



NIB HOLDINGS LIMITED

ACN 125 633 856

## Pre-Listing Share Sale Opportunity

Invitation to Eligible Policyholders  
to sell your Shares prior to Listing

*Your decision to  
sell or hold your  
Shares*

Read this Invitation carefully.  
It contains important information to help  
you decide what to do with your Shares.

# Important dates<sup>1</sup>

## Date of this Invitation

24 September 2007

## Demutualisation Date

1 October 2007

## Last day for Sale Facility Election Forms to be received

19 October 2007

## Facility Price determined under the Institutional Bookbuild

25–26 October 2007

## Facility Price announced

26 October 2007

## Dispatch of holding statements

Early November 2007

## Expected Listing

Early November 2007

## Sale Facility proceeds distributed

Early November 2007

1. Dates are indicative only and are subject to change.

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This Invitation provides you with information to help you decide whether to sell or hold your Shares prior to NIB Holdings Listing on the Australian Securities Exchange (ASX).

**The Board makes no recommendation as to whether you should sell or hold your Shares.**

**The Indicative Facility Price Range is between \$0.70 and \$0.90 per Share<sup>2</sup>**

2. Facility Price is not guaranteed and may be below, within or above this range. If the Facility Price is below the Floor Price the Sale Facility will not proceed – see Section 4.2.

With this Invitation you should have received:

1. Chairman's Letter
2. Sale Facility Election Form
3. Reply paid envelope



## Overview and background

On 19 July 2007, NIB's Company Members and Eligible Policyholders overwhelmingly approved the proposal to Demutualise. On 23 July 2007, the Federal Court of Australia made orders to give effect to the Demutualisation.

As an Eligible Policyholder, you are eligible to be issued Shares in NIB Holdings when NIB Demutualises. This is scheduled to occur on 1 October 2007.

**It is important to understand that you must have Verified your details to be able to either sell or hold your Shares.**

Your current verification status is indicated on your Sale Facility Election Form.

Section 2.3 outlines how you can Verify your details if you have not already done so. For example, you can Verify by returning the Sale Facility Election Form in the reply paid envelope provided.

**If you have NOT Verified your details by 1 October 2007, your Shares will be issued to the Overseas Policyholders and Unverified Policyholders Trust (Trust) on your behalf. You will then have until 1 October 2010 to Verify your details and claim your Shares from the Trust. For more details, see Section 7.5 of the Explanatory Statement, which is available at the NIB website ([nib.com.au](http://nib.com.au)).**

Following Demutualisation, NIB Holdings intends to List its Shares on ASX, however there is no guarantee that Listing will occur. For more details, see Section 2.1 of the Explanatory Statement which is available at the NIB website ([nib.com.au](http://nib.com.au)), under the sub-heading "What happens if Listing does not occur?"



out in Section 2.3 of this Invitation. If you do not Verify, your Shares will be issued to the Trust. Refer to Section 7.5 of the Explanatory Statement available at the NIB website ([nib.com.au](http://nib.com.au)) for further information.

**Each of these options have different financial and tax implications. You should seek independent financial advice (including tax advice) specific to your circumstances when determining whether to sell or hold your Shares. Please see Section 7 of this Invitation for a general summary of the likely taxation consequences of your decision to sell or hold your Shares.**

**The Board makes no recommendation as to whether you should sell or hold your Shares.**

## 2.3 Verify your details

It is important to understand that you must have Verified your details to be able to either sell or hold your Shares. Your current verification status is indicated on your Sale Facility Election Form.

You can Verify your details through the following methods:

- (a) returning the Sale Facility Election Form in the reply paid envelope provided;
- (b) visiting the NIB website ([nib.com.au](http://nib.com.au)) and following the directions to Verify your details;
- (c) calling the NIB Information Hotline on 131 NIB (131 642) and Verifying your details with the operator; or
- (d) completing the Verification of Details Form which was included with your Explanatory Statement and returning it in the reply paid envelope or delivering it in person to any NIB retail centre (details of retail centre locations are available at the NIB website ([nib.com.au](http://nib.com.au))).

# 3

## Financial Information

### 3.1 Summary financial information

Set out below is an extract of NIB's normalised pro-forma consolidated historical financial information for the year ended 30 June 2007 and normalised pro-forma consolidated forecast financial information for the year ended 30 June 2008<sup>1</sup>.

The financial information set out below is a summary only. For full details of the historic financial information for the year ended 30 June 2007 refer to the 2007 Annual Report, which is available at the NIB website ([nib.com.au](http://nib.com.au)). For full details of the forecast financial information for the year ended 30 June 2008 and the pro-forma historical financial information for the year ended 30 June 2007 refer to the 2008 Financial Forecast Booklet, which is also available at the NIB website ([nib.com.au](http://nib.com.au)).

This financial information is "normalised" to give a meaningful assessment of NIB's financial performance and position from on-going operations excluding the impact of non-recurring items which do not reflect NIB's ordinary business.

### 3.2 Dividend policy

The issue of Shares by NIB to Eligible Policyholders will be accounted for to create a share-based payments reserve in NIB Health and a corresponding offsetting charge to the earnings of NIB Health. Further details are contained in the 2008 Financial Forecast Booklet. As a result, NIB will not be able to pay a dividend in the 2008 financial year because it will not have accounting profits in that year. Importantly, the making of this charge to earnings has no implication for the underlying profitability and outlook for NIB's earnings and will not impact on NIB's ability to undertake alternative capital management initiatives.

	YEAR ENDED 30 JUNE 2007 NORMALISED (ACTUAL)	YEAR ENDED 30 JUNE 2008 NORMALISED (FORECAST)
Premium revenue (\$m)	666.0	750.7
Net profit after tax (\$m)	37.2	32.1
Earnings per share (cents)*	7.03–7.24	6.06–6.25
Price/earnings ratio*	10.0x–12.4x	11.5x–14.4x
Price/net assets*	1.1x–1.4x <sup>2</sup>	n/a

\* Based on Indicative Facility Price Range as set out in Section 4.2 of this Invitation.

1. Historical financial information excludes one off Demutualisation Adjustments. Those Demutualisation Adjustments include a charge against earnings to create a share based payment reserve with the result that NIB Holdings will report a substantial loss in its statutory financial statements. See Section 5 of the Explanatory Statement and the 2008 Financial Forecast Booklet, both of which are available at the NIB website ([nib.com.au](http://nib.com.au)), for more details.

2. Pro-forma post-Listing Net Assets.

After the 2008 financial year, NIB Holdings expects to have accounting profits from which to pay dividends. Importantly, any payment of dividends will need to ensure NIB is in compliance with the solvency and capital adequacy standards as outlined in the Private Health Insurance Act, together with NIB's internal target level of capital. The Board aims to provide Shareholders with a steady or rising stream of dividends, in line with the long-term, sustainable earnings of NIB. Each of these expectations is subject to market conditions, growth plans, capital levels and requirements and other factors.

### **3.3 Capital management**

In the absence of strategic growth initiatives, the Directors intend reviewing NIB's capital position and gearing levels at or around the time of release of NIB's 30 June 2008 financial results, with a view to returning capital to Shareholders. The quantum of any capital return will be determined having regard to a number of factors including, the necessary capital required to fund both NIB's organic and inorganic growth opportunities, market conditions and growth plans. The exact timing and quantum of any capital return will be determined following the necessary discussions with, and approvals from, the ATO and PHAC.

# 4

## Sell or hold your Shares?

If you are an Eligible Policyholder and you have Verified your details, you will be issued Shares on 1 October 2007.

At this time, you will become a Shareholder in NIB Holdings. It is expected that NIB Holdings will List in early November 2007. If you are an unverified Eligible Policyholder on 1 October 2007, your Shares will be issued to the Trust. Refer to Section 7.5 of the Explanatory Statement, which is available at the NIB website ([nib.com.au](http://nib.com.au)), for further information.

### 4.1 Selling your Shares through the Sale Facility

The Board has established the Sale Facility to enable Shareholders to sell their Shares before Listing without paying brokerage costs. NIB Holdings will pay all costs associated with the sale of Shares by Shareholders under the Sale Facility. Using the Sale Facility is entirely your choice.

**The Board makes no recommendation as to whether you should sell or hold your Shares.**

**Please see Section 7 of this Invitation for a general summary of the likely taxation consequences of your decision to sell or hold your Shares.**

If you wish to sell your Shares through the Sale Facility, your Shares will be combined with the Shares of other Shareholders who want to sell and they will be offered to institutional investors.

### 4.2 Facility Price

If you choose to sell your Shares, you will receive the Facility Price for each of the Shares to which you are entitled. The Facility Price for each Share is expected to be announced on 26 October 2007.

NIB Holdings currently estimates that the Facility Price is likely to be between \$0.70 and \$0.90 per Share **but this range is indicative only. The Facility Price may be outside this Indicative Facility Price Range.** The Indicative Facility Price Range has been estimated based on a preliminary sounding of institutional investors.

The final price per Share will be the Facility Price, which will be determined by way of the Institutional Bookbuild.

Please note that the sale of Shares under the Sale Facility will not proceed if the Facility Price is less than \$0.70 per Share (this is the Floor Price). The Floor Price for the Sale Facility is a requirement imposed by ASIC as a condition of permitting relief from the operation of certain provisions of the Corporations Act.

If you decide to sell your Shares through the Sale Facility you will be bound to sell your Shares if the Facility Price is greater than or equal to the Floor Price. NIB Holdings and the Board provide no assurance that the Facility Price will be within the Indicative Facility Price Range. Further, NIB Holdings may in its absolute discretion decide not to proceed with the Sale Facility, even if the Facility Price is greater than or equal to the Floor Price.



It is expected that the Facility Price will be announced on 26 October 2007 on the NIB website ([nib.com.au](http://nib.com.au)) or will be available by calling the NIB Information Hotline on 131 NIB (131 642).

### 4.3 Holding your Shares

If you have already Verified, you do not need to do anything if you want to hold your Shares. However, if you have not yet Verified, you must Verify your details in order to hold your Shares. You can do this by simply returning the Sale Facility Election Form in the enclosed reply paid envelope or by one of the other methods set out in Section 2.3. If you have not Verified your details by 1 October 2007, your Shares will be issued to the Trust on your behalf. For more details, see Section 7.5 of the Explanatory Statement, which is available at the NIB website ([nib.com.au](http://nib.com.au)).

A holding statement setting out the number of Shares held by you will be sent to you in early November 2007. The number of Shares to which you are entitled is set out on your Sale Facility Election Form. In addition, the number of Shares to which you are entitled was also set out on the Share Allocation Form that you should have received in June 2007, with the Explanatory Statement.

### 4.4 ASX quotation and Listing

NIB Holdings intends to apply for admission of the Shares to quotation on ASX. Listing is not guaranteed or automatic. NIB Holdings expects the Shares to List in early November 2007. If Listing does not occur as intended, the sale of Shares pursuant to the Sale

Facility will not proceed and any offer you have made to sell your Shares will lapse. It is unlikely that Listing will proceed if the Facility Price is below the Floor Price.

### 4.5 Risks associated with holding your Shares

Ownership of shares involves risks. Shares may increase or decrease in value. The content of this Invitation does not, and is not intended to, constitute financial advice provided by NIB Holdings.

**You should seek independent financial advice (including tax advice) specific to your circumstances when determining whether to sell or hold your Shares.**

Further details regarding key risks are outlined in Section 6 of this Invitation.

### 4.6 Other ways to sell your Shares

Participation in the Sale Facility is not the only way you will be able to sell your Shares. If NIB Lists on ASX you will be able to sell your Shares on-market. You will also be able to sell your Shares off-market if you can find a buyer. Under the constitution of NIB Holdings, generally the only way you can sell your Shares before Listing is by participating in this Sale Facility.

If you sell your Shares normally on ASX you will likely incur brokerage costs. Selling your Shares by participating in the Sale Facility does not involve brokerage costs.

The price of Shares on ASX is likely to be different to the Facility Price and will change over time. NIB Holdings and the Board

provide no assurance as to what the price of Shares will be on ASX from time to time.

You must form your own view as to whether you would receive a higher return by selling your Shares through the Sale Facility as compared to selling your Shares on ASX.

### 4.7 Institutional Offer by way of an Institutional Bookbuild

NIB Holdings is making an offer to institutional investors under which institutions will be invited to bid for Shares submitted for sale by Eligible Policyholders through the Sale Facility, as well as new Shares issued by NIB Holdings (primarily to cover Listing costs and fund its initial grant to the NIB Foundation). Institutional investors will submit bids indicating the number of Shares they wish to purchase at specified prices (this is called an Institutional Bookbuild).

Bids will only be received once the Sale Facility is closed. The bids received will be taken into account in determining the Facility

Price and the allocation of Shares between institutional investors.

The timing of the Institutional Bookbuild is at the discretion of NIB Holdings and the Sole Lead Manager, and is currently expected to take place on or about 25–26 October 2007. However, the actual date of the Institutional Bookbuild will depend on sharemarket conditions, amongst other things. NIB Holdings and the Sole Lead Manager reserve the right to defer or cancel the Bookbuild in their absolute discretion.

If the Institutional Bookbuild has not taken place on or before 31 December 2007, it is likely that the sale of Shares pursuant to the Sale Facility will not proceed and that any offer you have made to sell your Shares will lapse. Also, if the Facility Price is less than the Floor Price, it is likely that Listing will be deferred for a period of time determined by NIB Holdings and the Sole Lead Manager in their absolute discretion.

	Selling Shares through the Sale Facility	Selling Shares after Listing on ASX
Price	Facility Price (but not less than the Floor Price)	Market price (which may be higher or lower than the Facility Price)
Pricing Period	Before Listing, expected to be 25–26 October 2007	At the time of the sale
Deal with a stockbroker	No	Yes
Brokerage Cost	Nil	Varies by broker
Limit on sales	Must sell complete holding	Can sell all or part of holding, subject to agreement with broker
Timing	Sale Facility Election Forms must be received by 19 October 2007	Any time after Listing

## Some frequently asked questions

### **(a) What is the Sale Facility?**

A brokerage-free facility for Eligible Policyholders who wish to sell all their Shares prior to Listing.

### **(b) What do I need to do if I want to SELL ALL my Shares in the Sale Facility?**

If you wish to sell your Shares before Listing by participating in the Sale Facility, you must complete and sign the Sale Facility Election Form that you should have received with this Invitation and return it so it is received by 19 October 2007.

### **(c) What do I need to do if I want to HOLD ALL my Shares?**

If you have already Verified, you do not have to do anything if you want to hold your Shares. If you have not yet Verified, you must Verify your details in order to hold your Shares. You can do this by returning the Sale Facility Election Form in the reply paid envelope. Refer to Section 2.3 of this Invitation for more ways you can Verify your details.

### **(d) How many Shares can I sell?**

If you decide to sell your Shares through the Sale Facility, you must sell all of your Shares. You cannot sell only a proportion of your Shares.

### **(e) What if I want to sell only some of my Shares?**

You must sell all of your Shares if you sell your Shares through the Sale Facility. If you wish to sell only some of your Shares, you will be able to do so on-market after Listing on ASX, however, you will typically incur a brokerage charge.

### **(f) Is the Sale Facility the only way I can sell my Shares?**

No. You can also sell your Shares after Listing.

### **(g) How much money will I receive?**

If you sell your Shares through the Sale Facility you will receive the Facility Price for each of your Shares. Tax is likely to be payable on the sale of Shares (see Section 7 of this Invitation for further details).

### **(h) What is the Facility Price?**

The Facility Price for each Share is expected to be announced on 26 October 2007. NIB Holdings currently estimates that the Facility Price will be between \$0.70 and \$0.90 per Share but this range is indicative only and the Facility Price may be outside this range. If you participate in the Sale Facility you will be bound to sell your Shares at whatever the Facility Price is, providing the Facility Price is greater than or equal to the Floor Price.

**(i) How is the Facility Price determined?**

The Facility Price will be determined by way of an Institutional Bookbuild (outlined in Section 4.7 of this Invitation).

**(j) When will I know the Facility Price?**

It is expected that the Facility Price will be announced on 26 October 2007 on the NIB website ([nib.com.au](http://nib.com.au)) or will be available by calling the NIB Information Hotline on 131 NIB (131 642).

**(k) How has the Indicative Facility Price Range been determined?**

The Indicative Facility Price Range of \$0.70 to \$0.90 per Share has been estimated based on a preliminary sounding of institutional investors. The final price per Share will be the Facility Price, which will be determined by way of the Institutional Bookbuild. The final price will not be less than the Floor Price. Further, it is unlikely that Listing will proceed if the Facility Price is below the Floor Price.

**(l) Do I have to pay brokerage and other costs?**

No. If you sell your Shares through the Sale Facility you will not have to pay brokerage that you would normally be required to pay when selling shares. NIB Holdings will pay those costs.

**(m) When will I receive my money?**

If you sell your Shares through the Sale Facility, you will be paid by cheque. It is expected cheques will be dispatched in early November 2007.

**(n) Can I change my mind once I have returned the Sale Facility Election Form?**

No. You cannot change your decision to sell or hold your Shares once you have returned your Sale Facility Election Form.

**(o) How do I sell my Shares after Listing?**

After Listing, you will be able to sell your Shares through ASX by contacting a broker. There is a table in Section 4.7 of this Invitation which compares certain aspects of selling your Shares via the Sale Facility and selling your Shares on ASX after Listing.

**(p) How do I buy more Shares?**

After Listing, you can purchase more Shares on ASX. To do so, please contact a broker.

**(q) What impact does this have on my social security payments?**

If you currently receive social security or veterans' entitlements from Centrelink or the Department of Veterans' Affairs you should consider whether your entitlements will be reduced or lost if you sell or hold your Shares.

Please read Section 2.3 of the Explanatory Statement, which is available at the NIB website ([nib.com.au](http://nib.com.au)) for further detail.

**(r) What is the cost base of my Shares for taxation purposes?**

The cost base of your Shares is nil. See Section 7 of this Invitation for further details on the likely taxation implications of selling or holding your Shares.

## Key risks

There are a number of risks associated with being a Shareholder in NIB Holdings. The key risks that may impact the performance of NIB Holdings and an investment in Shares include, but are not limited to:

- (a) share market and price variations;
- (b) impact of general economic conditions on the demand for NIB's products;
- (c) investment performance of NIB's investment portfolio;
- (d) increasing competition in the health insurance industry;
- (e) compliance with, and changes to, regulatory factors and legislation;
- (f) government regulation of premium rate increases;
- (g) medical cost or utilisation inflation exceeding actuarial expectations; and
- (h) the planned rapid growth of NIB.

The above is only a summary of the key risks that may impact the performance of NIB Holdings and an investment in Shares. For full details, see the 2008 Financial Forecast Booklet and Section 4.5 of the Explanatory Statement, which are both available at the NIB website ([nib.com.au](http://nib.com.au)).

## Taxation

The taxation consequences of a decision to sell or to hold your Shares may vary, depending on your personal circumstances. To assist you, we have outlined below in general terms some of the likely results of this decision. However, you should not rely solely on this information, and should seek your own professional taxation advice prior to finalising your decision.

### 7.1 Receiving Shares

No amount should be recognised as a taxable amount when you are issued Shares in NIB Holdings.

### 7.2 Selling your Shares through the Sale Facility

The proceeds you receive from the sale of your Shares will be taxable in full as a capital gain. This gain will be offset against any capital losses you may have accumulated, with any excess (or the full amount if you have no capital losses) added to your taxable income to be assessed at your marginal income tax rate. This rate varies depending on your taxable income. No capital gains tax discount will be available, as you will not have held the Shares for more than 12 months.

### 7.3 Selling your Shares through a broker after Listing

If you sell your Shares on ASX through a broker after NIB Holdings Lists, then the net amount you receive, after deducting transaction costs, will be taxable in full as a capital gain, as described above. Should this sale occur more than 12 months after you have been issued with your shares in NIB Health (your shares in NIB Health were issued on 31 August 2007 unless notified otherwise), then you may be able to take advantage of a capital gains tax discount, reducing the capital gain recognised by 50%.

### 7.4 Holding your Shares

If you hold your Shares, then any dividends you receive will be included in your taxable income. Any franking credits attaching to those dividends will be offset against tax payable by you. In some circumstances a refund of these franking credits will be paid to you. Should you eventually sell your Shares then the outcomes detailed at Section 7.3 should apply.

These comments are made in the absence of clarification from the ATO or Treasury on their interpretation of the law. It is expected that these aspects will be clarified by these regulators shortly.

## Additional information

### 8.1 What is the Invitation?

If you decide to sell your Shares by completing the Sale Facility Election Form you are offering to sell your Shares on the terms set out in this Invitation and appoint NIB Holdings as your agent to arrange that sale. If the Institutional Bookbuild has not taken place on or before 31 December 2007, it is likely that the sale of Shares pursuant to the Sale Facility will not proceed and that any offer you have made to sell your Shares will lapse. Also, if the Facility Price is less than the Floor Price, it is likely that the Listing will be deferred for a period of time determined by NIB Holdings and the Sole Lead Manager in their absolute discretion.

By offering to sell your Shares you acknowledge and agree, to the maximum extent permitted by law, to release and discharge NIB, the Board and NIB's advisors from any liability in relation to the process by which your Shares are sold, including in relation to the process by which the Facility Price is determined. For further details please refer to Section 9 of this Invitation.

### 8.2 Important information regarding the Sale Facility

There are some important things you need to know about this Invitation:

- (a) no Shares will be issued directly to Eligible Policyholders whose registered address is outside Australia;
- (b) Shares will only be issued if the reconstruction of NIB Health is completed;
- (c) the Indicative Facility Price Range is indicative only and there is no guarantee that

the Facility Price will be in this range; and  
(d) the sale of Shares under the Sale Facility will not proceed at a price less than the Floor Price.

### 8.3 More information on NIB

Additional information on NIB, including information that may be relevant to your decision whether to sell or hold your Shares, can be obtained from the following sources:

- (a) the Explanatory Statement that you should have received in June 2007;
- (b) the 2007 Annual Report for NIB; and
- (c) the 2008 Financial Forecast Booklet.

Copies of these documents are available at the NIB website ([nib.com.au](http://nib.com.au)). Copies can also be obtained by contacting the NIB Information Hotline on 131 NIB (131 642). The NIB Listing prospectus is expected to be made available on 5 October 2007.

### 8.4 ASIC relief

NIB Holdings has applied to ASIC for:

- (a) a modification to section 708A(11) of the Corporations Act in relation to the Shares issued to institutional investors under the Institutional Bookbuild;
- (b) an exemption from Division 5A, Part 7.9 of the Corporations Act in relation to this Invitation;
- (c) an exemption from, or confirmation of ASIC's view regarding, Chapter 5C and Part 7.6 of the Corporations Act in relation to the Sale Facility; and
- (d) a no action letter regarding the potential application of Part 7.2 of the Corporations Act in relation to the Sale Facility.

## Terms of the Sale Facility

If you decide to sell your Shares by completing, signing and returning the Sale Facility Election Form, you:

- (a) accept these Facility Terms;
- (b) accept that the operation of the Sale Facility is conditional on Demutualisation;
- (c) are bound irrevocably to sell the number of Shares specified in the Sale Facility Election Form through the Sale Facility at the Facility Price (providing this is not less than the Floor Price), and otherwise in accordance with these Facility Terms;
- (d) acknowledge that you will only be entitled to receive the Facility Price for each of your Shares;
- (e) acknowledge that the Facility Price may not be the highest price at which your Shares could be sold;
- (f) acknowledge that the Facility Price may be higher or lower than the price at which the Shares trade on ASX on the first day of Listing or at any later point in time;
- (g) acknowledge that you will have no recourse against NIB or the Directors or any other party involved with the Sale Facility in relation to the process by which your Shares are sold, including in respect of the determination of the Facility Price;
- (h) agree that NIB Holdings may, in its sole discretion, at any time determine that your Sale Facility Election Form is a valid acceptance of these Facility Terms and an offer to sell even if the form is incomplete, contains errors or is otherwise defective;
- (i) agree that NIB Holdings is authorised to correct any error in or omission from your Sale Facility Election Form by the insertion of any missing details;
- (j) acknowledge that despite (h) and (i) above, NIB Holdings reserves the right not to accept instructions which are not given on the Sale Facility Election Form, or which have not been properly completed;
- (k) agree that NIB Holdings may assume the authenticity of any Sale Facility Election Form given or purportedly given by you and that any person claiming to be you is in fact you and you authorise us to act on any Sale Facility Election Form believed by us to be authentic;
- (l) agree not to dispute the validity or enforcement of any Sale Facility Election Form;
- (m) acknowledge that NIB Holdings and the Sole Lead Manager reserve the right (for any reason) not to proceed with, or to modify the timetable for, the Sale Facility and Listing in their absolute discretion;



- (n) accept the risk associated with payment being dispatched to you by cheque to the address shown on the share register;
- (o) acknowledge that neither NIB, nor any other party involved with the Sale Facility, have provided you with any investment or taxation advice, nor does NIB Holdings or any other party involved with the Sale Facility have any obligation to provide you with this advice, concerning your decision to sell or hold your Shares;
- (p) acknowledge that NIB Holdings may appoint agents and delegates to perform any of its obligations under the Sale Facility;
- (q) acknowledge that NIB Holdings or its agents or delegates may take such action on your behalf and do all things as is necessary to effect the sale and settlement of your Shares through the Sale Facility;
- (r) acknowledge that you are bound by such other terms relating to participation in the Sale Facility as set out in this Invitation; and
- (s) acknowledge that these Facility Terms are governed by the laws in force in New South Wales.

## Glossary of terms

**ASX** means the Australian Securities Exchange.

**ASIC** means the Australian Securities and Investments Commission.

**ATO** means the Australian Taxation Office.

**Board** means the board of directors from time to time of the following companies in the NIB group:

- (a) NIB Health; and
- (b) NIB Holdings.

**Chairman's Letter** means the letter from the Chairman addressed to each Eligible Policyholder which accompanies this Invitation.

**Company Member** means the former company members of NIB Health.

**Corporations Act** means the Corporations Act 2001 (Cth).

### Demutualisation / Demutualise /

**Demutualising** means the process by which NIB Health converts from a company limited by guarantee to a company limited by shares and from a not-for-profit to a for-profit company.

**Demutualisation Date** means 1 October 2007 or such later date as determined by the Board.

**Directors** means the directors of NIB from time to time.

**Eligible Policyholder** means an Eligible Policyholder as defined in the Explanatory Statement.

**Explanatory Statement** means the Explanatory Statement dated 11 June 2007.

**Facility Price** means the price per Share determined by the Institutional Bookbuild.

**Facility Terms** means the facility terms as set out in Section 9 of this Invitation.

**Floor Price** means \$0.70. If the Facility Price is less than the Floor Price, the sale of Shares under the Sale Facility will not proceed.

**Indicative Facility Price Range** is \$0.70 to \$0.90.

**Institutional Bookbuild** means the process conducted by J.P. Morgan Australia Limited where institutional investors will be invited to submit bids indicating the number of Shares they wish to purchase at a range of prices.

**Institutional Offer** means the offer by which institutions will be invited to bid for Shares.

**Invitation** means this booklet.

**Listing / List(s)** means the process of NIB Holdings being included on the official list of ASX and having its Shares granted official quotation by ASX.

**Listing Date** means the day on which NIB Holdings Lists, expected to be early November 2007.

**NIB** means the NIB group generally comprising:

- (a) currently, NIB Health and all its related bodies corporate (however, where applicable may refer to NIB Holdings); and
- (b) after the Demutualisation Date, NIB Holdings, NIB Health and all of their related bodies corporate.

**NIB Foundation** means a trust established to provide a vehicle for charitable, community purposes in support of the health and wellbeing of the Australian community and in particular the Hunter region.

**NIB Health** means NIB Health Funds Limited (ABN 83 000 124 381).

**NIB Holdings** means NIB Holdings Limited (ABN 51 125 633 856).

**NIB Information Hotline** means 131 NIB (131 642).

**PHIAC** means the Private Health Insurance Administration Council.

**Policy** means a policy of private health insurance issued by NIB Health.

**Policyholder** means a person who is insured under a Policy and is recorded by NIB as the person in whose name the Policy is held.

**Private Health Insurance Act** means the Private Health Insurance Act 2007 (Cth).

**Share(s)** means fully paid ordinary share(s) in NIB Holdings.

**Sale Facility** means the facility whereby Shareholders can sell Shares at Listing as set out in this Invitation.

**Sale Facility Election Form** is the form you received with this Invitation.

**Shareholder** means the legal owner of a Share.

**Sole Lead Manager** means J.P. Morgan Australia Limited (ABN 52 002 888 0011/AFSL 238188).

**Trust** means the Overseas Policyholders and Unverified Policyholders Trust.

**Verification of Details Form** means the form entitled "Your Verification of Details Form" which accompanied the Explanatory Statement.

**Verify / Verified / Verifying** means the process by which an Eligible Policyholder verifies their details in order to become a Shareholder.

**2007 Annual Report** means the annual report of NIB Health for the financial year ending 30 June 2007.

**2008 Financial Forecast Booklet** means the booklet containing the financial forecasts of NIB for the financial year ending 30 June 2008 and the discussion of risk factors concerning NIB.

**\$** All dollar amounts are in Australian dollars.



NIB HOLDINGS LIMITED  
ACN 125 633 856

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