

# Interim Results 2011

Presentation including Script

Distinctive. Choice.



JARDINE LLOYD THOMPSON GROUP PLC



## 2011 Interim Results

for the six months ended 30th June 2011



29th JULY 2011

Distinctive. Choice.



Good morning Ladies and Gentlemen and welcome to our 2011 interim results presentation.

This morning we are pleased to be able to present another set of strong results, building on the momentum established over the past few years.

My colleagues are now well known to most of you. Simon Mawson, our Group Finance Director, next to him, Mark Drummond-Brady, International Chairman of our Risk & Insurance group and next to Mark is Duncan Howorth, International Chairman of our Employee Benefits group.

As usual, I propose to briefly run through the trading results by each division. Simon, will then go into more detail on our financial statements.

Then I will return to talk about the market conditions and why we believe we remain positioned to perform well. I will then close by talking about the outlook for the Group.

### Key messages

- Continued strong organic growth
- Growing contribution from high-growth economies
- Employee Benefits delivering benefits of acquisition strategy
- Actively investing for growth through people and acquisitions
- Business Transformation Programme delivering increased cost savings
- Increased interim dividend
- Building on the momentum developed in prior years.

Our interim results illustrate a number of key points:

JLT has continued to deliver strong organic growth of 7%, an increase on the 6% achieved in the comparable period last year.

The contribution from our operations in the high-growth economies of Asia and LATAM continues to grow and now account for 15% of the Group's revenues and 19% of the Group's trading profits, compared to 13% and 17% respectively in the first half of 2010.

Our Employee Benefits business continues to reap the benefits of its acquisition programme and its market leading BenPal proposition.

We continue to actively invest for growth, adding a further 340 full time employees over the last 12 months, including 65 new colleagues in Asia and 70 new colleagues in Latin America.

In addition we continue to be active on the acquisition front and we have recently announced our intention to acquire a majority shareholding in Orbital, the 4th largest insurance broker in Chile.

Our 3 year Business Transformation Programme has been extremely successful and the outturn has considerably exceeded our original expectations and we have now raised our estimate of costs and savings. Simon will go into this in more detail later.

We are pleased to announce an interim dividend of 9.2p, an increase of 4.5%.

We are confident in our ability to continue to perform well in difficult market conditions and deliver year-on-year financial progress, building on the momentum developed in prior years.

## 2011 Interim Highlights



Six months to June  
(£m)

|                             | 2011  | 2010  | Growth |     | Organic |
|-----------------------------|-------|-------|--------|-----|---------|
|                             |       |       | Actual | CRE |         |
| Total revenue*              | 411.3 | 377.8 | 9%     | 6%  | 7%      |
| Underlying trading profit** | 76.1  | 70.7  | 8%     | 3%  |         |
| Trading margin              | 18.5% | 18.7% |        |     |         |
| Underlying PBT**            | 79.8  | 73.6  | 8%     |     |         |
| Reported PBT                | 76.4  | 70.0  | 9%     |     |         |
| Underlying EPS (diluted)**  | 25.5p | 23.6p | 8%     |     |         |
| Reported EPS (diluted)      | 24.4p | 27.0p | (10%)  |     |         |
| Dividend per share          | 9.2p  | 8.8p  |        |     |         |

\* Total revenue comprises fees, commissions and investment income

\*\* Underlying results exclude exceptional items and non-recurring tax credits

CRE = constant rates of exchange

Organic growth is based on total revenue excluding the effect of currency, acquisitions, disposals and investment income

The headline numbers:

We have delivered a 9% increase in revenues, or 6% at constant rates of exchange. There was no significant impact from acquisitions in the period and the rate of organic growth was an impressive 7%.

These results were achieved despite lacklustre GDP growth in many of the more mature economies in which we trade, coupled with a continued weak insurance rating and low interest rate environment. This demonstrates the benefits of diversification and the successful execution of our strategy.

The Group's reported profit before tax increased by 9%. The 20 basis points reduction in our trading margin for the period was fully anticipated, given the Group's continued investment in recruiting leading industry professionals.

The underlying EPS increased by 8%. As you may recall the reported EPS for the same period in 2010 benefited from a substantial one-off tax credit.

## Total Revenue & Trading Profit



Six months to June  
(£m)

|                            | Total Revenue |           |           |           | Trading Profit |             |             | Trading Margin |              |              |
|----------------------------|---------------|-----------|-----------|-----------|----------------|-------------|-------------|----------------|--------------|--------------|
|                            | 2011          | Growth    | CRE       | Organic   | 2011           | CRE         | 2010        | 2011           | CRE          | 2010         |
| Retail                     | 156.3         | 18%       | 13%       | 14%       | 37.7           | 36.1        | 32.5        | 24%            | 24%          | 25%          |
| London Market              | 171.0         | 4%        | 3%        | 3%        | 39.0           | 37.5        | 42.7        | 23%            | 22%          | 26%          |
| Risk & Insurance           | 327.3         | 10%       | 7%        | 8%        | 76.7           | 73.6        | 75.2        | 23%            | 23%          | 25%          |
| Employee Benefits          | 66.8          | 5%        | 5%        | 4%        | 10.3           | 10.3        | 8.6         | 15%            | 15%          | 14%          |
| Thistle Insurance Services | 17.2          | (3%)      | (3%)      | (2%)      | -              | -           | (0.3)       | -              | -            | (2%)         |
| Central Costs              | -             | -         | -         | -         | (10.9)         | (10.9)      | (12.8)      | -              | -            | -            |
|                            | <b>411.3</b>  | <b>9%</b> | <b>6%</b> | <b>7%</b> | <b>76.1</b>    | <b>73.0</b> | <b>70.7</b> | <b>18.5%</b>   | <b>18.1%</b> | <b>18.7%</b> |

Turning now to the performance of our main trading divisions.

Overall our Risk & Insurance division delivered organic revenue growth of 8%.

This was underpinned by the strong performances of our retail operations which delivered impressive organic revenue growth of 14%, demonstrating the benefits of our continued investment in the faster growing economies of the world.

The results for our London Market businesses have been adjusted to reflect the reorganisation we undertook at the end of 2010, which has been successfully completed and is already delivering benefits we anticipated.

As expected, our significant new investments in leading industry professionals impacted our trading profits and margin in the period.

Our Employee Benefits business has delivered revenue growth of 5% and improved its trading margin when compared to the 1st half of 2010, as the HSBC employee benefits acquisition and our distinctive BenPal proposition, continue to help us win and retain clients.

Thistle showed a small fall in revenue, reflecting our decision to exit an unprofitable book of business at the end of 2010. However we expect Thistle's performance for the full year to show year-on-year financial progress.

## Retail

*Benefiting from increasing specialty focus*



Six months to June  
(£m)

|                    | Total Revenue |            |            |            | Trading Profit |             |             | Trading Margin |            |            |
|--------------------|---------------|------------|------------|------------|----------------|-------------|-------------|----------------|------------|------------|
|                    | 2011          | Growth     | CRE        | Organic    | 2011           | CRE         | 2010        | 2011           | CRE        | 2010       |
| Australasia        | 66.8          | 19%        | 7%         | 7%         | 21.4           | 19.2        | 17.5        | 32%            | 32%        | 31%        |
| Asia               | 39.1          | 32%        | 33%        | 33%        | 8.0            | 8.7         | 6.3         | 20%            | 22%        | 21%        |
| Latin America      | 22.4          | 12%        | 11%        | 21%        | 6.4            | 6.4         | 5.7         | 28%            | 29%        | 28%        |
| Canada             | 15.0          | 8%         | 7%         | 6%         | 1.4            | 1.4         | 1.8         | 9%             | 10%        | 13%        |
| Continental Europe | 10.7          | 3%         | (1%)       | (6%)       | 0.7            | 0.6         | 1.3         | 7%             | 6%         | 12%        |
| Other              | 2.3           | (1%)       | 3%         | 3%         | (0.2)          | (0.2)       | (0.1)       | (8%)           | (8%)       | (4%)       |
|                    | <b>156.3</b>  | <b>18%</b> | <b>13%</b> | <b>14%</b> | <b>37.7</b>    | <b>36.1</b> | <b>32.5</b> | <b>24%</b>     | <b>24%</b> | <b>25%</b> |

Looking at our retail businesses in more detail:

**Australasia** has performed well and is beginning to reap the benefits of a deliberate strategy introduced last year of bringing a far-greater specialty focus to the business and in improving business retention levels. The organic growth rate of 7% is a step up from what has been delivered in previous years, achieved in part by winning 26 major new accounts in the first half, making this the most successful start to a year in Australasia that I have seen.

**Asia** is building on its success in 2010 with another strong start to the year. This has been achieved by several major corporate and employee benefits business wins. There are also continued opportunities in Energy, Construction and Capital Risks driven by the strong macro-economic factors at play in the region and underpinned by our specialty focus.

**Latin America** achieved an organic growth rate of 21%, a strong performance. However, the reported revenue increase was lower at 12% due to the restructuring of our Mexican business in 2010, which is now reported within the associate line.

The 8% growth in revenues in **Canada** is pleasing, and the underlying business continues to progress in line with our expectations. The fall in profitability in the first half was the consequence of simple timing differences on certain costs and client accounts.

**Continental Europe** is comprised of business in a number of different markets, each of which has experienced quite different dynamics.

- **Ireland** has delivered an encouraging performance in a very weak economic environment

The **Nordic region** is flat overall, but this does not take account of the fact that Tripol, a speciality broker which was acquired in December last year, generates most of its income in the second half of the year

**Italy** is a relatively small operation, but with the market experiencing rapid change and after a period of relative under-performance we have taken action to reposition the business and the management team.

The overall retail strategy is to focus our businesses around industry specialisms and our European businesses are developing in line with this, whilst working hand in hand with our European partners, SIACI Saint Honore, Ecclesia and GrECo to build a formidable European platform.

## JLT Specialty

*Investing in the business for growth*



Six months to June  
(£m)

|                  | Total Revenue |           |           |           | Trading Profit |             |             | Trading Margin |            |            |
|------------------|---------------|-----------|-----------|-----------|----------------|-------------|-------------|----------------|------------|------------|
|                  | 2011          | Growth    | CRE       | Organic   | 2011           | CRE         | 2010        | 2011           | CRE        | 2010       |
| JLT Specialty    | 96.4          | 7%        | 6%        | 6%        | 17.9           | 16.9        | 19.3        | 19%            | 18%        | 21%        |
| Lloyd & Partners | 40.6          | 1%        | -         | -         | 10.7           | 10.4        | 11.5        | 26%            | 26%        | 29%        |
| JLT Re           | 34.0          | -         | (2%)      | (3%)      | 10.4           | 10.2        | 11.9        | 31%            | 30%        | 35%        |
|                  | <b>171.0</b>  | <b>4%</b> | <b>3%</b> | <b>3%</b> | <b>39.0</b>    | <b>37.5</b> | <b>42.7</b> | <b>23%</b>     | <b>22%</b> | <b>26%</b> |

Our London Market businesses -

JLT Specialty continues to deliver strong organic revenue growth in areas such as Energy & Marine, Credit & Political Risks, Construction and Aviation, building on the people investments we have made over the past few years. This has helped deliver organic growth of 6% for the period.

Today on an annual basis JLT Specialty is the largest contributor of revenue and trading profits to the Group, delivering close to a 40% increase in turnover over the last 3 years. It has achieved this by focusing on those industry specialisms where it is or can become a market leader. To each of these industry sectors it has brought increasing levels of industry knowledge, expertise and innovation and a growing reputation as the leading specialty broker in the London Market. This success we are seeking to leverage further through the sharing of knowledge and resources throughout the Group as our retail operations also become more specialty focused.

This reputation is enabling JLT Specialty to continue to attract likeminded industry professionals and this it did throughout 2010, with approaching 100 new employees joining over the last 12 months, of which almost one half are client facing. Most recently this has included the build-out of its Financial & Professional Risks team who are helping re-position JLT as one of the leading players in that sector.

Naturally, this continuing investment in business winners has impacted our first half trading profit but we expect this business to make further year-on-year financial progress.

## Lloyd & Partners

*Maintaining market share in a challenging market*



Six months to June  
(£m)

|                             | Total Revenue |           |           |           | Trading Profit |             |             | Trading Margin |            |            |
|-----------------------------|---------------|-----------|-----------|-----------|----------------|-------------|-------------|----------------|------------|------------|
|                             | 2011          | Growth    | CRE       | Organic   | 2011           | CRE         | 2010        | 2011           | CRE        | 2010       |
| JLT Specialty               | 96.4          | 7%        | 6%        | 6%        | 17.9           | 16.9        | 19.3        | 19%            | 18%        | 21%        |
| <b>Lloyd &amp; Partners</b> | <b>40.6</b>   | <b>1%</b> | <b>-</b>  | <b>-</b>  | <b>10.7</b>    | <b>10.4</b> | <b>11.5</b> | <b>26%</b>     | <b>26%</b> | <b>29%</b> |
| JLT Re                      | 34.0          | -         | (2%)      | (3%)      | 10.4           | 10.2        | 11.9        | 31%            | 30%        | 35%        |
|                             | <b>171.0</b>  | <b>4%</b> | <b>3%</b> | <b>3%</b> | <b>39.0</b>    | <b>37.5</b> | <b>42.7</b> | <b>23%</b>     | <b>22%</b> | <b>26%</b> |

Looking now at Lloyd & Partners it is worth reminding ourselves that a large proportion of its income is generated by its activities as a wholesaler to the US market, where it provides leading US independent brokers with access to international insurance markets through its operations in London and Bermuda as well as our International Network for the design and servicing of global programmes.

The US Market is always a competitive one but we are currently finding it to be the toughest of all of the markets in which we operate in terms of rating weakness and competitiveness.

Given these strong headwinds, we are pleased with the business' ability to hold its revenues steady, showing the benefit of its deep specialty knowledge and long-standing client relationships.

## JLT Re

*Growth continues in treaty business*



Six months to June  
(£m)

|                  | Total Revenue |           |             |             | Trading Profit |             |             | Trading Margin |            |            |
|------------------|---------------|-----------|-------------|-------------|----------------|-------------|-------------|----------------|------------|------------|
|                  | 2011          | Growth    | CRE         | Organic     | 2011           | CRE         | 2010        | 2011           | CRE        | 2010       |
| JLT Specialty    | 96.4          | 7%        | 6%          | 6%          | 17.9           | 16.9        | 19.3        | 19%            | 18%        | 21%        |
| Lloyd & Partners | 40.6          | 1%        | -           | -           | 10.7           | 10.4        | 11.5        | 26%            | 26%        | 29%        |
| <b>JLT Re</b>    | <b>34.0</b>   | <b>-</b>  | <b>(2%)</b> | <b>(3%)</b> | <b>10.4</b>    | <b>10.2</b> | <b>11.9</b> | <b>31%</b>     | <b>30%</b> | <b>35%</b> |
|                  | <b>171.0</b>  | <b>4%</b> | <b>3%</b>   | <b>3%</b>   | <b>39.0</b>    | <b>37.5</b> | <b>42.7</b> | <b>23%</b>     | <b>22%</b> | <b>26%</b> |

JLT Re had a mixed performance in the first half of the year. Our emerging treaty business, which has been subject to significant investment in recent years, delivered strong organic growth of 5% for the period.

However, the overall results for the period have been impacted by the departure of a non-core FAC reinsurance team in late 2010.

Despite this, the underlying results confirm our increasing confidence in our overall market position and the broader opportunity represented by our reinsurance business both in the London market and internationally. From an international perspective JLT Re continues to develop its global practice, with new offices in both Miami and Basel. Furthermore, we have recruited a new head of Treaty Reinsurance for our Asian operations based in Singapore and also entered the Life Reinsurance sector through the new Swiss based team.

Our ambitions are further demonstrated by the appointment of Alastair Speare-Cole, the former Chief Operating Officer of Aon Benfield and a major figure in the London reinsurance market, Alastair will become the new CEO of JLT Re in the first quarter of 2012 when Alan Griffin will become Executive Chairman. I am confident that this team will successfully take JLT Re to the next stage in its development.

## UK Employee Benefits

Market driving significant new business opportunities



Six months to June  
(£m)

|                      | Total Revenue |        |         | Trading Profit |      | Trading Margin |      |
|----------------------|---------------|--------|---------|----------------|------|----------------|------|
|                      | 2011          | Growth | Organic | 2011           | 2010 | 2011           | 2010 |
| UK Employee Benefits | 66.8          | 5%     | 4%      | 10.3           | 8.6  | 15%            | 14%  |

Our UK Employee Benefits business delivered organic revenue growth of 4% and an impressive increase in its trading profit of almost 20% from £8.6m to £10.3m. This pleasing performance further demonstrates the benefits of our acquisition of HSBC's employee benefits business in December 2009 which has increased both the depth of our capabilities and our client base.

Our Employee Benefits success is underpinned by a number of areas where we believe we have a competitive advantage.

For example, our proprietary BenPal benefits management tool has delivered over 70 implementations to date, of which 25 were in the first half of 2011 and included new clients such as Commerzbank and Just Retirement.

In terms of market trends, the imminent arrival of auto-enrolment in the UK is triggering a significant opportunity for our employee benefits business as companies gear up to comply and to expand pensions across their workforces. New appointments already include Morrisons Supermarkets, Thyssen Krupp and Halfords.

## Thistle Insurance Services

*Growing contribution from online operation*



Six months to June  
(£m)

|                                   | Total Revenue |        | Trading Profit |       | Trading Margin |      |
|-----------------------------------|---------------|--------|----------------|-------|----------------|------|
|                                   | 2011          | Growth | 2011           | 2010  | 2011           | 2010 |
| <b>Thistle Insurance Services</b> | 17.2          | (3%)   | -              | (0.3) | -              | (2%) |

Given the very competitive market conditions, our focus in Thistle is clearly on underwriting profitable business within the MGU and we continue to insist on a measured approach to ensure sustainable growth.

In line with this strategy, Thistle exited a significant book of unprofitable business during the second half of 2010. Although this meant that Thistle only broke even in the first half of 2011, excluding the exited book, Thistle's underlying organic revenue growth rate was 4%.

This encouraging performance reflected a growing contribution from our direct online business, which is gaining real momentum and today has some 60,000 online clients.

The phasing of the Thistle's overall revenues means that it largely generates its profits in the second half of the year and we are confident that we will see it make year-on-year financial progress for the full year.

The intellectual capital and operating model developed within Thistle in the UK is now being systematically transferred to other parts of our business, starting with Australia and Canada. Currently these results are included within our individual retail operations, where relevant. However, over time it is our intention to break these numbers out and report on them as part of our international Thistle business.

I will now hand you over to Simon.

# Financial Review

for the six months ended 30th June 2011



**Simon Mawson**  
Group Finance Director

29th JULY 2011

Distinctive. Choice.



## Profit and Loss



| <i>Six months to June</i><br>(£m)               | 2011    | 2010    | Change |
|---|---------|---------|--------|
| Revenue   | 411.3   | 377.8   | 33.5   |
| Operating costs                                 | (335.2) | (307.1) | (28.1) |
| Underlying trading profit                       | 76.1    | 70.7    | 5.4    |
| Associates after tax                            | 5.7     | 3.5     | 2.2    |
| Net underlying finance costs                    | (2.0)   | (0.6)   | (1.4)  |
| Underlying PBT                                  | 79.8    | 73.6    | 6.2    |
| Net exceptional costs                           | (3.4)   | (3.6)   | 0.2    |
| PBT   | 76.4    | 70.0    | 6.4    |
| Underlying tax expense                          | (21.0)  | (20.4)  | (0.6)  |
| Non-recurring tax credits                       | 0.9     | 11.0    | (10.1) |
| Non-controlling interest                        | (2.7)   | (2.0)   | (0.7)  |
| PAT (after non-controlling interest)            | 53.6    | 58.6    | (5.0)  |
| Underlying PAT (after non-controlling interest) | 56.0    | 51.2    | 4.8    |
| Diluted EPS                                     | 24.4p   | 27.0p   | (2.6p) |
| Underlying diluted EPS                          | 25.5p   | 23.6p   | 1.9p   |
| Interim dividend per share                      | 9.2p    | 8.8p    | 0.4p   |

Thank you Dominic.

Dominic has given you an update of the trading performance of our principal businesses. I will now run through the other key features of the Group's results for the half year.

In terms of the profit and loss account, there are four areas I would like to provide more detail on:

Our revenue hedging programme

The operating cost ratio

Exceptionals, and

The associate line

The first is an update on our hedging programme.

## USD Revenue Protection



### Full Year Projections

|   | Actual<br>2010 | 2011   | 2012   | 2013   | 2014   |
|---|----------------|--------|--------|--------|--------|
| Hedging rates achieved as at 28 <sup>th</sup> July 2011 | <b>\$1.55</b>  | \$1.52 | \$1.53 | \$1.53 | \$1.57 |
| % Revenue hedged  | <b>100%</b>    | 90%    | 80%    | 75%    | 40%    |
| Market forward rates as at 28 <sup>th</sup> July 2011   |                | \$1.63 | \$1.62 | \$1.62 | \$1.61 |
| Blended rates post-hedging                              | <b>\$1.55</b>  | \$1.53 | \$1.55 | \$1.55 | \$1.59 |
| Value of \$260m revenue in £m                           | <b>£168m</b>   | £170m  | £168m  | £168m  | £164m  |
| Approx YOY revenue impact in £m                         | <b>£16m</b>    | £2m    | (£2m)  | -      | (£4m)  |

Our London Market businesses have a sterling cost base but a significant portion of our revenues are in foreign currencies, primarily US dollars. Our US dollar revenues into the London Market are expected to reach some \$260m in 2011.

We continue to pursue our hedging programme on a consistent basis and the blended rate for 2011, after hedging 90% of expected revenues, is currently at \$1.53.

Looking forward, you can see that we continue to maintain a satisfactory level of coverage going out over the next three years and we have now increased our hedge levels in 2014 to 40%, up from 10% at the time of the preliminary results announcement for 2010.

As a guide, each one cent movement in our achieved rate currently translates into a change of approximately 1 million Sterling in revenue and a corresponding impact on trading profit equal to approximately 65% of the revenue change.

## Underlying Operating Cost Ratio



Six months to 30 June  
(£m)

|                             | 2011 |       | 2010 |       | Change |
|-----------------------------|------|-------|------|-------|--------|
| Fees and commissions        | 409  | 100%  | 376  | 100%  | 33     |
| <b>Operating costs:</b>     |      |       |      |       |        |
| Staff costs                 | 242  | 59.2% | 218  | 58.1% | 24     |
| Premises                    | 21   | 5.2%  | 20   | 5.3%  | 1      |
| Depreciation & amortisation | 9    | 2.2%  | 8    | 2.2%  | 1      |
| Travel & entertainment      | 15   | 3.7%  | 13   | 3.4%  | 2      |
| Other operating costs       | 48   | 11.7% | 48   | 12.8% | -      |
|                             | 335  | 82.0% | 307  | 81.8% | 28     |

Secondly our operating cost ratio has essentially remained consistent period on period, both on a total basis and across the main components of cost.

As Dominic mentioned earlier, we continue to recruit leading market practitioners right across all of our businesses and have had a notable number of new joiners in the first half. As you would expect we are very focussed on the need for these increases in headcount and cost to deliver increased revenues and profits over the appropriate timescale, which of course varies across business lines.

## Breakdown of Exceptional and Non-Recurring Items



Six months to June  
(£m)

|   | 2011       | 2010        |
|---|------------|-------------|
| <b>Net exceptional costs:</b>                                 |            |             |
| Business Transformation Programme costs                       | 3.4        | 2.9         |
| Acquisition integration costs                                 | -          | 2.7         |
| Other   | -          | (2.0)       |
|   | <b>3.4</b> | <b>3.6</b>  |
| <b>Taxation impact of exceptional and non-recurring items</b> |            |             |
| Tax on exceptional items                                      | 0.9        | 0.7         |
| Settlement of tax claims                                      | -          | 10.3        |
|   | <b>0.9</b> | <b>11.0</b> |

Thirdly, let me touch on net exceptional costs and the taxation line as it impacts exceptional and non-recurring items.

To remind you, the non-recurring tax credit in the first half of 2010 of £11 million largely comprised the credits recognised following the settlement of a number of long outstanding items, with various tax authorities.

Net exceptional costs for the first half comprised the costs from our ongoing Business Transformation Programme, where we are now 24 months into the overall 36 month timeline.

## Business Transformation Programme



(£m)

|                     | ← 30th June 2009  |                | 30th June 2012 → |
|---------------------|-------------------|----------------|------------------|
|                     | H2 2009<br>Actual | 2010<br>Actual | 2011<br>F'cast   |
| <b>Incremental</b>  |                   |                |                  |
| One-off costs       | (7)               | (7)            | (7)              |
| Associated benefits | 3                 | 8              | 7                |
| <b>Cumulative:</b>  |                   |                |                  |
| One-off costs       | (7)               | (14)           | (21)             |
| Recurring benefit   | 3                 | 11             | 18               |

At the half year, we have expensed a further £3 million out of a total of £7 million expected for the year, on which we expect to generate annualised savings of around the same amount.

Our Mumbai operation has successfully delivered far-reaching process improvements on a cost effective basis and the benefits have considerably exceeded our original expectations. Accordingly more of our businesses have taken the opportunity to reassess their plans over the remaining 12 months of the programme and to revise their ambitions upwards.

We have therefore updated our estimates to reflect what we think the programme can now deliver before it reaches its natural conclusion.

In overall terms, we estimate one-off costs of £24 million will generate ongoing benefits of £20 million per annum, up from the previously advised total costs of £19 million and annual savings of £16 million.

This will conclude the programme, although we expect to continue to develop and improve processes on an ongoing basis thereafter. As these changes will be incremental rather than transformational any expense will be taken through the recurring profit line.

## Associates contribution after tax



Six months to June  
(£m)

|                   | 2011       | 2010       |
|-------------------|------------|------------|
| <b>Associates</b> | <b>5.7</b> | <b>3.5</b> |

### Associates

Siaci Saint Honore, the largest independent broker in France and a key member of our European Network, made a contribution of over £4 million in the first half. With underlying results up 13% before effects of exchange rate movements.

I should also note here that in July 2011 we increased our shareholding in Siaci from 20% to 26%. Siaci periodically undertakes refinancing to release capital to shareholders through share repurchases and, given the strategic importance of this investment, we elected not to participate in the repurchase, but instead allow our percentage interest to increase.

GrECo, in which we acquired a 20% interest in the second half of 2010 for a consideration of £16 million, made a contribution of £1.5 million, which was in line with our expectations.

It should be noted that the results of both Siaci and GrECo are strongly weighted to the first half of the year.

## Balance sheet



(£m)

|  | 30 June<br>2011 | 31 Dec<br>2010 | Change    | 30 June<br>2010 |
|--|-----------------|----------------|-----------|-----------------|
| Goodwill and intangibles               | 286             | 282            | 4         | 267             |
| Fixed assets                           | 28              | 29             | (1)       | 29              |
| Associates and investments             | 72              | 63             | 9         | 44              |
| Net working capital and other          | 113             | 49             | 64        | 93              |
| Hedging contracts after deferred tax   | 1               | (4)            | 5         | (2)             |
| Net pension deficit after deferred tax | (57)            | (56)           | (1)       | (83)            |
| Other net deferred tax assets          | 11              | 16             | (5)       | 14              |
| Net debt                               | (118)           | (76)           | (42)      | (102)           |
| <b>Net assets</b>                      | <b>336</b>      | <b>303</b>     | <b>33</b> | <b>260</b>      |

As far as the balance sheet is concerned, the only movement of significance since 31 December is in working capital, which increased by some £64 million. This is consistent with the normal pattern of trading during the year which reflects renewal cycles, annual bonus and dividend payments, which are all weighted towards the first half. For comparison, in 2010, the movement in the half year was an increase of over £80 million. Obviously these movements are effectively mirrored in the net debt line.

## Cash flow on an operational basis



Six months to June  
(£m)

|   | 2011        | 2010 |
|---|-------------|------|
| <b>Underlying EBITDA</b>                | <b>102</b>  | 90   |
| Deduct: Exceptional items paid          | (3)         | (4)  |
| <b>EBITDA</b>                           | <b>99</b>   | 86   |
| Deduct: Net interest associates & other | (6)         | (2)  |
| Tax paid                                | (19)        | (9)  |
| Net working capital increase            | (59)        | (84) |
| Normal capex                            | (15)        | (14) |
| Net shares acquired                     | (11)        | (1)  |
| Pension deficit funding                 | (1)         | (1)  |
| Acquisitions/Disposals                  | (2)         | (8)  |
| Dividends paid                          | (32)        | (28) |
| Foreign exchange                        | 4           | 1    |
| <b>Net cash outflow</b>                 | <b>(42)</b> | (60) |

Cash flows in the first half of 2011 were broadly consistent with the equivalent period last year.

The overall reduction in outflows was primarily a consequence of a stronger trading performance and improved working capital movements, net of higher tax payments.

I will now pass you back to Dominic.

## Market Update



**Dominic Burke**  
Group Chief Executive

29th JULY 2011

Distinctive. Choice.



- Insurance market – remains very soft
- General economic outlook – economic activity more important to JLT than insurance rates

Thank you Simon.

As I have already mentioned, the insurance rating environment remains weak.

Although there has been a lot of talk from market participants that rates are hardening or about to harden, the reality is that there has been no hard evidence of this other than in very specific areas. Even there, these increases have principally been driven by adverse claims experience - such as Australian property rates following the floods last year – rather than by any significant reduction in capital.

In March this year I raised the question of whether the market was finally now reaching an inflection point? The answer is clearly, not yet.

But much more importantly and as I have said before, JLT's performance is driven far more by the general level of economic health and GDP growth, than by insurance market rates. We have consistently demonstrated this by our continued strong performance over recent years, in the face of very soft insurance market conditions.

In that context, it is worth pointing out that there is a sense that the general economic climate and business confidence has weakened over recent months following:

the continued sovereign debt crisis in the Eurozone,

the worsening U.S. budget deficit scenario

weaker than expected growth in many of the world's developed economies

And the situation in North Africa and the Middle East.

Clearly we have no control over the macro-economic environment, so our focus has to be on managing what we can control.

Through the actions we have taken we believe that JLT remains well positioned for continued growth through a combination of our market position, our people and our investment strategy.

- **Our Distinctive Market Position**
  - Specialty focus
  - Diversity of operations
  - Exposure to high-growth economies
  - International EB and Healthcare

Our distinctive Market Position –

Our focus on specialisms, means that we are not operating as the provider of commodity services that are more vulnerable to price-based competition, but operate instead in very specific areas where we can demonstrate real expertise and value to our clients and thereby maintain a competitive edge.

Our diversity of operations, means that we are to some extent insulated from the vagaries of individual markets.

Our conscious decision to increase our exposure to the high-growth economies of the world allows us to share in their continued growth. In this we further benefit from the fact that our areas of specialism are typically both fuelling and benefitting from this same growth – for example consider the huge investments in construction, energy and healthcare provision that are being or will be made in Brazil, China and Indonesia. Approximately 40% of our revenues are generated by our overseas operations. In addition, our London Market businesses of course benefit from overseas business flows into London. In overall terms two thirds of our clients are in fact domiciled outside of the UK.

We are continuing to build on the exciting opportunities presented by the internationalisation of our Employee Benefits business, with work focused around the implementation of the Group's international healthcare strategy. This includes providing a range of healthcare focused risk advisory and service offerings to a number of prioritised markets in Latin America and Asia, where we see huge potential demand for our services given their growing middle class populations and per-capita wealth.

In 2012 we will begin to report our international EB results separately, which reflects the increasing size and momentum of this part of our business. We estimate that our International EB business outside of the UK is already producing revenues of £35 million per annum and we expect this to grow in the years ahead.

- Our Distinctive Market Position
- **Our People and Distinctive Culture**
  - Retaining and attracting leading industry professionals
  - Bringing the best of JLT to our clients through collaboration without boundaries
  - Targeting and winning significant new business.

### Our People and our distinctive culture

We seek to provide a distinctive working environment that attracts, develops and retains the best people and we continue to add to our bench strength by attracting the best talent in the market.

We do this in a very focussed way. We seek to be market leaders in those selected areas where we have distinctive knowledge that provides competitive advantage. We seek to bring the very best of JLT to all of our clients through collaboration and sharing knowledge and resources, without artificial boundaries, such as reporting lines or geographies, standing in the way.

This gives us the strength in our chosen sectors to target and win major new business, as demonstrated by a series of significant new business wins since the beginning of 2011. These include Telecoms companies such as PCCW and Hutchison Whampoa in Asia and MTN in South Africa, through to aviation clients such as Finnair, Iceland Air and Norwegian Air Shuttle as well as to BP Shipping, YPF, the National Oil Company of Argentina and Ocado in the UK.

- Our advantaged Market Position
- Our People
- **Our Strong Balance Sheet**
  - Bolt-on acquisitions
  - Investing in proprietary systems
  - Hiring leading industry professionals

### Our strong Balance Sheet

As well as allowing us to invest in technology and recruitment as already illustrated, Our strong balance sheet and financial firepower enables us to continue to make acquisitions where the opportunities arise. Bolt-on acquisitions, at the right price, remain an important element of our growth plans.

*Our emphasis on being a client first organisation is clearly serving us well, as demonstrated by our strong organic growth record. We continue to invest in people, technology and business acquisitions across the Group to support our future growth.*

*All this gives us increasing confidence in our ability to continue to deliver year-on-year financial progress, building on the momentum developed in prior years.*

### To Conclude

Our emphasis on being a client first organisation is clearly serving us well, as demonstrated by our strong organic growth record. We continue to invest in people, technology and business acquisitions across the Group to support our future growth.

All this gives us increasing confidence in our ability to continue to deliver year-on-year financial progress, building on the momentum developed in prior years.