



Australian Unity Limited

Investor presentation

Series C Australian Unity Bonds – Tranche 1 and
Series D Australian Unity Bonds – Tranche 1

Important notice and disclaimer



The information contained in this document has been prepared by Australian Unity Limited ABN 23 087 648 888 ("Company") in connection with a proposed offer of Series C Australian Unity Bonds – Tranche 1 and Series D Australian Unity Bonds – Tranche 1 ("Offer" and "Bonds"). The Offer is being made under an Offer Specific Prospectus and Base Prospectus (together the "Offer Documents") which were lodged with ASIC on 9 September 2019. A replacement Offer Specific Prospectus, which will include the final offer size, margins and application form, is expected to be lodged with ASIC on or about 17 September 2019.

You should consider and read the Offer Documents in full (including information incorporated by reference) before deciding whether to invest in Bonds. Copies of the Offer Documents are available at www.australianunity.com.au/bonds. Applications for Bonds can only be made in the relevant application form in or accompanying the replacement Offer Specific Prospectus (whether paper or electronic copy) once the Offer opens.

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This document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) ("Corporations Act") or a PDS under part 7.9 of the Corporations Act and has not been lodged with the Australian Securities and Investments Commission.

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Section 1

Overview of the Offer

Overview of the Offer

Issuer	<ul style="list-style-type: none">• Australian Unity Limited ABN 23 087 648 888 (“Australian Unity”)<ul style="list-style-type: none">- A national health, wealth and living organisation providing services to more than 700,000 Australians- Owned by and run for the benefit of approximately 270,000 members
Overview	<ul style="list-style-type: none">• The offer comprises two series of bonds which are interest paying, unsubordinated and unsecured debt securities (“Bonds”):<ul style="list-style-type: none">• Series C Australian Unity Bonds – Tranche 1• Series D Australian Unity Bonds – Tranche 1• Bonds are being offered under the simple corporate bond regime
Offer size	<ul style="list-style-type: none">• \$250 million in aggregate, with the ability to raise more or less, subject to a minimum offer size of \$50 million
Use of proceeds	<ul style="list-style-type: none">• Proceeds of the Offer will be used to refinance the Series B Australian Unity Bonds that participate in the Reinvestment Offer and for general corporate purposes
Maturity date	<ul style="list-style-type: none">• Series C Australian Unity Bonds: 15 December 2024 (tenor of approximately 5 years)• Series D Australian Unity Bonds: 15 December 2026 (tenor of approximately 7 years)
Interest payment dates	<ul style="list-style-type: none">• The first Interest Payment Date will be 14 January 2020. Interest will be paid quarterly in arrears on the following dates in each year as well as on the Maturity Date, or any earlier Redemption Date:<ul style="list-style-type: none">- 14 January- 14 April- 14 July- 14 October• If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day and Interest will continue to accrue until that date. Holders are not entitled to any additional payment in respect of that delay

Overview of the Offer

Interest Rate	<ul style="list-style-type: none">• Floating Interest Rate• The Interest Rate for each Series of Bonds is the sum of the Market Rate plus the Margin for that Series of Bonds
Margin	<ul style="list-style-type: none">• Series C Australian Unity Bonds: the Margin is expected to be in the range of 2.00 percent to 2.20 percent per annum• Series D Australian Unity Bonds: the Margin is expected to be in the range of 2.15 percent to 2.35 percent per annum• The Margin for each Series of Bonds will be determined by the Issuer following the completion of the Bookbuild of the relevant Series of Bonds. The Margin for each Series of Bonds will be announced by Australian Unity on or around the Opening Date. The Margin for a particular Series may be outside the range specified above
Offer structure	<ul style="list-style-type: none">• Reinvestment Offer, Institutional Offer, Member Offer and Broker Firm Offer
Bookbuild	<ul style="list-style-type: none">• Expected to take place on 16 September 2019
Joint Arrangers	<ul style="list-style-type: none">• Acacia Partners and National Australia Bank
Joint Lead Managers	<ul style="list-style-type: none">• Acacia Partners, ANZ Securities, Evans Dixon Corporate Advisory and National Australia Bank
Credit Rating and Product Complexity Indicator	<ul style="list-style-type: none">• Bonds have been assigned a BBB+ long-term Credit Rating and a 'Green' Product Complexity Indicator by Australia Ratings
Listing	<ul style="list-style-type: none">• Australian Unity has applied for the quotation of Bonds on the ASX and it is expected that:<ul style="list-style-type: none">• the Series C Australian Unity Bonds will be quoted under the code "AYUHC"• the Series D Australian Unity Bonds will be quoted under the code "AYUHD"

Section 2

Overview of Australian Unity

Overview of Australian Unity

Mutual with growing community impact

- Established in 1840—one of Australia's first member-owned wellbeing companies
- Around 270,000 members; more than 700,000 customers
- Profits reinvested into programs and services that benefit members and customers, and create community value
- The Federal Government passed legislation in April that introduced a definition of 'mutual entity' into the Corporations Act for the first time

Diverse & expanding portfolio

- Progressing a strategy of developing a commercially sustainable portfolio of businesses
- Focused on developing and delivering contemporary, evidence-based and person-centred services and social infrastructure to market segments where we envisage there is the most scope to contribute to community value

Australian Unity portfolio



- Australian Unity has a stated purpose of existing to help people thrive, by building a commercial and sustainable portfolio of businesses that foster individual and community wellbeing
- The Australian Unity Group portfolio is made up of many interconnected businesses held through a number of subsidiaries that deliver these wellbeing services. Cash generated by Australian Unity's operating subsidiaries is made available to Australian Unity by way of periodic dividends, returns of capital and/or intra-group loan arrangements and is used by Australian Unity to fund growth and meet its liabilities

Retail

Health Insurance

Banking

Wealth & Capital Markets

Advice

Investments

Property

Life & Super

Trustee Services

Independent & Assisted Living

Home & Disability Services

Indigenous Services

Health Services

Retirement Communities

Solid progress on the year's priorities



HDS progress



Development
pipeline for
retirement
communities



Transformation



PHI focus



Herston execution



Balance sheet



Section 3

Financial information

Solid performance against broad ambitions



Continued to progress strategy of portfolio diversification

- Considerable investment in human services operations, including a significant improvement in the Home & Disability Services (“HDS”) business; successful navigation of an uncertain regulatory period for the health insurance business; and progressed person-centred, outcome-focused healthcare services
- Significantly progressed the realisation of real-property social infrastructure assets, in particular the Herston Quarter precinct in Brisbane, Queensland and established a Social Infrastructure Development Group
- Progressing a strategy of developing a thematically linked, commercially sustainable portfolio of businesses grouped into platforms to achieve customer, financial and operating synergies

Revenue and other income of \$1.6 billion, up 8.2%

- Overall revenue growth generated by the Group’s operating businesses, up \$35.6 million on the prior corresponding period, and solid investment returns, up \$19.9 million, were bolstered by a \$66.5 million increase in benefit fund revenue. Within the benefit funds, growth in premiums and other revenue of \$14.3 million was supported by \$52.2 million in higher investment returns
- Sound revenue growth in IAL (up 11.0%) with HDS strengthening performance year-on-year and Wealth & Capital Markets performing well in a competitive and challenging environment (up 6.2%)

Adjusted EBITDA¹ of \$93.0 million, up 135.6%

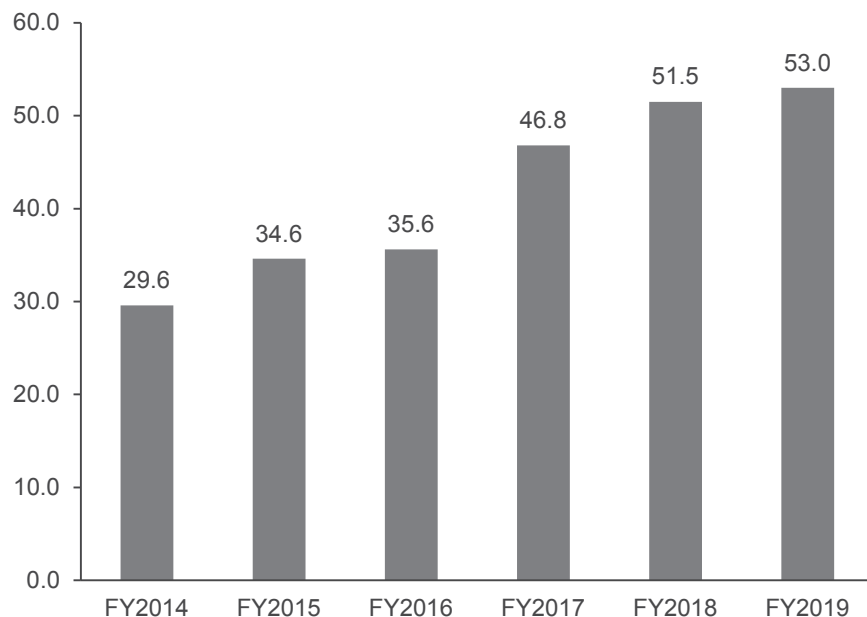
- Operating expenses decreased by \$45.0 million compared to the prior corresponding period
- Significant improvement in the aggregate trading position, with operating earnings from continuing operations for the year of \$61.8 million
- Results influenced by the realisation of benefits arising from the extensive business transformation program commenced in the prior year, and the abovementioned improvement in the HDS business

Profit after tax up 2.8% to \$53.0 million (incl. sale impact of GUCH)

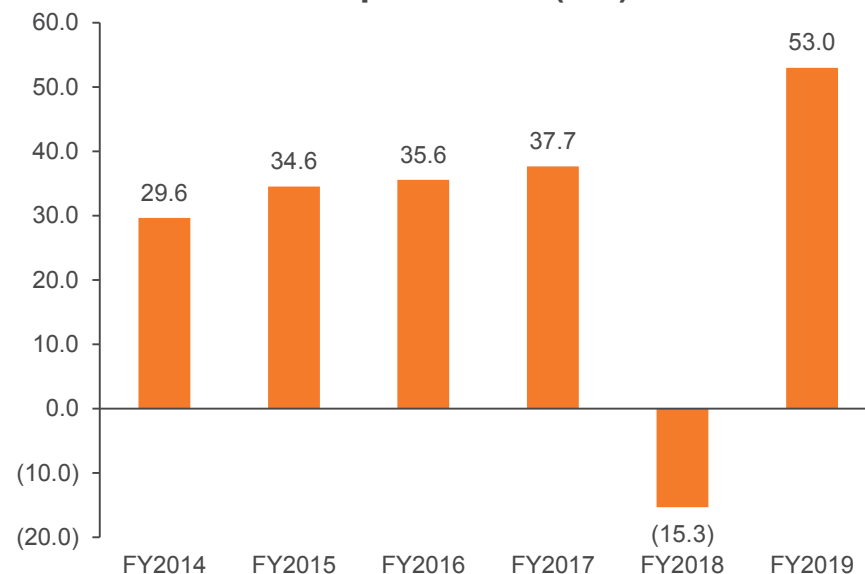
- 2018 result included a \$66.9 million profit from discontinued operations arising from the sale of the Group’s corporate health insurance subsidiary, Grand United Corporate Health Limited
- Excluding this impact, net profit after tax from continuing operations was \$53.0 million, up \$68.3 million

FY19 key metrics

Profit after income tax¹ (\$m)

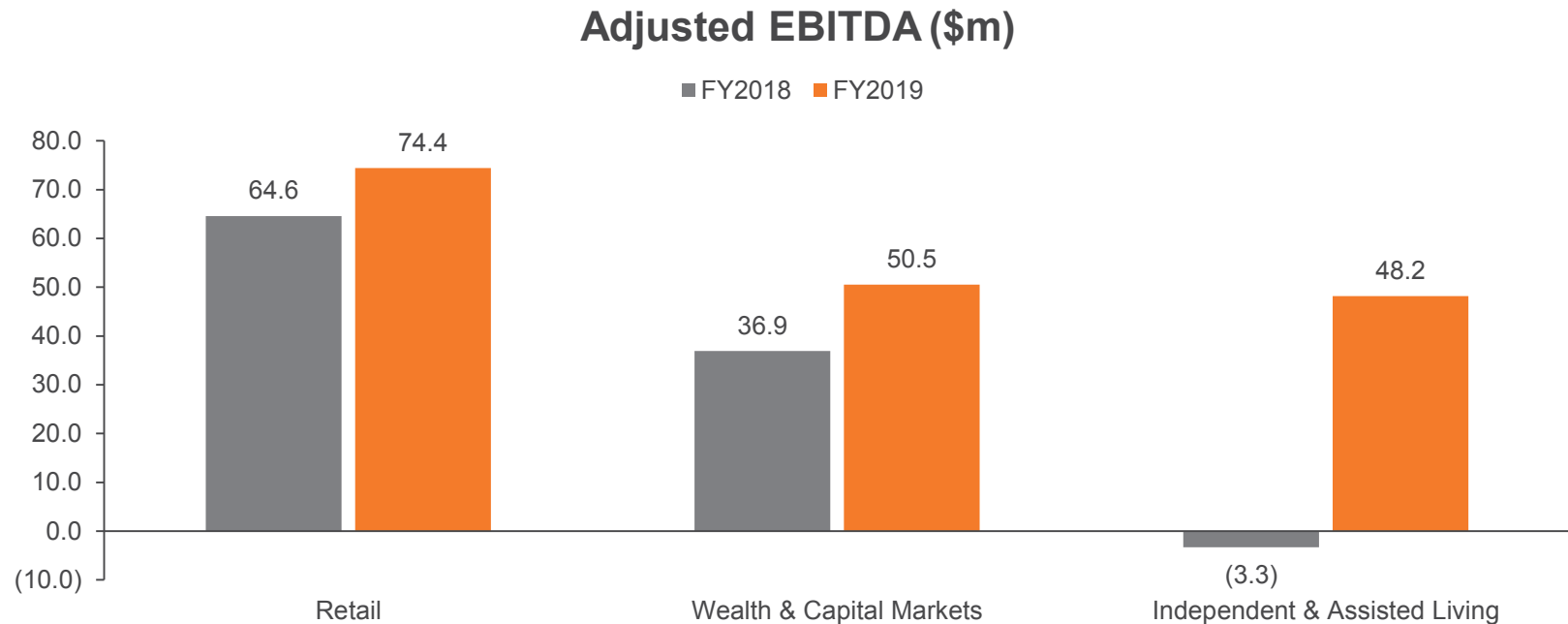


Profit after income tax from continuing operations² (\$m)



1. Included in the FY2018 result was a profit from discontinued operations of \$66.9 million from the divestment of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017.
2. The FY2018 year excludes the sale of GUCH, affecting the comparative results for FY17.

FY19 segment earnings growth



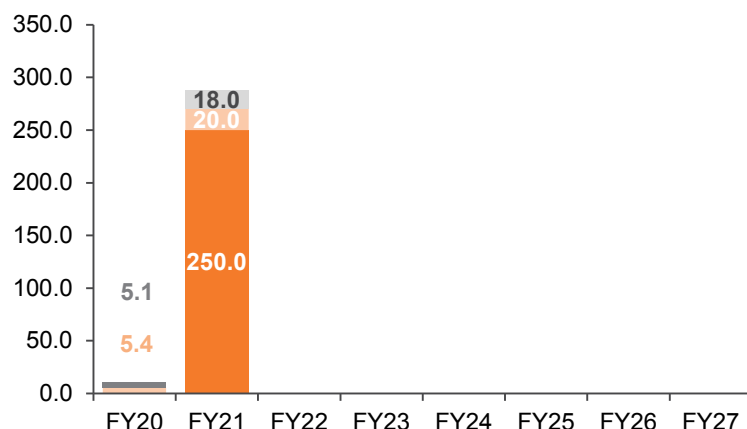
Rationale for issuing Bonds

Improve and lengthen debt maturity profile

- The issue of Bonds and cancellation of AYUHB which participate in the Reinvestment Offer will have the effect of lengthening and diversifying the debt maturity profile of the Australian Unity Group
- The resulting debt maturity profile may reduce Australian Unity's exposure to refinancing risk in the coming years

Debt maturity profile (drawn \$m)

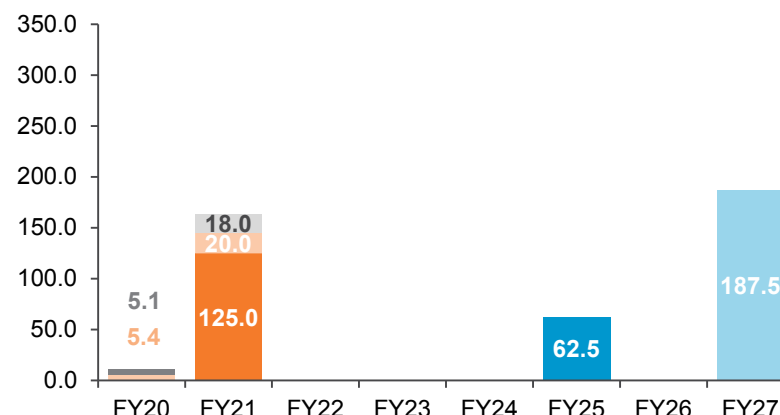
Prior to the Offer



- Revolving Loan Facility (Undrawn)²
- Other external loans
- Herston Quarter Redevelopment Project Loans
- Retirement Village Investment Notes
- Series B Australian Unity Bonds - Tranche 1

Debt maturity profile (drawn \$m)¹

Following the Offer



- Revolving Loan Facility (Undrawn)²
- Other external loans
- Herston Quarter Redevelopment Project Loans
- Retirement Village Investment Notes
- Series B Australian Unity Bonds - Tranche 1
- Series C Australian Unity Bonds - Tranche 1
- Series D Australian Unity Bonds - Tranche 1

1. Assumes \$250 million raised under the Offer with \$125 million allocated under the Reinvestment Offer. 50% of Reinvestment Offer proceeds allocated to Series C Australian Unity Bonds and 50% allocated to Series D Australian Unity Bonds. All proceeds from Member, Broker Firm and Institutional Offers allocated to Series D Australian Unity Bonds.
2. \$25 million revolving loan facility maturing FY21.

Relevant financial ratios

- The table below sets out certain key financial ratios that Australian Unity considers relevant to its financial position. These ratios differ to those described in regulation 6D.2.06 of the Corporations Regulations

Financial ratio ¹		FY17	FY18	FY19
Covenant Gearing Ratio =	$\frac{\text{Gearing Ratio Debt}}{\text{Gearing Ratio Debt} + \text{Gearing Ratio Equity}}$	39.9%	21.3%	21.9%
Australian Unity Interest Cover Ratio² =	$\frac{\text{Adjusted EBITDA}}{\text{Adjusted interest expense}}$	4.2x	6.8x	6.6x
AD1 Tier 1 Capital Ratio		13.7%	14.3%	13.5%

- The Covenant Gearing Ratio applies as a term of the Bonds. So long as any Bonds are outstanding, Australian Unity will ensure that, on each 30 June and 31 December, the Covenant Gearing Ratio is not greater than 50 percent

1. A worked example of how the prescribed ratios and adjusted ratios are calculated is available on Australian Unity's website www.australianunity.com.au/bonds.

2. The Adjusted interest expense in the calculation of the Australian Unity Interest Cover Ratio excludes the net interest income of the Australian Unity Bank and the Benefit Funds, and any interest from time to time on any loans by the management fund to the Benefit Funds.



Home & Disability Services

- Revenue growth of 13.3% to \$305.7 million
- Home care packages revenue increased by 87.7% and Commonwealth Home Support Program ("CHSP") growth in funding revenue of \$5.4 million
- Approx. 3,700 care workers served more than 54,000 customers across NSW, Victoria and Queensland. In total, the HDS business delivered 3.8 million hours of care across 31 mainstream branches, five Aboriginal branches and 85 office locations
- Indigenous Services established 1 July 2018 with a focus on Aboriginal Home Care



Residential Communities

- Owns and operates 20 retirement communities in Victoria and NSW with a portfolio of 2,469 independent living units (2018: 2,368)
- Retirement community occupancy remained greater than 96.0% while aged care grew to 98.0%
- Number of operational aged care beds increased due to the opening of two new aged care facilities to 786 (2018: 711) after an initial decline from the decommissioning of Walmsley Aged Care in Victoria after 40 years of service



Development

- Construction commenced, progressed or completed and occupancy progressed in the following communities:
 - Peninsula Grange, Mornington, Victoria
 - Racecourse Grange aged care, Mornington, Victoria
 - The Grace Albert Park Lake, South Melbourne, Victoria
 - Albert Road, South Melbourne, Victoria
 - Sienna Grange aged care, Port Macquarie, NSW
 - Drummond Place, Carlton, Victoria
 - Walmsley, Kilsyth, Victoria



Remedy Healthcare

- Grew revenue by 1.2% to \$25.9 million, driven predominantly by Allied Health Services
- Transition year with focus on integrating Health Services into IAL business and develop a continuum of care approach
- Delivered more than 390,000 episodes of care across 14 treatment programs
- Launched 'Healthier Me' program to combat declines in volume and provide a more holistic approach to assessing and delivering healthcare needs



Dental

- Six dental clinics operating in Victoria
- Albert Road, South Melbourne clinic relocated to Spring Street, Melbourne
- Embarked on a program of streamlining digital booking and operational systems in order to support improved scale efficiencies



Health insurance

- Delivered lowest average premium increase to members in 18 years, approximately in line with industry average
- Implemented private health insurance industry reforms including the launch of new products, rationalisation and simplification of the product portfolio and re-classification of products in line with the new gold-silver-bronze-basic product tiers
- Policyholders decreased by 4.0% to 185,936 (2018: 193,771) reflecting declining industry growth and a considered strategy to review profitability of distribution channels



Banking

- Big Sky Building Society Limited renamed Australian Unity Bank Limited
- Total assets increased by \$108.6 million to \$886.0 million (2018: \$777.4 million)
- Maintained strong lending momentum with \$173.3 million in new loans written
- Consolidated retail general insurance offering with a single provider
- Standard & Poor's (S&P) Ratings recently upgraded Australian Unity Bank's issuer credit rating to 'BBB+' from 'BBB'

Wealth & Capital Markets highlights*



Property

- Assets under management increased to \$3.0 billion (2018: \$2.8 billion)
- Pipeline of property development of \$1.3 billion (2018: \$1.3 billion)
- Managing lending and debt facilities on behalf of investors of \$1.6 billion (2018: \$1.7 billion)
- Healthcare Property Trust increased assets under management to \$1.6 billion (2018: \$1.5 billion) with a return of 9.3% for the year



Life & Super

- Assets under management and administration of \$2.3 billion (2018: \$2.2 billion)
- Sales reached \$221.5 million (2018: \$216.2 million)
- As at 31 March 2019, the business remained number one in the investment bond sector in terms of assets under management with 27.3% of funds under management
- High Court of Australia finding in favour of Lifeplan in Ancient Order of Foresters in Victoria Friendly Society Limited (Foresters) v Lifeplan Australia Friendly Society Limited. Judgement amount was on an "Account of Profits" basis resulting in a favourable outcome to the Group



Investments

- Funds under management (FUM) of \$6.0 billion (2018: \$5.6 billion)
- Investments' joint venture partner Acorn Capital Limited launched the Acorn Capital Expansion platform, which will invest in emerging Australian companies, with \$52.0 million provided by investors in its initial capital raising
- Investment portfolios of the Group approx. \$680.0 million, including capital stable and highly liquid insurance reserves, achieving a weighted aggregate return of 3.4 percent (2018: 2.8 percent)



Advice

- New leadership team established, with a focus on positioning the business for sustainable growth and operational scale supported by enhanced supervision, investment and technical functions
- Advice revenue increased 6.3% to \$58.3 million for the year (2018: \$54.8 million)
- Decrease in adviser numbers (including limited authorised representatives) to 184 (2018: 194)



Trustees

- Continued implementation of a new operating system, designed to support and strengthen service and operations capabilities
- Establishment of three common investment funds with \$124.1 million of clients' funds invested
- Completion of program to reduce the legacy book resulted in a reduction in active FUM and trusteeship to \$325.2 million (2018: \$360.7 million) due to the closure of legacy estates and the appointment of more suitable administrators for some protected persons - clients

Section 4

Key risks

Key risks

A detailed outline of risks relating to the Bonds and Australian Unity Group's business is contained in Section 4 of the Base Prospectus and Section 3 of the Offer Specific Prospectus. All potential investors should read both the Base Prospectus and the Offer Specific Prospectus in full before deciding whether to invest in the Bonds and they should not rely on this presentation. A summary of certain of the key risks associated with the Bonds is set out as follows.

Market price of the Bonds

- The market price of the Bonds may fluctuate due to various factors including general movements in interest rates, credit margins, the Australian and international investment markets, international economic conditions, changes in inflation rates and inflationary expectations, the market price of any other Australian Unity debt, factors that affect Australian Unity's financial position and performance or credit worthiness, global geo-political events and hostilities, investor perceptions and other factors beyond the control of Australian Unity and its Directors

Liquidity of the Bonds

- Australian Unity has applied for the Bonds to be quoted on the ASX. However, the Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may be less liquid than the market for other securities

Bonds may be suspended or delisted

- There is a risk that trading in Bonds could be suspended or could cease to be quoted on ASX in certain circumstances, including if Australian Unity fails to comply with applicable listing rules

Changes in Interest Rate payable

- For any Series of Bonds issued with a floating interest rate, Interest Rate will fluctuate (both increase and decrease) over time with movement in the Market Rate

Australian Unity may default on payment

- Depending upon its performance and financial position, Australian Unity's cash flows and capital resources may not be sufficient to pay some or all of the Face Value or Interest due on Bonds as and when payable under their terms

Bonds have limited Events of Default and rights to require redemption

- The only circumstances in which the Trustee may (under the direction of Holders) accelerate payment of the Bonds are where Australian Unity fails to make a payment on the Bonds (which is not remedied within 10 Business Days after the due date), fails to comply with other obligations under the Terms or the Trust Deed (which is not remedied for 30 Business Days after the Trustee has given notice of the failure), becomes insolvent, or ceases or suspends the conduct of all of its business. Other than the change of control put option described in Section 2.1.3 of the Base Prospectus, Holders will have no right to require Australian Unity to Redeem the Bonds, including where the Bonds are no longer admitted to quotation on a stock exchange (although Australian Unity does have an obligation to use its reasonable endeavours to maintain the quotation of the Bonds on a stock exchange)

Key risks

A detailed outline of risks relating to the Bonds and Australian Unity Group's business is contained in Section 4 of the Base Prospectus and Section 3 of the Offer Specific Prospectus. All potential investors should read both the Base Prospectus and the Offer Specific Prospectus in full before deciding whether to invest in the Bonds and they should not rely on this presentation. A summary of certain of the key risks associated with the Australian Unity Group's business is set out as follows.

Financial indebtedness and other investments

- Australian Unity may make additional investments through the acquisition of debt or equity instruments in listed and unlisted entities. Australian Unity may also incur further debts and obligations (such as trade payables or a future series of bonds) which may have terms which are more favourable to investors or financiers than the Bonds

Operational risk

- Australian Unity is exposed to operational risks in relation to its business operations. Operational risk represents potential variations in earnings as a result of the ineffectiveness of protections afforded by systems, controls, processes and procedures associated with the Australian Unity Group's day to day activities

Competition

- There is substantial competition for the provision of private health insurance, retirement living and financial services in the markets in which the Australian Unity Group operates and it is becoming easier for customers to move between providers. The Australian Unity Group also operates in industries where customer product demands and preferences are rapidly changing, particularly in light of the increasing shifts towards digital channels

Compliance and regulatory environment

- The Australian Unity Group is currently operating in an environment of heightened political and regulatory scrutiny. Private health insurance, retirement living, aged care, home care and financial service providers are heavily regulated and subject to significant potential government policy, regulatory and legislative change
- In addition, a number of Australian Unity Group's businesses are directly or indirectly reliant on government funding. There is a risk that budgetary constraints or policy decisions may result in changes to future funding arrangements, including reductions in the level of funding
- Some Australian Unity Group businesses operate within industries which are currently subject to reviews and inquiries, including the Royal Commission into Aged Care Quality and Safety and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability. Recommendations from these reviews and inquiries, as well as any future reviews and inquiries, may result in significant reforms which may have an impact on the Australian Unity Group's operating and financial performance

Key risks

A detailed outline of risks relating to the Bonds and Australian Unity Group's business is contained in Section 4 of the Base Prospectus and Section 3 of the Offer Specific Prospectus. All potential investors should read both the Base Prospectus and the Offer Specific Prospectus in full before deciding whether to invest in the Bonds and they should not rely on this presentation. A summary of certain of the key risks associated with the Australian Unity Group's business is set out as follows.

Information technology and systems

- A failure in the technology security systems that the Australian Unity Group uses to detect and prevent cyber attacks could lead to unauthorised access or loss of confidential information or business disruption as a result of system unavailability
- If systems failure occurs in the technology systems used by the Australian Unity Group, there is a risk that customers may be adversely affected, resulting in potential reputational damage and loss of customers

People

- An inability to effectively recruit and retain appropriately skilled people, monitor employee satisfaction, reward performance and foster a suitable corporate culture may result in high staff turnover or loss of key persons which, in turn, may adversely impact the business and the financial performance of the Australian Unity Group
- A failure to appropriately manage health and safety incidents may result in a loss of productivity and costs arising from employee claims. This may affect the financial performance of the business

Future restructures, acquisitions or divestments

- The Australian Unity Group may from time to time restructure, undertake strategic acquisitions of new assets, entities or businesses or sell, all or a part of, their respective assets or businesses. To finance such restructures or acquisitions, the Australian Unity Group may incur additional indebtedness and may seek to raise more capital. In such an event, the Australian Unity Group may face operational and financial risks in relation to a restructure or acquisitions

Risks specific to Australian Unity Operations

- The Australian Unity Group also has specific risks related to the following operations; as detailed in Section 4 of the Base Prospectus and Section 3 of the Offer Specific Prospectus;
 - Property and Development
 - Retirement communities
 - Home Care
 - Health Insurance
 - Australian Unity Bank

Section 5

Offer summary

Key terms and conditions¹

Issuer	<ul style="list-style-type: none">Australian Unity Limited ABN 23 087 648 888 (“Australian Unity”)
Series / Tranche	<ul style="list-style-type: none">Series C Australian Unity Bonds – Tranche 1Series D Australian Unity Bonds – Tranche 1
Bonds	<ul style="list-style-type: none">Interest paying, unsubordinated and unsecured debt obligations, issued by Australian UnityEach Bond is issued on and subject to the provisions of the Trust Deed and the Terms
Offer size	<ul style="list-style-type: none">\$250 million in aggregate, with the ability to raise more or less, subject to a minimum offer size of \$50 million
Interest Rate	<ul style="list-style-type: none">Floating Interest RateThe Interest Rate for each Series of Bonds is the sum of the Market Rate plus the Margin applicable to that Series of Bonds
Market Rate	<ul style="list-style-type: none">BBSW Rate for a three month period
Margin	<ul style="list-style-type: none">Series C Australian Unity Bonds: the Margin is expected to be in the range of 2.00 percent to 2.20 percent per annumSeries D Australian Unity Bonds: the Margin is expected to be in the range of 2.15 percent to 2.35 percent per annumThe Margin for each Series of Bonds will be determined by the Issuer following the completion of the Bookbuild of the relevant Series of Bonds. The Margin for each Series of Bonds will be announced by Australian Unity on or around the Opening Date. The margin for a particular series may be outside the range specified above

Key terms and conditions (cont.) ¹

Interest Payment Dates	<ul style="list-style-type: none">• The first Interest Payment Date will be 14 January 2020. Interest will be paid quarterly in arrears on the following dates for each year as well as on the Maturity Date, or any earlier Redemption Date:<ul style="list-style-type: none">- 14 January- 14 April- 14 July- 14 October• If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day and Interest will continue to accrue until that date. Holders are not entitled to any additional payment in respect of that delay
Credit Rating and Product Complexity Indicator	<ul style="list-style-type: none">• Bonds have been assigned a BBB+ long-term Credit Rating by Australia Ratings, although Australian Unity itself is not rated by Australia Ratings. Australia Ratings has also assigned a 'Green' Product Complexity Indicator to the Bonds
Term	<ul style="list-style-type: none">• Series C Australian Unity Bonds: Approximately 5 years• Series D Australian Unity Bonds: Approximately 7 years
Maturity Date	<ul style="list-style-type: none">• Series C Australian Unity Bonds: 15 December 2024• Series D Australian Unity Bonds: 15 December 2026
Early Redemption at Australian Unity's option	<ul style="list-style-type: none">• Australian Unity will only have the right (but not the obligation) to Redeem the Bonds prior to the Maturity Date following the occurrence of a Tax Event or a Change of Control Event or where a Clean Up Condition subsists
Early Redemption rights for Holders	<ul style="list-style-type: none">• Holders of Bonds have the right to vote to require Redemption prior to the applicable Maturity Date for Bonds of the Series following the occurrence of a Change of Control Event. Redemption in these circumstances requires a Holder Resolution to be passed in favour of Redemption. Holders have no right to require Redemption in any other circumstances

Key terms and conditions (cont.) ¹

Not deposit liabilities, protected accounts or policy liabilities

- The payment obligations of the Issuer under the Bonds are not guaranteed or insured by any Subsidiary of Australian Unity, any government, government agency, or compensation scheme of Australia or any other jurisdiction, or any other party, are not deposit liabilities or protected accounts of Australian Unity Bank under the Banking Act and are not policy liabilities with any member of the Australian Unity Group under the Life Insurance Act

Covenant Gearing Ratio

- While any Bonds remain outstanding, the Issuer will ensure that, on each 30 June and 31 December occurring after the Issue Date, the Covenant Gearing Ratio is not greater than 50 percent

Negative pledge

- Australian Unity will not secure any “Relevant Indebtedness” without according the same security (or an equal ranking security) to the Bonds. Some security interests are excluded from the negative pledge – including any security interests in respect of syndicated or term loan arrangements within the limit described in Section 2.1.4 of the Base Prospectus
- “Relevant Indebtedness” broadly means debt securities issued by Australian Unity (including Bonds of another Series) which are, or are capable of being, quoted on a stock exchange and indebtedness owing under syndicated or term loan arrangements

Restrictions on Subsidiary Indebtedness

- Subsidiaries of Australian Unity must not incur Financial Indebtedness (other than in certain circumstances set out in the Base Terms and the Offer Specific Terms). The restriction does not apply to Subsidiaries which are, broadly, trusts primarily funded by the public or external investors and in respect of which an Australian Unity Group entity does not have a controlling interest as defined in the Base Terms
- The covenant does not apply to the following Financial Indebtedness: Limited Recourse Debt, Financial Indebtedness owed by one member of the Australian Unity Group to another member of the Australian Unity Group, certain Financial Indebtedness of an entity which becomes a member of the Australian Unity Group after the Issue Date, any other present or future Financial Indebtedness not referred to above provided the aggregate principal amount is not more than 10 percent of Total Equity and any other present or future Financial Indebtedness specified in the Offer Specific Terms
- The covenant also does not apply to any ADI that is a member of the Australian Unity Group (which, as at the date of this Base Prospectus, means Australian Unity Bank)
- This undertaking is intended to limit the extent to which the Holders are structurally subordinated to other financial creditors of the Australian Unity Group

Key terms and conditions (cont.) ¹

Ranking on winding-up	<ul style="list-style-type: none">• A Holder's claim will rank equally with holders of other Series of Bonds and equally with claims of all other unsubordinated and unsecured creditors (other than any obligations preferred by mandatory provisions of applicable law, including employee entitlements and secured creditors). A Holder's claim will rank ahead of all holders of subordinated instruments and member interests in Australian Unity• Holders' claims are subject to structural subordination which is explained in the Base Prospectus
Face value	<ul style="list-style-type: none">• \$100 per Bond
Minimum application	<ul style="list-style-type: none">• 50 Bonds for applicants under the Institutional Offer and Broker Firm Offer (\$5,000) and 20 Bonds for applicants under the Member Offer (\$2,000)
Fees and charges	<ul style="list-style-type: none">• No fees, charges, brokerage, commission or stamp duty is payable by you on your application for the Bonds. You may be required to pay brokerage if you sell your Bonds after the Bonds are quoted on ASX
Listing	<ul style="list-style-type: none">• Australian Unity has applied for the quotation of Bonds on ASX, it is expected that:<ul style="list-style-type: none">• the Series C Australian Unity Bonds will be quoted under the code "AYUHC" and• the Series D Australian Unity Bonds will be quoted under the code "AYUHD"


Comparison of AYUHB and Bonds ¹

Feature	AYUHB ²	Bonds
Issuer	<ul style="list-style-type: none"> Australian Unity Limited 	<ul style="list-style-type: none"> Australian Unity Limited
Guarantor	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None
Legal form	<ul style="list-style-type: none"> Unsecured debt obligations 	<ul style="list-style-type: none"> Unsecured debt obligations
Issue Price	<ul style="list-style-type: none"> \$100 per AYUHB 	<ul style="list-style-type: none"> \$100 per Bond
Term	<ul style="list-style-type: none"> 5 years 	<ul style="list-style-type: none"> Series C Australian Unity Bonds: Approximately 5 years Series D Australian Unity Bonds: Approximately 7 years
Early redemption (at Issuer's option)	<ul style="list-style-type: none"> Yes, for taxation reasons, on a change of control or if less than 10% remain on issue 	<ul style="list-style-type: none"> Yes, for taxation reasons, on a change of control or if less than 10% remain on issue
Margin	<ul style="list-style-type: none"> 2.80% 	<ul style="list-style-type: none"> Series C Australian Unity Bonds: Expected to be in the range of 2.00% - 2.20% Series D Australian Unity Bonds: Expected to be in the range of 2.15% - 2.35%
Interest rate	<ul style="list-style-type: none"> Floating 	<ul style="list-style-type: none"> Floating
Interest payments	<ul style="list-style-type: none"> Mandatory, not deferrable 	<ul style="list-style-type: none"> Mandatory, not deferrable
Payment frequency	<ul style="list-style-type: none"> Quarterly 	<ul style="list-style-type: none"> Quarterly
Transferable	<ul style="list-style-type: none"> Yes – quoted on ASX 	<ul style="list-style-type: none"> Yes – to be quoted on ASX

Comparison of AYUHB and Bonds (cont.)¹

Feature	AYUHB ²	Bonds
Gearing covenant	<ul style="list-style-type: none"> 50% 	<ul style="list-style-type: none"> 50% (but there are differences in the basis of computation of the covenant)
Negative pledge	<ul style="list-style-type: none"> Yes, but it only applies to similar capital markets indebtedness and indebtedness under syndicated or term loan arrangements 	<ul style="list-style-type: none"> Yes, but it only applies to similar capital markets indebtedness and indebtedness under syndicated or term loan arrangements
Restrictions on subsidiary indebtedness	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes (but there are differences in the terms of this restriction)
Holder early redemption rights	<ul style="list-style-type: none"> Only on a change of control of Australian Unity (and provided that a holder resolution is passed in favour of requiring redemption) 	<ul style="list-style-type: none"> Only on a change of control of Australian Unity (and provided that a Holder Resolution is passed in favour of requiring redemption)
Credit rating assigned by Australia Ratings	<ul style="list-style-type: none"> BBB+ 	<ul style="list-style-type: none"> BBB+
Product complexity indicator assigned by Australia Ratings	<ul style="list-style-type: none"> Green 	<ul style="list-style-type: none"> Green

Ranking of Bonds ¹

	Type of instrument	Existing debt obligations and equity	Amount drawn as at 30 June 2019, adjusted for the amount to be raised under the Offer (\$250m) ²
<div>Higher ranking</div>  <div>Lower ranking</div>	Secured debt	None	None
	Unsubordinated unsecured debt	Bank debt and Series B Australian Unity Bonds and, if issued, Series C Australian Unity Bonds and Series D Australian Unity Bonds	\$0.0m / \$125.0m / \$62.5m / \$187.5m
	Subordinated, unsecured debt (including any Mutual Capital Instruments and hybrid instruments)	None	None
	Ordinary equity	Members' balances, reserves, retained profits	\$718.4m

1. This is a brief summary of the Bonds terms and conditions only. Potential investors should refer to the Base Prospectus and Offer Specific Prospectus for the full terms.
2. Discretion is reserved for the Offer size to be greater or lesser than this amount. Assumes \$125 million allocated equally between Series C Australian Unity Bonds and Series D Australian Unity Bonds under the Reinvestment Offer and the cancellation of the same amount of AYUHB. All proceeds from Member, Broker Firm and Institutional Offers allocated to Series D Australian Unity Bonds.

Reinvestment Offer for Eligible AYUHB Holders¹

What is the Reinvestment Offer

- Under the Reinvestment Offer, Eligible AYUHB Holders can apply to have some or all of their AYUHB purchased by Australian Unity with a portion of the proceeds received applied directly to the subscription of an equivalent number of Bonds
- AYUHB that are not sold to Australian Unity under the Reinvestment Offer will remain on issue (subject to their terms) until the scheduled maturity date of 15 December 2020
- The Reinvestment Offer is not a simple rollover into a similar investment. AYUHB and the Bonds, while having a number of similar features, have different benefits and risks, which must be evaluated independently

Reinvestment Offer proceeds

- Eligible AYUHB Holders who elect to participate in the Reinvestment Offer will sell their AYUHB to Australian Unity for \$100 plus the “Accrued Interest Amount” and the “Further Amount”
- The “Accrued Interest Amount” is payable as compensation for the interest the holder would have received in respect of the AYUHB sold under the Reinvestment Offer for 14 October 2019 (the “Stub Day”) on the basis of the market rate applicable to AYUHB on the Stub Day plus a margin of 2.80% per annum for the Stub Day. The participating AYUHB holder will also receive the scheduled interest payment on 14 October 2019
- The “Further Amount” is payable as compensation in respect of the AYUHB sold under the Reinvestment Offer for the difference in margin between the AYUHB and the Bonds for the period from the Issue Date to the AYUHB maturity date. Assuming that the Issue Date for the Bonds is 15 October 2019, and the Margins for the Series C Australian Unity Bonds and Series D Australian Unity Bonds are 2.00% per annum and 2.15% per annum respectively, the further amount for each services would be:
 - Series C Australian Unity Bonds: \$0.9359 per AYUHB; and
 - Series D Australian Unity Bonds: \$0.7604 per AYUHB

Reinvestment Offer for Eligible AYUHB holders¹



Eligibility to participate in the Reinvestment Offer

- You are an “Eligible AYUHB Holder” and eligible to participate in the Reinvestment Offer if:
 - you were a registered holder of AYUHB as at 7:00pm on 5 September 2019 (the “Reinvestment Record Date”);
 - you are shown on the register of holders of AYUHB as having an address in Australia (or another jurisdiction to which Australian Unity determines to extend the Reinvestment Offer); and
 - Australian Unity is satisfied that you are not in the United States or a US person, acting as a nominee for, or for the account or benefit of, a US person, and are not otherwise prevented from receiving the Reinvestment Offer under the laws of any jurisdiction

Options for Eligible AYUHB Holders

- **Option 1** – Apply under the Reinvestment Offer to sell all or some of your AYUHB to fund your subscription for the Bonds
- **Option 2** – Choose to sell or dispose of your AYUHB on market (in which case, you may have to pay brokerage) at the prevailing market price, which may be higher or lower than the price you would receive if you were to sell all your AYUHB to Australian Unity through the Reinvestment Offer and use the proceeds as you determine
- **Option 3** – Take no action. The AYUHB will mature on 15 December 2020, at which time Australian Unity must redeem all outstanding AYUHB by paying holders the Face Value of \$100 per outstanding AYUHB, plus any outstanding interest due

Key dates for the Offer

Record date for determining Eligible Members	16 August 2019
Record date for determining Eligible AYUHB Holders (7.00pm)	5 September 2019
Lodgement of Base Prospectus and Offer Specific Prospectus with ASIC	9 September 2019
Bookbuilds to determine Margins and Allocations to Syndicate Brokers and Institutional Investors	16 September 2019
Opening Date for the Offer and lodgement of replacement Offer Specific Prospectus with ASIC	17 September 2019
Closing Date for the Member Offer, Reinvestment Offer and Broker Firm Offer	8 October 2019
Issue Date	15 October 2019
Holding Statements despatched by the Registrar	16 October 2019
Bonds commence trading on ASX on normal settlement basis	18 October 2019

Note: The key dates above are indicative only and may change without notice.

Key dates for the Bonds



Key dates for Series C Australian Unity Bonds – Tranche 1

First Interest Payment Date ¹	14 January 2020
Tenor	Approximately 5 years
Maturity Date	15 December 2024

Key dates for Series D Australian Unity Bonds – Tranche 1

First Interest Payment Date ¹	14 January 2020
Tenor	Approximately 7 years
Maturity Date	15 December 2026

Note: The key dates above are indicative only and may change without notice.

Key contacts

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