

There is no doubt that the transition from a mutual to an ASX listed company was the defining event for nib in FY2008.

The board's decision to demutualise and list on the ASX received overwhelming support, with more 95% of voting eligible policyholders voting in favour of the proposal at the scheme meeting.

This resulted in nib successfully listing on the ASX on 5 November 2007.

As a result more than 320,000 eligible nib policyholders crystallised the value that was locked up in the business under the previous mutual structure in either cash or shares.

Very soon you will hear from Mark Fitzgibbon with regards to nib's results against our key metrics for the year. However, I would like to take this opportunity to say that the board is very satisfied with nib's performance for FY2008 against our prospectus forecast, particularly against a backdrop of a recent downturn in economic conditions and the impact of the federal governments change to the Medicare levy surcharge. Our Managing Director and CEO will further address nib's FY2009 guidance, including the Medicare Levy Surcharge changes in his presentation.

Upon listing, we advised shareholders that a dividend could not be paid for FY2008 due to negative retained earnings as a result of the anticipated application of accounting standards in respect to share-based payments.

However, we were very pleased to announce in February that a further assessment of the relevant facts found that these standards were not applicable.

As a result this allowed the board to declare a final, fully franked dividend of 2.1 cents per share in respect of our FY2008 results. This equates to a payout ratio of 40.7% of our normalised profit. The nib Board is aware that a number of shareholders have expressed interest in a Dividend Reinvestment Plan. The Board is open to consider implementing a Dividend Reinvestment Plan in the future which will allow shareholders to invest either whole or part of their dividend into shares in fully paid ordinary shares in nib. A decision of the board will need to take into account the viability of such a plan in terms of the company's financial conditions.

nib also established the nib foundation which was a key component of nib's demutualisation.

For more than 50 years nib has been committed to promoting and supporting healthy Australian communities.

In 2008, we reaffirmed this commitment by establishing the nib foundation; a not-for-profit charitable organisation aimed at improving the health and wellbeing of all Australians.

The foundation was funded by a \$25 million donation from nib, which was raised through the issue of new shares at the time of listing nib on the ASX.

It is anticipated that the nib foundation will allocate around \$2 million annually to fund programs that address health issues that have either a specific regional and/or national relevance as well as helping to overcome identified healthcare access and equity challenges.

The nib foundation was very fortunate to have the Prime Minister, Kevin Rudd announce its inaugural funding beneficiary in Newcastle earlier this month. The \$100,000 donation to the Black Dog Institute will aid mood disorder research and programs in the Hunter region.

The nib foundation will call for funding submissions in early November.

We remain very excited about the organisations the nib foundation will partner with to deliver real and measurable outcomes to benefit the health and wellbeing of our community.

By establishing the foundation, nib has created a legacy for communities of the Hunter Region and beyond. We acknowledge that without the support of these communities, nib would not be what it is today.

A challenging domestic economic environment and the overall global financial crisis will undoubtedly place increased pressure on the business, particularly our organic policyholder growth strategy in the short to medium term.

As a result of the uncertain economic outlook it is imperative that nib has the management team and structure to execute the company's business strategy. I know there has been considerable attention lately with regards to the remuneration of our

executives, including remuneration of our MD/CEO Mark Fitzgibbon. The Board believes we have developed a framework, in consultation with external remuneration consultants, which ensures the delivery of superior shareholder value whilst fostering a culture of high performance for all executives and employees.

The Board believes we have successfully developed a remuneration structure that creates an incentive for exceptional performance from our executives, delivers financial reward to them when your investment in the Company has increased in value, and which is competitive and reflective of comparable roles in the market.

Additionally, the remuneration structure provides an effective means of incorporating incentives to retain the services of a high performance executive team.

A focus for the business going forward will be to continue to drive shareholder value. This includes:

- **Business Growth and Development:** growing our policyholder base is fundamental to our business and ensuring ongoing profit margins at a fair and sustainable level.
- **Accountability and Risk Management:** setting goals and targets for the business, being accountable for performance and actively assessing and controlling risks that inherently attend our business.
- **Capital Management:** this is a priority for the business. There is very clear potential to either deploy or return to investors surplus capital and we are debt free. One of the capital management initiatives announced by nib recently was that it intended to undertake an on-market buy-back of up to 10% of its issued shares. nib intends to commence the buy-back when its able to do so in accordance with the Corporations Act and the ASX Listing Rules.
- **Good Corporate Citizenship:** we understand we have as a corporation wider responsibilities to our community and that our continued success is tied to the long term health and vitality of the economy and community.

I want to assure you as investors that what we have at the very heart of our thinking is maximising enterprise and thereby shareholder wealth. I also want to assure those of you who are policy holders that we discern no conflict at all with this between your

interest as policy holders and shareholders. The world's best companies maximise shareholder wealth through meeting and exceeding the needs of their customers.

With regards to more recent developments, yesterday nib confirmed it had been approached by a third party with a confidential, unsolicited, non-binding and incomplete proposal for the third party to acquire a controlling stake in nib and establish a strategic alliance.

The Board believes the third party's valuation of \$1.15 – \$1.20 Australian dollars per nib share, undervalues nib given our robust growth prospects, unique value proposition in the Australian private health insurance industry and having regard for comparable recent industry transactions.

As a result, the Board rejected the proposal.

The nib Board is of the view that the principle benchmarks for any nib change of control event are nib's own internal valuation, and the transactions recently completed or announced in the Australian private health insurance industry.

The nib Board believes that the proposal received from the third party did not reflect these benchmarks.

I would now like to introduce your Managing Director and Chief Executive Officer, Mark Fitzgibbon to report on activities for the year.