Preliminary results announcement
For the year ended 31 December 2009

BUPA'S STRENGTH UNDERPINNED BY INTERNATIONAL GROWTH

Bupa, the international healthcare group, today announced its results for the year to 31 December 2009.

£m	2009	2008	Growth (%)
Revenues	6,941.4	5,923.9	17
Surplus before taxation	416.5	191.9	117
Underlying surplus before tax	428.2	413.4	4
Net cash generated from operating activities	522.3	306.5	70
Equity attributable to Bupa	3,949.1	3,587.5	10

Financial Highlights

- Revenues up 17% to £6.94bn, driven by a combination of organic[1] growth of 5%, favourable foreign exchange movements of 7% and the full year effect of recent acquisitions of 5%.

- Surplus before taxation up 117% to £416.5m.

- Underlying surplus[2] before taxation up 4% to £428.2m.

- Capital investment of £197.1m included investment in care homes, IT systems and other provision assets.

- Excellent cash flow from operating activities, up 70% to £522.3m, which drove a reduction in leverage from 34% to 27%. Balance sheet strength underlined by improved credit rating and successful bond issue.

Operational Highlights

- Customer numbers increased to 10.4 million (2008: 10.3 million) with success in new customer acquisitions offsetting higher lapse rates due primarily to rising unemployment. Strong growth achieved in international customer numbers in 2009, and significant major corporate accounts in the UK secured or extended for 2010.

- Continuing actions to reduce costs and bear down on claims inflation in order to protect profitability.

- New UK insurance operating platform successfully launched which will transform operational efficiency and enhance speed and flexibility of new product development.

- Integration and rebranding of recently acquired care homes in Australasia completed and integration of MBF insurance acquisition progressing well with estimated synergies ahead of initial expectations.

- Leading position in aged and dementia care strengthened. Over £72m invested to build, extend and refurbish Bupa care homes. Four new homes and three major extensions opened, providing an additional 415 beds.

- Continued international expansion of Health Dialog in France as well as developing programmes in Spain and Australia.

Commenting on the results, Ray King, Bupa's Chief Executive, said:

"In a year during which a number of our core markets were impacted by economic recession, the Bupa Group demonstrated its resilience by maintaining customer numbers, increasing surplus and repaying a significant amount of debt.

We delivered a number of major operational programmes including a new operating platform for our UK insurance business and the integration and rebranding of our recently acquired care home operations in Australasia. The integration of MBF remains on track with projected synergies ahead of original estimates.

The markets in which Bupa operates offer excellent opportunities for long-term growth, driven by customers' desire to access better healthcare. The global trends of ageing populations, rising affluence, the increasing incidence of chronic disease and advances in medical technology will drive demand for our services.

Bupa is well positioned to take advantage of these trends given our geographic breadth, strong balance sheet, trusted brands and excellent market positions. We are investing in our portfolio in pursuit of organic growth and remain focused on delivering our strategy of helping customers live longer, healthier, happier lives."

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A results conference call will be held at 9.00am on Tuesday 9 March 2010. Details are available from Jo Hyde at Bupa on 020 7656 2202.

Bupa is a leading international healthcare company. Established in 1947, it has over ten million customers in more than 190 countries and employs nearly 52,000 people around the world.

Its main interests are health insurance, care homes for young disabled and older people, workplace health services, health assessments and chronic disease management services, including health coaching and healthcare services in the home.

While Bupa's original business is in the UK, it has significant operations around the world including Sanitas in Spain, MBF, HBA and Mutual Community in Australia and Health Dialog in the US. Bupa also has businesses in Hong Kong, Thailand, Saudi Arabia, India, Latin America and Scandinavia. In addition, Bupa Care Services has care homes in Spain, Australia and New Zealand.

Bupa has no shareholders. We reinvest our surplus to provide better healthcare for our customers, helping them to live longer, happier, healthier lives.

INTRODUCTION

In 2009, Bupa delivered a very resilient performance against a challenging global economic backdrop. The focus throughout the year has been on retaining customers, integrating recently acquired businesses, completing a number of important operational initiatives and controlling costs.

Presented below is a reconciliation of the Group's statutory surplus before taxation to the underlying surplus before taxation.

	2009 £m	2008 (restated) £m	Growth %
Surplus before taxation expense	416.5	191.9	117%
Exclude:			
Net (gain) / loss on return seeking assets	(52.2)	97.7	
Impairment of goodwill	-	116.5	
Impairment of other intangible assets	19.3	24.3	
Amortisation of other intangible assets arising on business combinations	34.9	25.5	
Profit on sale of businesses and assets	(20.0)	(5.6)	
Bupa Ireland risk equalisation provision release	-	(21.0)	
Other items [3]	29.7	(15.9)	
Underlying surplus before taxation expense	428.2	413.4	4%

Underlying surplus before taxation increased 4% reflecting principally international growth and the impact of foreign exchange movements. If 2008 average exchange rates had applied in 2009, the underlying surplus would have decreased by 6% and if 2008 average interest rates had applied in 2009, underlying surplus would have been approximately 4% higher.

In the period, 57% of Group revenues and 63% of surplus were generated outside of the UK reflecting strong overseas growth from recent acquisitions and the weakness of sterling. Private health insurance, care homes and other health services accounted for 74%, 13% and 13% of Group revenues, respectively.

The following pages outline how each of Bupa's four operating divisions have performed during the year.

REVIEW OF OPERATIONS

UK and North America (UKNA)

Revenues	% of Group Revenues	Surplus
£2,131.4m	31%	£16.8m
2008: £2,069.3m	2008: 35%	2008: £39.8m*

* 2008 surplus excludes one off provision releases in respect of Bupa Ireland of £21.0m.

Bupa's UK and North America division offers services which include health insurance, home healthcare, hospital care, wellbeing services, health analytics and health coaching.

In 2009, the businesses proactively managed the impact of the economic downturn. The UK insurance business implemented a new operating system, which will transform operational efficiency and enhance the speed and flexibility of new product development, and took action to reduce operating costs. Health Dialog responded to lower than expected revenues by cutting costs in order to preserve profitability. The Bupa Cromwell Hospital continued its programme of capital expenditure to improve its facilities and enhance the patient experience. Bupa Home Healthcare focused its efforts on services which provide high levels of differentiation and attractive margins.

Organic growth in revenues was broadly flat, with surplus decreasing substantially due to increased claims costs and the impact of rising unemployment which reduced customer numbers by 5%.

Bupa Health and Wellbeing UK (BHW)
(Previously UK Membership)

Bupa is the UK's leading health insurer serving the individual, corporate and small business customer segments. It focuses on providing customers with choice and control in healthcare through attractive products and delivering world class customer service.

As expected, difficult economic conditions and rising unemployment impacted the business, with customer numbers falling by 5% mainly due to contracting payrolls. In addition, whilst the number of claims remained relatively stable, the cost of claims increased, reflecting rising medical inflation. This was particularly the case for cancer care, for which Bupa offers the most extensive cover in the UK, with the cost of treatment increasing by almost 40% over the last five years, driven by a new generation of cancer drugs.

Against this backdrop, significant emphasis has been placed on customer retention and further improving service levels as well as extending our networks to improve services for cataract treatment and physiotherapy. The business has already secured or extended contracts with a number of multinational companies, which will add approximately 100,000 new customers in 2010.

Importantly, BHW successfully launched a major new operating platform which will enable the business to transform its operational efficiency and be more responsive to customers, introduce new products more quickly and offer greater customer choice. These areas will be the focus of attention during 2010.

Customer satisfaction remained high, with 78% of customers rating Bupa as 'very good' or 'excellent', while further improvements in customer service led to a 53% reduction in complaints over the course of the year.

BHW's preventative and wellbeing offerings include occupational health services and health assessments via 47 Bupa health centres. As rising unemployment levels reduced demand for health assessments, the business strengthened its marketing and cut costs, including reducing staffing levels.

BHW's life, income and critical illness business, Bupa Health Assurance (BHA), delivered a solid performance with customers growing 6% and revenue increasing accordingly. In the Group Risk book, favourable claims experience was offset by additional system development costs. The Individual Protection business grew revenues with the strength of its product recognised by an FTAdviser.com service award and five star accreditations for critical illness and income protection from Defaqto, the independent financial services research company.

Health Dialog

Health Dialog is a US based leading provider of healthcare analytics and decision support services that assist private health plans, public insurers and employers manage the cost and quality of healthcare. It provides analytical services and care management solutions to a range of customers that cover nearly 20 million people within the US and a growing number of customers in overseas markets. Health Dialog has developed tailored client solutions and was recognised by various industry associations throughout the year for its Shared Decision-Making® content products which help individuals make more informed healthcare choices.

Rising job losses in the US, with unemployment hitting a 25 year high, caused an 18% decline in lives served and a related decline in organic revenue, although all major accounts were maintained. Prompt action to reduce costs resulted in surplus increasing organically year on year.

Health Dialog has also made good progress in taking its disease management proposition to new markets. It joined with Sanitas to offer its services to customers in Spain and continued its partnership with the French Government in diabetes management pilots. Management continues to seek further international opportunities to exploit Health Dialog capabilities, with a particular focus on the UK and Australia.

Bupa Home Healthcare (BHH)

BHH supports the NHS by providing out-of-hospital care, satisfying both patient preference for home based treatment and supporting growing pressure on public health service budgets.

BHH is increasingly focused on higher growth and higher margin products such as complex care management and home infusion services. BHH secured several major contracts during the year, including being appointed sole supplier of total parenteral nutrition to Great Ormond Street Hospital for Children. BHH experienced good growth in the year with increasing customer numbers, revenues and surplus.

Bupa Cromwell Hospital (BCH)
The Bupa Cromwell Hospital is a leading 128 bed London hospital caring mainly for insured, self-pay and international customers. The hospital, which Bupa acquired in 2008, opened new endoscopy and minor procedure facilities and installed a new biplane angiography suite during the year. The new angio suite represents the first step by the hospital to strengthen its position in four clinical specialities: oncology, paediatric, cardiac and orthopaedic care.

During 2009, organic revenue growth was flat, primarily due to decreasing numbers of international customers visiting the hospital because of fears over swine flu, although recent months have shown positive improvements in occupancy trends. Surplus decreased due mainly to higher staff costs and depreciation from additional capital spending.

Europe, Middle East, Africa and Latin America (EMEALA)

Revenues	% of Group Revenues	Surplus
£1,760.4m	25%	£157.7m
2008: £1,568.9m	2008: 26%	2008: £138.5m

Bupa's EMEALA division delivers a portfolio of health insurance products and services across a range of markets. In 2009, the businesses within the EMEALA division maintained leading market positions, with 7% customer growth and delivered a 14% increase in surplus despite the deteriorating financial climate, particularly in Spain.

Sanitas
Sanitas, Bupa's Spanish business, provides services that cover many aspects of customers' healthcare needs: its offering includes health insurance, hospitals, clinics and wellbeing services for the public and private sectors.

This broad offering sets it apart from other health insurance companies in the extremely competitive Spanish marketplace. In 2009, it continued to invest, focus on differentiating its offering and raising already high standards of customer service. The business maintained customer numbers and delivered organic growth through the launch of new products, operating cost efficiencies and the commencement of trading at the Manises hospital.

Sanitas opened a new customer contact centre, Sanitas Welcome, completed the refurbishment of its La Zarzuela hospital, one of the leading hospitals in Spain, and constructed a new medical centre in Madrid. The business also piloted Spain's first wellbeing product, Sanitas Wellbeing, offering customers physiotherapy, nutritional advice and access to a network of exercise facilities. Following the successful pilot, the product will now be rolled out nationwide.

In May 2009, Sanitas opened its state-of-the-art Manises hospital, on time and on budget. The Valencia hospital provides acute and primary care to more than 140,000 local people, as part of a private finance partnership with the regional government. From 2010, the hospital's contract of care is expected to include a further 44,000 residents.

In partnership with Health Dialog, Sanitas launched Sanitas Responde, to provide chronic disease management services to Sanitas customers. The service was initially launched in Madrid, and made available to 25,000 customers. The business intends to expand the programme to cover its entire nationwide membership base.

Bupa International
Bupa International is the world's largest provider of expatriate health insurance. Based in the UK, Latin America and Denmark, it supplies individual and group medical cover to customers in more than 190 countries.

Notwithstanding the challenges in the global economy and the corresponding impact on Bupa's international customer base, the business had a positive year, and remains the insurer of choice for expatriates. Both organic growth in revenue and surplus increased, despite a 3% decline in customer numbers, reflecting an improvement in margins.

In line with its strong track record for innovation, the business successfully launched a landmark modular product for individual customers, Worldwide Health Options, which allows customers to tailor their own health insurance product from a range of options.

Saudi Arabia
Bupa Arabia had another very good year, as it continued to benefit from its outstanding service offering and legislation requiring expatriates to hold private health insurance.

Due to the part flotation of Bupa Arabia and the subsequent transfer of the business from Bupa Middle East to Bupa Arabia, Bupa's interest reduced from 50% to 26.25% effective from January 2009. Since then, the Group's interest has been accounted for as an investment in an associate rather than a subsidiary. The underlying performance of the business has been strong with a 35% increase in membership in the period.

Asia Pacific

Revenues	% of Group Revenues	Surplus
£2,122.8m	31%	£99.6m
2008: £1,394.3m	2008: 24%	2008: £63.3m

Bupa's Asia Pacific division provides private health insurance to more than 3.5 million customers in Australia, Hong Kong and Thailand.

The division delivered an excellent performance, as it strengthened and broadened its healthcare offering. Following the acquisition of MBF in Australia in May 2008, member numbers increased by 2% in 2009 and organic growth in revenue and surplus was 8% and 12%, respectively.

Australia
Following the MBF acquisition, Bupa is the second largest health insurer in Australia. The business serves customers through the long established MBF, HBA and Mutual Community brands. As well as its core health insurance offering, Bupa Australia also provides travel, home, car and life insurance and financial services.

The business delivered a 2% rise in customer numbers and a very good financial performance at the same time as carrying out intensive integration work. Synergy savings were delivered ahead of target and helped deliver good organic growth in surplus, despite ongoing integration costs.

The integration of the businesses is proceeding smoothly. Common approaches and processes have been developed, including the creation of a common purchasing system, email platform, payroll system and general ledger. Bupa Australia is progressing towards the mid 2010 milestone of having a single operating system and the creation of a single product suite later in the year.

Customer focus remained paramount throughout the integration, as indicated by the business receiving its best ever customer satisfaction rating of 82%. Throughout the year, to counter the tightening economy, it successfully stepped up customer retention activity.

Bupa Australia is increasingly working with members to help them develop healthier lifestyles and is partnering with providers to establish and encourage the best way to treat patients. Following a landmark agreement, a nationwide group of heart surgeons has committed to publish patient outcome data, to help improve cardiac care. In addition, the business is working with Health Dialog to introduce its chronic disease management expertise to Australian customers and the public health system. Other initiatives include the roll out of a web based customer wellness programme, and a health programme for corporate clients. Both initiatives aim to partner with customers to help them proactively manage their health.

The business contributed to the debate on the proposal to means test the government's subsidy of health insurance premiums and on changes to the Medicare Levy Surcharge.

Hong Kong and Thailand
Bupa Hong Kong's health insurance business delivered a good performance in 2009 with 8% growth in customer numbers, despite the territory's financial services focused economy being severely hit by the economic downturn. Membership growth was driven by superior customer service and a new advertising campaign, in addition to the launch of a new critical illness product. As a result organic growth was achieved in both revenue and surplus. The business won the 'Superbrands - Hong Kong's Choice Award' for the seventh consecutive year underlying the strength of the Bupa brand.

Bupa Thailand responded to the downturn with the launch of a lower priced, simpler product aimed at the local market. Despite a 1% fall in members as a result of political instability and the impact of the recession, both organic revenue and surplus increased.

India
Max Bupa expects to launch a health insurance business in India in the first half of 2010, following regulatory approval. In 2009, the joint venture made great progress towards creating a strong product and service proposition for individual customers. By year end it had begun the development of a national operating centre and retail branches in several cities, designed and market tested products, agreed contracts with hospitals, and laid the groundwork for the recruitment of sales and customer service staff.

We expect the business to incur start up losses over the next few years as the business invests in initial infrastructure and marketing.

Care Services

Revenues	% of Group Revenues	Surplus
£926.3m	13%	£133.7m
2008: £891.6m	2008: 15%	2008: £131.8m

The Care Services division, a world leader in aged care, delivered robust results in 2009 despite the challenging economy. It invested across the business: from the infrastructure of its homes to the capabilities of its people. Although resident numbers fell slightly compared to 2008, the business achieved revenue growth of 4%. Effective control of staff costs helped mitigate the full impact of lower occupancy of 88.3% (2008: 89.4%) and above inflation increases in utility costs, resulting in organic surplus growth of 1%.

The business continued to lead the field in aged care, providing input to governments and organisations in all markets to help shape agendas and long-term policies.

Partnerships have been established with leading dementia organisations in all countries. In dementia care, as elsewhere, the division shared learning and collaborated across its four businesses. Its Dementia Champions training programme, launched in the UK in July 2009 with the Alzheimer's Society, is being adapted for roll out in Australia, New Zealand and Spain. In addition, an 80 page booklet on dementia care, published in the UK in 2008, has been adapted for the Australian and New Zealand markets and translated into Spanish for distribution in Spain.

The Bupa Foundation worked with the Alzheimer's Society to launch a £1.5m fund to support international research into dementia. Additionally, Bupa Giving, a fund dedicated to supporting charitable healthcare initiatives, supported a programme with Alzheimer's Australia to improve dementia care.

Staff development remained a priority and several training initiatives were launched across the division. The award winning UK Personal Best programme was rolled out in Australia, prior to a 2010 launch in New Zealand and Spain.

In 2009, the business carried out an international census of the medical condition of residents across all its care homes. The survey, covering 95% of residents, enables Bupa to continue to take leadership positions on aged care with policymakers, politicians and other key stakeholders. It also assists in continuing to develop a greater understanding of the individual needs of residents - so the business is able to provide highly personalised and professional care.

Bupa remained committed to investing in and developing its portfolio of homes. Over £72m was invested in 2009 in building, extending, refurbishing and maintaining homes to provide the best possible environment and care. Four new homes and three extensions were opened, providing 415 new beds and nearly 50 retirement village apartments. A further five new homes are under construction and are due to open in 2010.

The Australian and New Zealand businesses adopted the Bupa brand during 2009.

UK

In the UK, Bupa cares for over 18,000 residents in 303 homes, more than 70% of whom are publicly funded, either wholly or in part.

Public authority funding restrictions, a recession driven slowdown in self-funded admissions and high winter mortality rates resulted in lower occupancy in 2009. Despite this, revenues grew slightly, though above inflation increases in utility costs contributed to a small decline in surplus.

As a recognised authority in social care, Bupa remained closely involved in public policy development. Its director of dementia care sat on the UK Government's National Dementia Strategy working party, to which Bupa made a full submission. It also participated actively in the UK debate on social care funding and submitted a response to the Government's green paper.

Bupa's investment in quality care was recognised by its high satisfaction ratings. The Care Quality Commission found Bupa had the highest ratio of homes rated 'excellent' or 'good' (86%) of all large corporate providers.

Resident satisfaction levels rose, with residents giving their most positive opinion of Bupa Care Homes since the study began 11 years ago. 73% considered that service was 'very good' or 'excellent' - up 1% on 2008. A key finding was that 91% of residents believe they are treated as an individual.

Continued workforce investment resulted in the successful renewal of the prestigious Investors in People accreditation, the UK's leading people management standard.

130 new beds were added from opening new homes. A highlight of the multi-million pound investment programme was the opening of a purpose built dementia care home in Malvern, Worcestershire. A further home was opened at Stratford-upon-Avon. Further new home developments at Southampton, Ashford and Church Crookham will complete in 2010, increasing the portfolio by 200 beds.

Australia

Bupa Care Services Australia provides aged care for more than 3,700 residents in 48 homes. In 2009, record occupancy levels of over 95% resulted in organic revenue and surplus growth.

The business, in partnership with Bupa Australia, participated in a consultation process with the National Health and Hospital Reform Commission, to develop recommendations for a long-term aged care reform plan for Australia.

An extension comprising 41 new beds at Banora Point was opened in December and a further extension at Tamworth completed construction and is due to open in 2010.

New Zealand
Bupa Care Services New Zealand delivers care to over 2,700 residents in 45 care homes and retirement villages. It also provides telecare services via a personal medical alarm network. In the care homes business, revenues increased organically, boosted by higher than expected government fee increases and stable occupancy.

Two significant retirement village extensions were opened at Winara and Liston Heights, adding nearly 50 new assisted living apartments.

Spain
In 2009, Sanitas Residencial opened two new homes in Madrid and Salamanca, bringing the total to 40, caring for almost 4,000 residents. A further new home in Madrid completed construction and is due to open early in 2010.

A summer marketing campaign, targeting respite residents proved highly successful in improving and subsequently maintaining overall occupancy. Despite continued recessionary pressures in Spain, revenues and surplus showed modest organic growth.

FINANCIAL REVIEW

Income statement
Surplus
The Group's surplus before taxation expense was £416.5m (2008: £191.9m). Detailed information on the divisional results is contained in pages 5 to 12. The remaining significant items that comprise surplus before taxation expense are discussed below, in addition to Bupa's balance sheet, cash flows and funding position.

Impairment of goodwill and other intangible assets
No impairment of goodwill has been recorded in the current year. In 2008, impairment charges of £116.5m were recorded against the care homes businesses in Australia and Spain, as well as the Latin American insurance business based in Miami.

In 2009, an impairment charge of £11.7m was recorded against other intangible assets arising on business combinations in the Spanish care homes business.

Other (charges)/income
For 2009, other income and charges is comprised primarily of gains recorded on asset sales offset by deficits arising from property revaluations. The most significant gain (£18.3m) was generated by the transfer of the Saudi Arabian insurance business to a

newly listed company in which Bupa retains a 26.25% interest.

Revaluations of care homes, hospitals and office buildings reduced other income by £15.7m. The Group accounts for these properties at fair value, with changes in valuation recorded in other comprehensive income, unless an asset is valued below historical cost. Where this is the case, the deficit below historical cost is recorded in the income statement. Current year property impairments relate principally to a number of care homes and one of the Spanish hospitals.

Financial income and expenses

Net financial income was £48.7m (2008: £40.6m net financial expense). The increase is due principally to rising valuations in the return seeking asset portfolio (£52.2m net gain in 2009 compared to net loss of £97.7m in 2008), partly offset by lower net interest income resulting from falling interest rates.

At 31 December 2009, the return seeking asset portfolio represented 6% of total cash and financial investments (2008: 9%) as Bupa reduced its holdings in a number of funds to minimise future volatility.

During the low interest rate environment of 2009, the Group actively used its cash generated from operations to pay down bank borrowings. In 2009, excluding net gains / losses on return seeking assets, net financial expense was £3.5m compared to net financial income of £57.1m in 2008.

Taxation

The tax expense of £115.7m (2008: £79.5m) represents an effective rate of 28% (2008: 41%). The 2008 effective rate was distorted due to impairment of goodwill (£116.5m) and other intangible assets (£6.1m) which does not qualify for tax relief. Excluding the effects of one off items, the underlying effective tax rate was 21% (2008: 25% restated), which is lower than the blended statutory rate by geography of 29% reflecting tax savings recognised in the year.

Balance sheet

Surplus and movements in total equity

The post-tax surplus for the financial year was £300.8m (2008: £112.4m). Equity attributable to Bupa increased by £361.6m, an increase of 10%, to £3,949.1m (2008: £3,587.5m) and included unrealised property revaluation losses of £44.9m (2008: losses of £32.1m), foreign exchange gains of £208.7m (2008: £107.8m) and an actuarial loss on the pension schemes of £132.2m (2008: gain of £10.2m).

Cash and other financial assets

The Group holds cash and other financial assets principally to meet the liabilities and solvency requirements of its regulated insurance subsidiaries. Cash and cash equivalents totalled £1,058.3m (2008: £920.6m) and other financial investments were £1,625.0m (2008: £1,675.9m).

Assets backing life investment contract liabilities relate to investment products sold by the Australian life business. Accounting standards require these financial assets and the related policy holder liabilities to be recorded gross on the balance sheet. These financial assets, which totalled £830.5m at 2009 (2008: £689.1m), consist of high quality investments such as cash, equities, fixed income securities and property trusts. The increase of £141.4m is due to the strengthening of the Australian Dollar during the period and increases in the fair value of the assets, partially offset by net withdrawals by policyholders. A related and substantially matching liability of £832.0m (2008: £679.4m) is shown as investment contract liabilities reflecting amounts due to the policy holders.

Interest bearing liabilities

At 31 December 2009 Bupa had total interest bearing liabilities of £1,490.6m (2008: £1,857.9m), which consisted primarily of bank borrowings, secured loans and bonds. During the year, the balance decreased as cash generation was used to repay bank borrowings. In addition, Bupa issued £350m of senior, unsecured bonds in 2009, the proceeds of which were also used to repay bank borrowings.

Foreign exchange

Approximately 70% (2008: 79%) of net assets are denominated in foreign currencies. The principal foreign exchange translation exposures arise on the Australian Dollar, the Euro and the US Dollar. Overall, 22% (2008: 16%) of the Group's net asset exposure was hedged using appropriate foreign currency borrowings and currency forward contracts.

The net increase in the foreign exchange translation reserve was £208.7m (2008: £107.8m) and represents the increase in the value of the underlying net assets of the Group's overseas subsidiaries, net of hedging. Much of the increase in reserves reflects the depreciation in 2009 of Sterling against the Australian Dollar.

Cash flow and Financing

At 31 December 2009, Bupa had net cash and cash equivalents of £1,026.4m (2008: £875.1m), an increase of 17%. This amount consists of cash and cash equivalents of £1,058.3m less overdrafts and restricted access deposits of £0.8m and £31.2m, respectively. The net increase in cash and cash equivalents was £75.6m (2008: £223.0m).

£ million	2009	2008 (restated)
Net cash generated from operating activities	522.3	306.5
Net cash from investing activities	(34.9)	(767.1)
Net cash from financing activities	(411.8)	683.6
Net increase in cash and cash equivalents (excluding foreign exchange)	75.6	223.0

Cash generation from operating activities for the year was £522.3m (2008: £306.5m) reflecting the underlying trading performance, the inclusion of a full year's results from

MBF, and the benefit of the appreciation of the Australian dollar and Euro against Sterling.

During 2009, £34.9m was utilised from investing activities driven by capital investment of £197.1m (2008: £210.2m) offset by the net liquidation of a number of financial assets.

During the course of the year Bupa repaid £680.7m of bank debt, £350.0m of which was funded by the proceeds of the senior bond issue. The balance, together with interest paid, used £411.8m of cash from financing activities.

The Group's main source of funding is via a £1.1bn committed bank facility. This facility matures in February 2011 and Bupa expects to put in place new funding arrangements prior to this and will be working towards that objective in 2010. Funding headroom under Bupa's committed facilities increased from £170.0m to £685.7m during the year. The Group Treasury department monitors funding risk as well as compliance with existing financial covenants within banking arrangements.

BUSINESS RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the Business Risks and Uncertainties section of the Bupa Annual Report and Accounts 2009 a copy of which will be found on our website www.bupa.com/presentation.

Bupa maintains a well established process for identifying and managing business risks. In addition to those risks highlighted in the Annual Report, this preliminary announcement highlights the following key prevailing risks in the current weak economic climate:

- Bupa operates in a number of countries in which the economies are still in recession and future economic growth is uncertain. This may impact the Group's trading performance in the short to medium term due to the risk of rising unemployment and the impact on spending plans of individual and corporate customers
- The risk of deflation that could reduce Bupa's ability to pass on increases in medical costs to customers via higher prices and/or make its services appear less affordable
- The risk that the outlook for Bupa's key relationship banks deteriorates materially which could impact its ability to re-finance its debts

OUTLOOK

The markets in which we operate offer excellent opportunities for long-term growth, driven by customers' desire to access better healthcare. The global trends of ageing populations, rising affluence, the increasing incidence of chronic disease and advances in medical technology will drive demand for our products and services. We are well positioned to take advantage of these trends given our geographic breadth, strong balance sheet, trusted brands and excellent market positions. We are investing in our portfolio in pursuit of growth.

Health insurance take up is related to employment levels and the recovery in jobs is likely to lag behind the pickup in economic growth in many of our markets. We also expect public spending on aged care, particularly in the UK, to tighten further in 2010. We will, therefore, continue to manage our business carefully - controlling costs and focusing capital expenditure on the strongest parts of the business.

We will continue to pursue organic growth opportunities, including developing Health Dialog's chronic disease management proposition internationally, ensure the smooth completion of Bupa Australia's integration process with MBF and invest in the continued development of our care services provision. In the UK, we will focus on reinforcing our position as market leader in health insurance through attractive new customer propositions, while increasing operating efficiency.

We are confident that we are fit for growth when the world economy recovers and remain focused on our objective of helping customers live longer, healthier, happier lives.

Ray King, *Chief Executive*
9 March 2010

A full version of this document is available at: www.bupa.com/presentation

The following notes explain the terms used throughout this announcement:

[1] **Organic** growth in revenues and surplus excludes the impact of foreign exchange movements and acquisitions and disposals.

[2] **Underlying surplus before taxation expense** excludes non-recurring items mainly including adjustments relating to Bupa Ireland, amortisation of intangible assets arising on business combinations, impairment of goodwill and intangible assets, profit/(loss) on sale of businesses and assets, the impact of property revaluations, realised and unrealised foreign exchange gains and losses and the absolute return on return seeking assets.

[3] **Other items** excluded in arriving at underlying surplus before taxation includes the following:

	2009 £m	2008 (restated) £m
Deficit arising on revaluation of property	16.2	1.4
Realised and unrealised foreign exchange losses / (gains)	12.4	(24.0)
Write off of DAC in Amedex Life business	1.1	11.5
Net gain on derecognition of available for sale financial investments	-	(4.7)
Impairment of equity accounted investment	-	6.1
Adjustments to initial valuation recognition on the hybrid bond	-	(6.2)
Other items	29.7	(15.9)

Customer numbers

million	2009	2008	Growth %
UK and North America	3.7	3.8	(5%)
EMEALA	3.2	3.0	7%
Asia Pacific	3.5	3.5	2%
Total (excl Health Dialog)	10.4	10.3	1%