SLATER AND GORDON GROUP

H1 FY17 | Results Presentation

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Agenda

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H1 FY17 Results Overview

(A$m)	H1 FY17	H1 FY16
Total Revenue	322.7	487.5
EBITDAW[1]	(11.2)	(58.3)
EBITDAW – normalised[2]	7.8	(14.8)
Net Loss After Tax	(425.1)	(958.3)
Net Loss After Tax – normalised[3]	(36.6)	(38.7)
Net Operating Cash Flow	(11.4)	(83.3)
Gross Operating Cash Flow – normalised[4]	7.1	(58.1)

1 *EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to intangibles impairment.*
2 *Normalised for AASB3 adjustments, non-recurring restructuring costs, profit on sale of business, additional debtor/disbursement provisioning in H1 FY16.*
3 *Normalised for AASB3 adjustments, non-recurring restructuring costs, profit on sale of business, additional debtor/disbursement provisioning in H1 FY16, intangibles impairment, facility amendment fees, de-recognition of tax losses and tax impact of normalisations.*
4 *Gross Operating Cash Flow ("GOCF") is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax paid and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers.*

"EBITDAW", "EBITDAW – Normalised", "Gross Operating Cash Flow - Normalised" and "Net (loss)/profit after tax – Normalised" balances presented in this announcement are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

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Financial Results: Fee and Services Revenue by Segment[1]

(A$m)	H1 FY17	H1 FY16	% Var.
Slater and Gordon Lawyers (“SGL”) Australia	114.2	138.5	(17.5)
SGL UK	75.6	115.6	(34.6)
Slater Gordon Solutions (“SGS”)	140.7	234.1	(39.9)
Group	**330.5**	**488.2**	**(32.3)**

- Adverse Group variance is 21% on a constant currency basis
- SGL Australia declines in both PIL and GL
  - In PIL adverse variances in the workers compensation practice: particularly in Victoria and Queensland
  - In GL adverse variances recorded from the run-off of Conveyancing Works and from timing of large project litigation cases
- SGL UK decline of 18% in local currency terms due to underperformance in SSP and GL
- SGS decline of 25% in local currency terms due mainly to loss of key contracts in SGS Motor

1. *Fee and services revenue is revenue from contracts with customers less movement in WIP*

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Financial Results: Normalisation Adjustments

(A$m)	H1 FY17	H1 FY16
EBITDAW – Reported	**(11.2)**	**(58.3)**
Normalisation adjustments:		
Payments to former owners (AASB3)	7.0	19.2
Non-recurring restructuring costs [1]	13.7	3.0
Additional debtor/disbursement provisioning/Audit Adjustments	-	21.3
Profit on sale of business	(1.7)	-
EBITDAW – Normalised	**7.8**	**(14.8)**

(A$m)	H1 FY17	H1 FY16
Net Loss After Tax	**(425.1)**	**(958.3)**
Normalisation adjustments:		
Payments to former owners (AASB3)	7.0	19.2
Non-recurring restructuring costs[1]	13.7	3.0
Additional debtor/disbursement provisioning/Audit Adjustments	-	21.3
Profit on sale of business	(1.7)	-
Intangibles Impairment charge	350.3	876.4
Non-recurring finance costs	4.8	1.3
Tax implications of above	(4.3)	(1.6)
De-recognition of tax losses	26.6	-
Write-back of deferred tax liability	(7.9)	-
Net Loss After Tax – Normalised	**(36.6)**	**(38.7)**

1. *Includes consultants costs, redundancy costs and UK property rationalisation costs.*

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Financial Results: EBITDAW Normalised by Segment

EBITDAW Normalised (A$m)	H1 FY17	H1 FY16	% Var.
SGL Australia[1]	5.7	19.4	(70.6)
SGL UK	(7.2)	(10.2)	(29.4)
SGS	9.3	(24.0)	-
Group	**7.8**	**(14.8)**	**-**

- Minimal currency impact on Group normalised EBITDAW
- SGL Australia revenue declines partially offset by reduced operating expenditure
  - Key cost savings were in labour, marketing and IT
- SGL UK improvement due to cost reduction flowing from the UK PIP
- SGS earnings improvement due to a smaller loss in NIHL and lower labour, marketing and property costs

1. *Includes Group costs*

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Financial Results: Cash Flow

(A$m)	H1 FY17	H1 FY16	H2 FY16
Receipts from customers	421.6	533.0	523.8
Payments to suppliers and employees	(426.4)	(594.1)	(541.0)
Gross operating cash flow	**(4.8)**	**(61.1)**	**(17.2)**
Payments to former owners	(12.7)	(1.4)	(12.8)
Net Interest payments	(3.1)	(11.3)	(23.6)
Income tax received/(paid)	9.2	(9.5)	32.7
Net operating cash flow	**(11.4)**	**(83.3)**	**(20.9)**

- Net operating cash flow continued to improve but is still an outflow due to UK underperformance and non-recurring consultants costs
- After normalising for non recurring payments, H1 FY17 GOCF was a $7.1m inflow (H1 FY16: $58.1m outflow)

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Segment Performance: SGL Australia

(A$m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
PIL	91.7	106.7	(14.1)	13.6	22.1	(38.5)	14.8%	20.7%
GL	22.5	31.8	(29.2)	(7.9)	(2.7)	(192.6)	(35.1)%	(8.5)%
Total	114.2	138.5	(17.5)	5.7	19.4	(70.6)	5.0%	14.0%

- PIL fees lower due to underperformance in Victoria and Queensland
  - Lower than expected settlement volume in VIC workers compensation mainly due to shift in counter party behavior
  - Queensland continuing to adjust to impact of workers compensation legislative reform
- GL fees lower due to deferred resolution of project litigation matters and Conveyancing Works run-off
- Normalised EBITDAW lower due to revenue declines partly offset by reduced labour and marketing costs

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Segment Performance: SGL UK

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
SSP[1]	32.0	40.8	(21.6)	(1.5)	(1.9)	(21.1)	(4.7)%	(4.7)%
GL	12.8	13.7	(6.6)	(2.6)	(2.6)	0.0	(20.3)%	(19.0)%
Total	44.8	54.5	(17.8)	(4.1)	(4.5)	(8.9)	(9.2)%	(8.3)%
Total A$m	75.6	115.6	(34.6)	(7.2)	(10.2)	(29.4)	(9.5)%	(8.8)%

- Fee and services revenue impacted by pockets of underperformance in SSP and GL
- New client enquiries remained strong in SSP and satisfactory in GL
- Local currency EBITDAW improvement due to cost savings driven by UKPIP more than offsetting revenue declines from the smaller footprint

1 Serious and Specialised PIL Practice (SSP)

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Segment Performance: Slater Gordon Solutions

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
Claims incl NIHL	44.6	49.5	(9.9)	2.6	(19.0)	-	5.8%	(38.4)%
Health & Motor	38.3	60.9	(37.1)	3.7	7.7	(51.9)	9.7%	12.6%
Total	82.9	110.4	(24.9)	6.3	(11.3)	-	7.6%	(10.2)%
Total A$m	140.7	234.1	(39.9)	9.3	(24.0)	-	6.6%	(10.3)%

- Claims (incl NIHL) fees lower due to fewer RTA settlements on reduced case intake since Dec 2015 and staff turnover reducing overall case handler effectiveness
- Health & Motor fees lower due to loss of Swinton and DLG contracts and Crusader sale. Health revenue lower on reduced intake into Claims
- Claims (incl NIHL) EBITDAW improvement due to cost savings in NIHL as the practice was refocused and labour, marketing and property savings as a result of the PIP
- EBITDAW declined in both Health and Motor due to the impact of contract losses in Motor and lower referral volumes in Health

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UK PIP: Achievements to Date

Net savings of £35m achieved in H1 FY17

Pillars	Achievements
Streamline organisational design and operations	▪ Re-organisation of legal services businesses largely complete. ▪ 20% headcount reduction without disruption to client service. ▪ Re-organisation of 48 sites, ceasing operations at 18. ▪ Procurement and IT savings.
Rationalise marketing and new business investment	▪ Substantially meeting case intake and brand awareness expectations despite reduced overall investment and tighter intake business rules.
Enhance process and systems	▪ Over 20 IT development projects implemented. ▪ Legal services workflow development near completion. ▪ Cash management system implemented.
Support colleagues through change	▪ Face to face communication at key milestones. ▪ Introduction of company wide intranet and social media platform.

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H2 Priorities and Operating Environment

Priorities

- Agree recapitalisation plan with lenders by 26 May 2017
- Execute agreed plan with approval of stakeholders
- Continue restoring earnings and cash flow:
  - Ongoing delivery of UKPIP
  - Australian operational effectiveness initiatives

Operating Environment

- UK remains uncertain
  - Legislative change – RTA, Clinical Negligence
- Australia stable

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Other Matters

Watchstone Group Plc

- £50m remains in escrow until claims resolved by parties
- Deadline for filing claims19 June 2017

ASIC Investigation

- Initial information provided to ASIC on specified dates as requested
- Co-operating to fullest extent

Shareholder Class Action

- Defence to be filed by 27 April 2017
- Court proceedings will be complex and protracted

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