$m)	31 December 14	30 June 14	Change	
			(\$m)	(%)
<b>Assets</b>				
Cash and cash equivalents	83.3	148.7	(65.5)	(44.0)%
Receivables	44.5	44.9	(0.4)	(0.9)%
Financial assets at fair value through P&L	438.6	410.8	27.8	6.8%
Deferred acquisition costs	46.1	40.0	6.0	15.1%
Property, plant and equipment	49.2	48.0	1.2	2.5%
Intangibles	94.4	95.2	(0.8)	(0.8)%
Other assets	6.1	10.5	(4.4)	(42.2)%
<b>Total assets</b>	<b>762.1</b>	<b>798.1</b>	<b>(36.0)</b>	<b>(4.5)%</b>
<b>Liabilities</b>				
Payables	101.8	111.4	(9.6)	(8.6)%
Borrowings	68.4	66.8	1.5	2.3%
Outstanding claims liability	87.1	93.7	(6.6)	(7.0)%
Unearned premium liability	113.4	114.2	(0.8)	(0.7)%
Premium payback liability	42.5	40.8	1.7	4.3%
Other liabilities	16.7	14.9	1.8	11.8%
<b>Total liabilities</b>	<b>429.8</b>	<b>441.7</b>	<b>(12.0)</b>	<b>(2.7)%</b>
<b>Net assets</b>	<b>332.3</b>	<b>356.4</b>	<b>(24.0)</b>	<b>(6.7)%</b>
<b>Equity</b>				
Contributed equity	28.0	27.2	0.8	3.0%
Retained profits	296.7	320.1	(23.4)	(7.3)%
Reserves	7.9	9.1	(1.2)	(13.3)%
<b>Equity</b>	<b>332.6</b>	<b>356.4</b>	<b>(23.8)</b>	<b>(6.7)%</b>
Non-controlling interests	(0.3)	(0.1)	(0.2)	435.2%
<b>Total equity</b>	<b>332.3</b>	<b>356.4</b>	<b>(24.0)</b>	<b>(6.7)%</b>



- At 31 December the Group has \$47.5m in available capital above internal targets (after allowing for the interim dividend payment), with the balance being available for business investment opportunities (noting capacity to also use debt)
- Available capital determined taking into consideration the following elements:

(\$m)	31 December 14	30 June 14
<b>Net assets</b>	<b>332.3</b>	356.4
nib health fund capital required	(213.2)	(200.8)
nib New Zealand limited capital required	(52.4)	(48.4)
nib New Zealand holdings limited group intangibles	(42.3)	(42.6)
International workers intangibles	(23.7)	(23.9)
nib Options intangibles	0.0	(1.4)
Debt	67.0	65.1
Other assets and liabilities	3.9	3.7
Allowance for final dividend	(24.1)	(25.2)
Allowance for special dividend	0.0	(39.5)
<b>Available capital before debt covenant and forecast volatility</b>	<b>47.5</b>	<b>43.3</b>
Reduction due to debt covenant	0.0	(24.7)
<b>Net available capital</b>	<b>47.5</b>	<b>18.7</b>

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The material in this presentation is a summary of the results of nib holdings limited (nib) for the 6 months ended 31 December 2014 and an update on nib's activities and is current at the date of preparation, 23 February 2015. Further details are provided in nib's half year accounts and results announcement released on 23 February 2015.

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**nib**

# 2015 HALF YEAR RESULTS

**INVESTOR PRESENTATION**  
MONDAY 23 FEBRUARY 2015