Arthur J. Gallagher & Co.

CFO Commentary

December 12, 2017

Arthur J. Gallagher & Co.
Non-GAAP Measures and Forward-Looking Statements

Information Regarding Non-GAAP Measures

In this CFO Commentary, we have provided information regarding Adjusted EBITDAC Margin (for the brokerage and risk management segments) and Adjusted Net Earnings Attributable to Controlling Interests (for the corporate segment) presented on a forward-looking and historical basis. Adjusted EBITDAC Margin is Adjusted EBITDAC divided by Adjusted Revenue (EBITDAC and Revenue, respectively, adjusted to exclude the impact of net gains realized from sales of books of business, acquisition integration costs, workforce related charges, lease termination related charges, acquisition related adjustments and the period-over-period impact of foreign currency translation, as applicable (acquisition integration costs are related to certain of our large acquisitions outside the scope of our usual tuck-in strategy, not expected to occur on an ongoing basis in the future once we fully assimilate the applicable acquisition)). EBITDAC is net earnings before interest, income taxes, depreciation, amortization and the change in estimated acquisition earnout payables. Adjusted Net Earnings Attributable to Controlling Interests is net earnings attributable to controlling interests adjusted to exclude the impact of a litigation settlement and our home office move. Management believes that both Adjusted EBITDAC Margin and Adjusted Net Earnings Attributable to Controlling Interests are meaningful indicators of our operating performance. The adjustments made to each measure are intended to improve the comparability of our results between periods by eliminating the impact of items that have a high degree of variability and, in the case of the litigation settlement, are unlikely to recur during the next two years.

We have not reconciled the forward-looking Adjusted EBITDAC Margin information to the most directly comparable GAAP measure because certain material items that impact this measure, including the timing and exact amount of highly variable elements of revenue (such as acquired revenue), gains from the sales of books of business and acquisition related adjustments, have not yet occurred or are out of management's control or cannot be reasonably predicted. Accordingly, a reconciliation of forward-looking Adjusted EBITDAC Margin to the corresponding GAAP measure is not available without unreasonable effort. Please see our earnings release and page 3 of this CFO Commentary for reconciliations of historical non-GAAP information to the closest GAAP information. The non-GAAP information provided in this CFO Commentary should be used in addition to, but not as a substitute for, GAAP information.

Cautionary Statement Regarding Forward-Looking Statements

This CFO Commentary contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, for our brokerage and risk management segments, 2017 estimates of the impact of foreign currency on EPS and revenues, integration costs, workforce and lease termination costs, adjusted EBITDAC margin, amortization, depreciation, change in estimated earnout payables, acquisition rollover revenues (and the likelihood such estimates will materially change), the adjusted effective tax rate, earnings from continuing operations attributable to non-controlling interests, organic growth in supplemental and contingent commissions and the weighted average multiple paid for acquisitions. These forward-looking statements also include, for our corporate segment, estimates of the net earnings attributable to controlling interests impact of various items, including interest and banking costs, Gallagher's clean energy investments, acquisition costs, corporate expenses, the impact of a litigation settlement and our home office move. We also make forward-looking statements relating to our clean energy investments, including the low and high ranges of potential 2017 annual after-tax earnings of the various clean energy plants, and Chem-Mod royalty income, net of noncontrolling interests.

Actual results may differ materially from the estimates set forth herein. Readers are therefore cautioned against relying on any of the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. Our tax credits, including our clean energy tax credits, could be materially impaired by changes to the tax code currently under consideration in Congress. Other statements regarding our clean energy investments and future effective tax rates could be materially impacted by various risk and uncertainties, including uncertainties related to political and regulatory risks, such as potential actions by Congress or challenges by the IRS eliminating or reducing the availability of tax credits under IRC Section 45 retroactively and/or going forward; the ability to maintain and find co-investors; the potential for divergent business objectives by co-investors and other stakeholders; plant operational risks, including supply-chain risks; utilities' future use of, or demand for, coal; the market price of coal; the costs of moving a clean coal plant; intellectual property litigation risks; and environmental risks. The other forward-looking statements referred to above could be materially impacted by various risks and uncertainties including changes in the economy or premium rates; changes in our acquisition pipeline and number of completed acquisitions; changes in our competitive position; changes in accounting standards; and fluctuations in global exchange rates. Please refer to Gallagher's filings with the SEC, including Item 1A, "Risk Factors," of its most recently filed Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, for a detailed discussion of these and other factors that could impact its forward-looking statements. Any forward-looking statement made by Gallagher in this press release speaks only as of the date on which it is made. Except as required by applicable law, Gallagher does not undertake to update the information included herein.

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	ACTUAL			ESTIMATES ON OCTOBER 26, 2017		ESTIMATES ON DECEMBER 12, 2017	
BROKERAGE SEGMENT	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Full Year 2017**	**Q4 2017**	**Full Year 2017**
Foreign Currency Impact on Earnings Per Share *(will be shown as an adjustment to 2016 numbers)*	<$0.01	$0.01	<$0.01	very little impact	Approx. $0.02	very little impact	Approx. $0.02
Foreign Currency Impact on Revenues *(will be shown as an adjustment to 2016 numbers, negative reflects benefit to revenues)*	$14 million	$21 million	$(7) million	$(10) million	$18 million	$(10) million	$18 million
Integration Costs Per Share	$0.01	$0.01	$0.01	$0.01	Approx. $0.04	$0.01	Approx. $0.04
Workforce & Lease Termination Costs Per Share	$0.02	$0.02	$0.02	*ncp*	*ncp*	Approx. $0.09 (1)	Approx. $0.14 (1)
Adjusted EBITDAC Margin	Expanded 121 bpts over Q1 2016	Expanded 51 bpts over Q2 2016	Expanded 5 bpts over Q3 2016	difficult to expand margins if organic is below 3%		difficult to expand margins if organic is below 3%	
Amortization - Recurring	$64 million pretax	$63 million pretax	$64 million pretax	$64 million pretax	$255 million pretax (2)	$65 million pretax	$256 million pretax (2)
Depreciation - Recurring	$15 million pretax	$16 million pretax	$15 million pretax	$16 million pretax	$62 million pretax	$16 million pretax	$62 million pretax
Change in Estimated Earnout Payable - Recurring	$5 million pretax	$5 million pretax	$5 million pretax	$5 million pretax	$20 million pretax	$5 million pretax	$20 million pretax
Rollover Revenues from Acquisitions	---------- See table on page 5 ----------						
Adjusted Effective Tax Rate	33.4%	34.2%	33.3%	---------- 34% to 36% (3) ----------		---------- 34% to 36% (3) ----------	
Earnings from continuing operations attributable to noncontrolling interests	$5.3 million	$2.1 million	$(0.3) million	very little impact	Approx. $7 million	very little impact	Approx. $7 million
RISK MANAGEMENT SEGMENT							
Foreign Currency Impact on Earnings Per Share *(will be shown as an adjustment to 2016 numbers)*	<$0.01	<$0.01	<$0.01	very little impact	very little impact	very little impact	very little impact
Foreign Currency Impact on Revenues *(will be shown as an adjustment to 2016 numbers, negative reflects benefit to revenues)*	<$1 million	<$1 million	$(1) million	very little impact	very little impact	very little impact	very little impact
Adjusted EBITDAC Margin	17.1%	17.0%	17.9%	--- 16.5% to 17.0% ---	--- 17.0% to 17.5% ---	--- 16.5% to 17.0% ---	--- 17.0% to 17.5% ---
Amortization - Recurring	$1 million pretax	$1 million pretax	$1 million pretax	$1 million pretax	$4 million pretax	$1 million pretax	$4 million pretax
Depreciation - Recurring	$7 million pretax	$8 million pretax	$8 million pretax	$8 million pretax	$31 million pretax	$8 million pretax	$31 million pretax
Adjusted Effective Tax Rate	37.7%	37.1%	38.8%	---------- 36% to 38% (3) ----------		---------- 36% to 38% (3) ----------	
OTHER							
Weighted Average Multiple of EBITDAC for Acquisition Pricing	8.5x	6.6x *(Q2 2017)* 7.7x *(YTD 2017)*	8.4x *(Q3 2017)* 7.9x *(YTD 2017)*	---------- 7.0x to 8.0x ----------		---------- 7.0x to 8.0x ----------	

Notes

Yellow highlighted rows will be presented as adjustments to GAAP earnings

All commentary related to foreign currency is based on December 11, 2017 exchange rates. All information on this page assumes no future proposed or contemplated income tax laws in any tax jurisdiction.

(1) First, second and third quarter 2017 workforce and lease termination costs consist primarily of workforce termination costs. The fourth quarter 2017 estimate consists primarily of non-cash after-tax lease termination costs related to the consolidation of a number of office locations. These actions are expected to result in approximately $0.02 of annual after-tax annual cost savings.

(2) As we do more acquisitions, for every dollar we spend, increase amortization by about 1% of the purchase price per quarter.

(3) Assuming no change in statutory corporate tax rates.

ncp = no commentary provided

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CORPORATE SEGMENT

	2016 Actual			2017 Actual			2017 Estimates (1) Net Earnings (Loss) Attributable to Controlling Interests Range	
	Pretax Earnings (Loss)	Income Tax Benefit (Expense)	Net Earnings (Loss) Attributable to Controlling Interests	Pretax Earnings (Loss)	Income Tax Benefit (Expense)	Net Earnings (Loss) Attributable to Controlling Interests		
1st Quarter								
Interest and banking costs (2)	$ (26.3)	$ 10.5	$ (15.8)	$ (30.7)	$ 12.3	$ (18.4)		
Clean-energy related (3)	(33.9)	31.2	(2.7)	(40.4)	39.5	(0.9)		
Acquisition costs	(1.7)	0.3	(1.4)	(2.7)	0.7	(2.0)		
Corporate (4)	(8.6)	2.3	(6.3)	(11.8)	8.5	(3.3)		
Litigation settlement (5)	(4.7)	1.0	(3.7)	(5.5)	1.1	(4.4)		
Home office early lease term and move (6)			-	(4.0)	1.6	(2.4)		
Reported 1st quarter	**(75.2)**	**45.3**	**(29.9)**	**(95.1)**	**63.7**	**(31.4)**		
Litigation settlement (5)	4.7	(1.0)	3.7	5.5	(1.1)	4.4		
Home office early lease term and move (6)	-	-	-	4.0	(1.6)	2.4		
Adjusted 1st quarter	**$ (70.5)**	**$ 44.3**	**$ (26.2)**	**$ (85.6)**	**$ 61.0**	**$ (24.6)**		
2nd Quarter								
Interest and banking costs (2)	$ (28.0)	$ 11.2	$ (16.8)	$ (32.4)	$ 13.0	$ (19.4)		
Clean-energy related (3)	(24.4)	73.6	49.2	(35.3)	86.1	50.8		
Acquisition costs	(1.1)	0.2	(0.9)	(2.4)	0.6	(1.8)		
Corporate (4)	(10.0)	3.9	(6.1)	(16.1)	12.8	(3.3)		
Litigation settlement (5)	(5.5)	1.1	(4.4)	(5.6)	1.2	(4.4)		
Home office early lease term and move (6)			-	(3.0)	1.2	(1.8)		
Reported 2nd quarter	**(69.0)**	**90.0**	**21.0**	**(94.8)**	**114.9**	**20.1**		
Litigation settlement (5)	5.5	(1.1)	4.4	5.6	(1.2)	4.4		
Home office early lease term and move (6)	-	-	-	3.0	(1.2)	1.8		
Adjusted 2nd quarter	**$ (63.5)**	**$ 88.9**	**$ 25.4**	**$ (86.2)**	**$ 112.5**	**$ 26.3**		
3rd Quarter								
Interest and banking costs (2)	$ (29.3)	$ 11.7	$ (17.6)	$ (31.9)	$ 12.8	$ (19.1)		
Clean-energy related (3)	(39.8)	79.1	39.3	(38.8)	77.1	38.3		
Acquisition costs	(0.9)	0.1	(0.8)	(2.3)	0.9	(1.4)		
Corporate (4)	(9.1)	3.4	(5.7)	(21.2)	12.5	(8.7)		
Litigation settlement (5)	(4.4)	0.9	(3.5)	-	-	-		
Home office early lease term and move (6)			-	(6.2)	2.5	(3.7)		
Reported 3rd quarter	**(83.5)**	**95.2**	**11.7**	**(100.4)**	**105.8**	**5.4**		
Litigation settlement (5)	4.4	(0.9)	3.5	-	-	-		
Home office early lease term and move (6)	-	-	-	6.2	(2.5)	3.7		
Adjusted 3rd quarter	**$ (79.1)**	**$ 94.3**	**$ 15.2**	**$ (94.2)**	**$ 103.3**	**$ 9.1**		
4th Quarter								
Interest and banking costs (2)	$ (29.2)	$ 11.7	$ (17.5)				$ (21.0)	$ (20.0)
Clean-energy related (3)	(35.1)	63.7	28.6				39.0	42.0
Acquisition costs	(0.9)	0.1	(0.8)				(2.0)	(1.0)
Corporate (4)	(15.3)	10.4	(4.9)				(6.0)	(5.0)
Litigation settlement (5)	(5.6)	1.1	(4.5)				-	-
Home office early lease term and move (6)	-	-	-				(0.5)	(0.5)
Reported 4th quarter	**(86.1)**	**87.0**	**0.9**				**9.5**	**15.5**
Litigation settlement (5)	5.6	(1.1)	4.5				-	-
Home office early lease term and move (6)	-	-	-				0.5	0.5
Adjusted 4th quarter	**$ (80.5)**	**$ 85.9**	**$ 5.4**				**$ 10.0**	**$ 16.0**
YTD								
Interest and banking costs (2)	$ (112.8)	$ 45.1	$ (67.7)	$ (95.0)	$ 38.1	$ (56.9)	$ (77.9)	$ (76.9)
Clean-energy related (3)	(133.2)	247.6	114.4	(114.5)	202.7	88.2	127.2	130.2
Acquisition costs	(4.6)	0.7	(3.9)	(7.4)	2.2	(5.2)	(7.2)	(6.2)
Corporate (4)	(43.0)	20.0	(23.0)	(49.1)	33.8	(15.3)	(21.3)	(20.3)
Litigation settlement (5)	(20.2)	4.1	(16.1)	(11.1)	2.3	(8.8)	(8.8)	(8.8)
Home office early lease term and move (6)	-	-	-	(13.2)	5.3	(7.9)	(8.4)	(8.4)
Reported YTD	**(313.8)**	**317.5**	**3.7**	**(290.3)**	**284.4**	**(5.9)**	**3.6**	**9.6**
Litigation settlement (5)	20.2	(4.1)	16.1	11.1	(2.3)	8.8	8.8	8.8
Home office early lease term and move (6)	-	-	-	13.2	(5.3)	7.9	8.4	8.4
Adjusted YTD	**$ (293.6)**	**$ 313.4**	**$ 19.8**	**$ (266.0)**	**$ 276.8**	**$ 10.8**	**$ 20.8**	**$ 26.8**

Notes:

(1) See important cautionary information on page 1 of these exhibits regarding our use of these forward-looking statements.

(2) We closed two private placement debt transactions in 2017, $250 million in late June and $398 million in early August.

(3) Pretax earnings are presented net of amounts attributable to noncontrolling interests.

(4) Pretax loss year-to-date 2017 of $49.1 million is more than the year-to-date 2016 period due to (a) additional pre-tax costs associated with our new corporate headquarters of $5.8 million which are fully offset by additional tax benefits reported in the income tax benefit column, (b) additional costs associated with implementing a new accounting standard related to how companies recognize revenue, which will be effective beginning in January 2018, of $8.4 million, (c) additional corporate-related compensation of $4.0 million and (d) unrealized foreign exchange remeasurement losses of $3.0 million.

(5) During the third quarter of 2015, Gallagher settled litigation against certain former U.K. executives and their advisors for a pretax gain of $31.0 million ($22.3 million net of costs and taxes). Incremental expenses that arose in connection with this matter resulted in after-tax charges through June 30, 2017.

(6) Consists of move-related and lease abandonment costs associated with relocating Gallagher's corporate headquarters to a nearby suburb of Chicago.

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Clean Energy Investments

The following provides certain information related to Gallagher's investments in limited liability companies that own 34 clean coal production plants, which produce refined coal using proprietary technologies owned by Chem-Mod. We believe that the production and sale of refined coal at these plants qualifies to receive refined coal tax credits under IRC Section 45 through 2019 for the fourteen 2009 Era Plants and through 2021 for the twenty 2011 Era Plants. The underlying operations of those investments where Gallagher has a controlling ownership interest are consolidated.

($ in millions)	Gallagher's Tax-Effected Book Value at September 30, 2017	Additional Required Tax-Effected Capital Investment	Estimated (1) Low Range 2017 After-tax Earnings	Estimated (1) High Range 2017 After-tax Earnings
Investments that own 2009 Era Plants				
12 Under long-term production contracts	$ 6.9	$ -	$ 17.0	$ 18.0
2 Not currently in active negotiations for long-term production contracts	-	Not Estimable	Not Estimable	
Investments that own 2011 Era Plants				
19 Under long-term production contracts	37.5	-	93.0	94.0
1 In early stages of negotiations for long-term production contract	0.2	Not Estimable	Not Estimable	
Chem-Mod royalty income, net of noncontrolling interests (2)	2.4	-	17.0	18.0

(1) Reflects management's current best estimate of the 2017 low and high ranges of after-tax earnings based on year to date results, production estimates from the host utilities and preliminary investment partner assumptions (assuming no change in U.S. federal corporate income tax laws). Host utilities have not, and may not, consistently utilize the fuel plants at ultimate production levels due to seasonal electricity demand, weather conditions, as well as many other operational, regulatory and environmental compliance reasons.

(2) Gallagher's investment in Chem-Mod generates royalty income from refined coal plants owned by those limited liability companies in which it invests as well as refined coal production plants owned by other unrelated parties. Estimates are based on current production estimates provided by licensees. Future production may change dramatically due to possible changes to U.S. income tax laws.

All estimates set forth above regarding the potential future earnings impact of our clean energy investments are subject to significant risks. Please refer to Gallagher's filings with the SEC, including Item 1A, "Risk Factors" in its most recently filed Annual Report on Form 10-K and any subsequently filed Quarterly Reports on Form 10-Q for a more detailed discussion of these and other factors that could impact the information above.

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Clean Energy Investments - Continued

Accounting for Clean Energy Investments

The quarterly GAAP accounting for Gallagher's tax advantaged clean energy investments is complex, but generally requires: (a) operating expenses associated with producing clean-coal to be recognized in the period of production; (b) related tax benefits to (a) to be recognized in the period of production; but (c) associated tax credits to be recognized as a component of the tax provision based on the proportion of that quarter's consolidated reported pretax earnings to expected total consolidated reported annual pretax earnings, with certain modifications and without anticipation of future acquisitions. Because of Gallagher's lower reported seasonal earnings in the first quarter from its core operations, as well as the iterative impact of reported pretax losses associated with producing clean-coal, this accounting can result in a substantial number of tax credits being produced in the first quarter, but not being recognized in earnings for GAAP purposes until later quarters. Theoretically, the converse could also be true.

	2016 Actual		2017 Actual	
(in millions)	Credits Produced	Credits Recognized	Credits Produced	Credits Recognized
1st Quarter	$ 40.7	$ 17.7	$ 51.0	$ 23.4
2nd Quarter	41.3	63.8	56.6	72.1
3rd Quarter	63.2	63.2	66.7	61.6
4th Quarter	49.2	49.7	TBD	TBD
Full Year	$ 194.4	$ 194.4	TBD	TBD

Other Commentary

Acquisition Rollover Total Revenues - Brokerage Segment

	Actual				Actual			Estimated (i)
(in millions)	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017
2015 Acquisitions	$ 53.8	$ 38.6	$ 17.1	$ 5.7	NA	NA	NA	NA
1st Quarter 2016 Acquisitions	2.2	7.1	7.3	6.7	$ 4.7	NA	NA	NA
2nd Quarter 2016 Acquisitions	NA	7.3	9.9	9.7	9.5	$ 3.0	NA	NA
3rd Quarter 2016 Acquisitions	NA	NA	5.2	5.4	7.9	8.6	$ 0.1	NA
4th Quarter 2016 Acquisitions	NA	NA	NA	6.6	13.8	10.8	11.3	$ 4.5
1st Quarter 2017 Acquisitions	NA	NA	NA	NA	14.8	15.1	17.5	15.0
2nd Quarter 2017 Acquisitions	NA	NA	NA	NA	NA	4.5	5.8	7.0
3rd Quarter 2017 Acquisitions	NA	NA	NA	NA	NA	NA	3.6	10.0
4th Quarter 2017 Acquisitions	NA	NA	NA	NA	NA	NA	NA	4.0
Total	$ 56.0	$ 53.0	$ 39.5	$ 34.1	$ 50.7	$ 42.0	$ 38.3	$ 40.5

(i) Values for the 2017 fourth quarter represent the mid-point of forecasted revenues for acquisitions closed by December 11, 2017. Excludes future acquisitions. Actual revenues may be different than forecasted. Also, forecasted acquisition rollover revenues are shown in U.S. dollars at foreign exchange rates as of December 11, 2017. Any future strengthening or weakening of the U.S. dollar will impact the amounts forecasted above.

Based on our M&A activity through December 11, 2017, we are forecasting fourth quarter brokerage segment rollover revenues of $40.5 million. M&A completed between December 11th and the end of the year should not significantly change forecasted rollover revenues for the fourth quarter of 2017.

Acquisition Rollover Total Revenues - Risk Management Segment

During 2017, we closed three acquisitions within the Risk Management segment. We expect approximately $4 million of revenues relating to these acquisitions in the fourth quarter 2017. Forecasted acquisition rollover revenues are shown in U.S. dollars at foreign exchange rates as of December 11, 2017. Any future strengthening or weakening of the U.S. dollar will impact these amounts.