



# Half Year Results Presentation

*6 months ended 30 June 2011*

**10 August 2011**



# Agenda

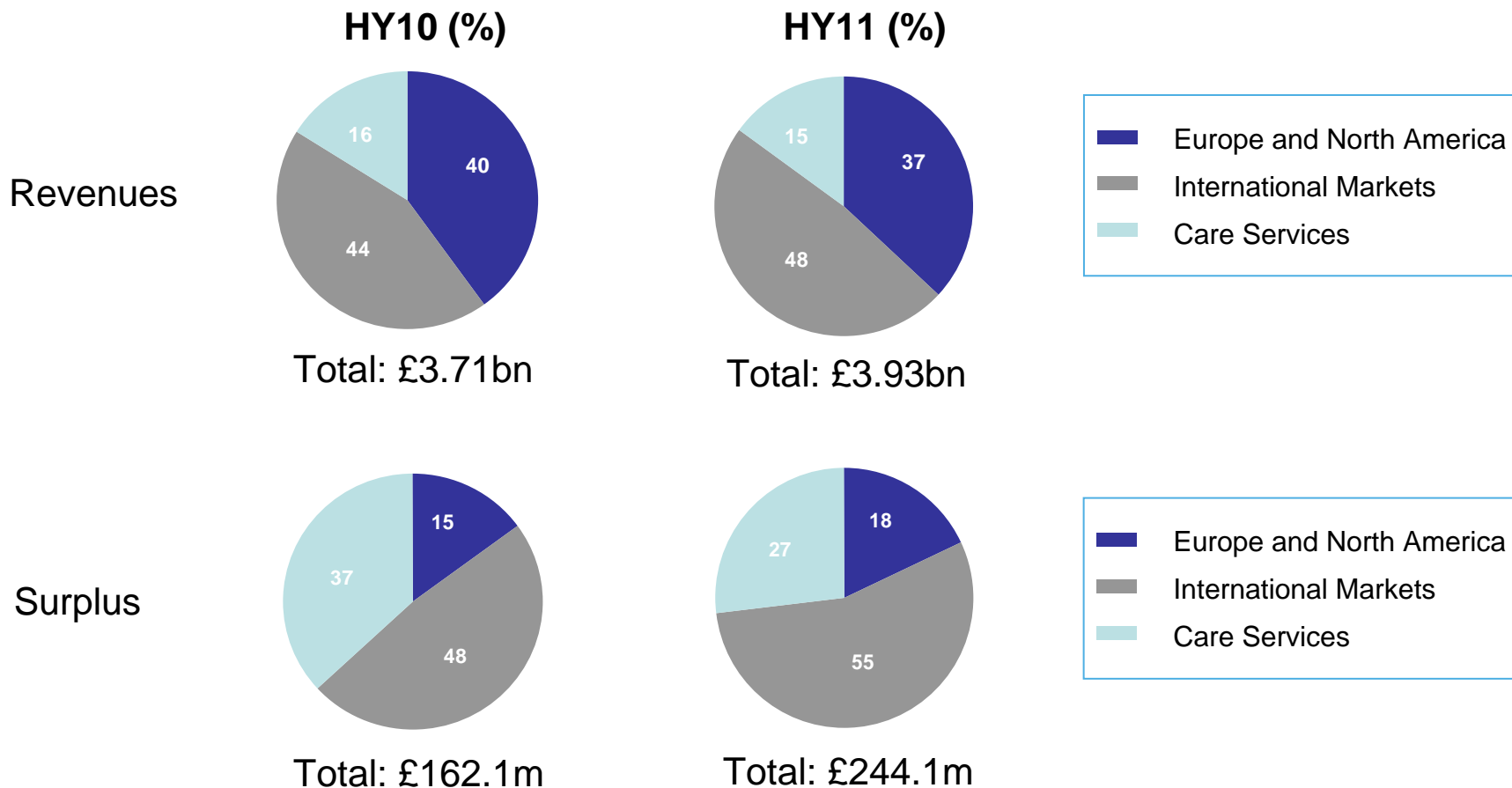
1. Introduction and Highlights Ray King, Chief Executive
  
2. Financial Review Tom Singer, Group Finance Director
  - 2.1 Group financial review
  - 2.2 Segmental results
  - 2.3 Cash, debt and solvency II
  
3. Strategy and Outlook Ray King, Chief Executive



# HY 2011 highlights

- Good growth in the first half with a strong international performance
  - revenues up 6%
  - surplus before tax up 51%
  - underlying surplus up 35% (adjusted underlying surplus up 10%)
  - leverage 19%
  
- Major operational highlights:
  - Strong results in Australia and Asia
  - Good performance in Europe despite difficult economic conditions
  - Care home profits stable notwithstanding government funding pressures
  - Acquisition of a leading hospital in Barcelona
  - Divestment of non-core businesses
  - Good progress towards Solvency II compliance

# Revenues and surplus by operating division



- Geographic diversification
- Increasing presence in International Markets

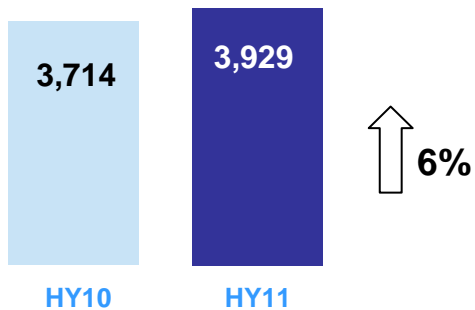
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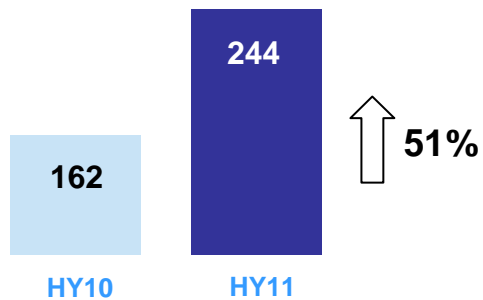


# HY 2011 financial overview

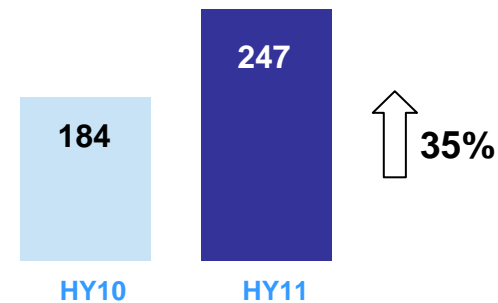
## Revenues (£m)



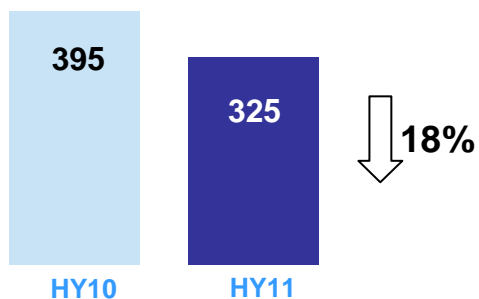
## Surplus (£m) <sup>(i)</sup>



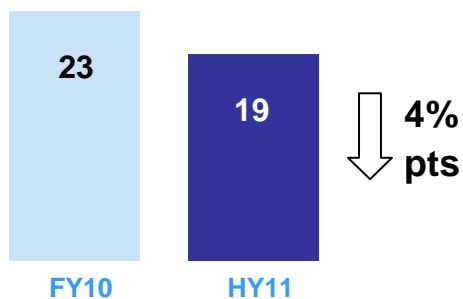
## Underlying surplus (£m) <sup>(i)</sup>



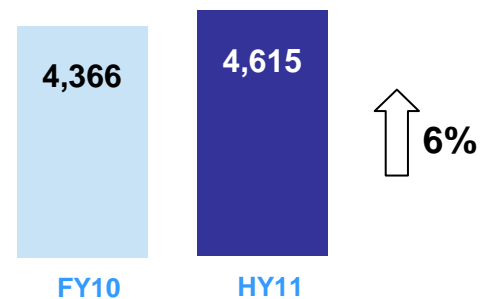
## Net cash generated from operating activities (£m)



## Leverage <sup>(ii)</sup> (%)



## Equity attributable to Bupa (£m)



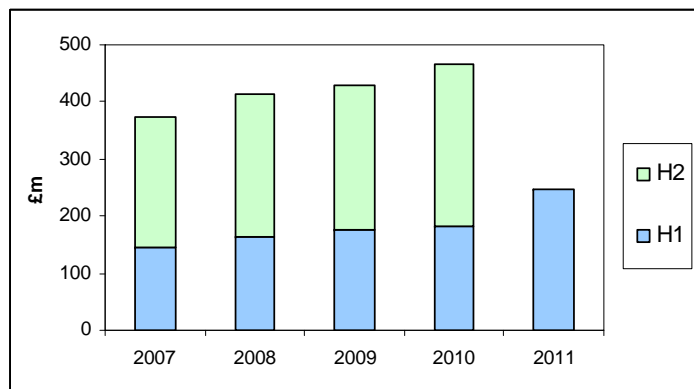
(i) Before taxation expense

(ii) Gross debt (including hybrid debt) / gross debt plus equity

# Underlying surplus

	<b>HY11</b> <b>£m</b>	<b>HY10</b> <b>£m</b>	<b>Change</b>
<b>Statutory surplus before taxation</b>	<b>244.1</b>	<b>162.1</b>	<b>51%</b>
Amortisation and impairment of intangible assets	17.3	22.6	
Gain arising on revaluation of property	(1.7)	(1.6)	
Loss/(profit) on sale of businesses and assets	(1.2)	9.9	
Gain on return seeking assets	(9.3)	(6.5)	
Realised and unrealised foreign exchange (gains)/losses	(2.0)	(2.9)	
<b>Underlying surplus before taxation</b>	<b>247.2</b>	<b>183.6</b>	<b>35%</b>
Restructuring and integration costs	(1.0)	28.0	
Adjustments for movements in foreign exchange and interest rates	-	12.5	
<b>Adjusted underlying surplus before taxation</b>	<b>246.2</b>	<b>224.1</b>	<b>10%</b>

## Underlying surplus before taxation: 2007-2011



## Financial income and expense

	<b>HY11</b>	<b>HY10</b>
	<b>£m</b>	<b>£m</b>
<i>Financial income before return seeking assets and FX</i>	42.1	43.2
<i>Net FX gain / (loss)</i>	(1.2)	5.9
<i>Return seeking asset performance (including FX hedging)</i>	<u>9.3</u>	<u>6.5</u>
<b>Financial income</b>	<b>50.2</b>	<b>55.6</b>
<b>Financial expense</b>	<b>(38.4)</b>	<b>(36.4)</b>
<b>Net financial income / (expense)</b>	<b>11.8</b>	<b>19.2</b>

Net financial income / expense (excluding return seeking asset performance and FX)	3.7	6.8
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- Stable levels of net financial income and expense (excluding return seeking assets and FX)
- Improved return seeking asset performance off-set by marginally lower investment income on cash and higher bank borrowing costs



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# Europe and North America - HY 2011 Financials

Bupa Health and Wellbeing UK, The Bupa Cromwell Hospital, Sanitas, Health Dialog, Bupa Scandinavia

	HY11 £m	HY10 £m	Change (%)
<b>Revenues</b>	1,464.3	1,491.6	(2)
<b>Surplus <sup>(i)</sup></b>	45.0	27.0	67

- Divisional revenues flat and surplus up in difficult economic conditions
- BHW UK: Underlying revenues and surplus up; margins improved  
Bupa Health Assurance sold January 2011
- Sanitas: Increased revenues and surplus; hospital acquisition (Barcelona)
- Health Dialog: Revenues and surplus down; action taken to reduce costs in the tough US environment
- Bupa Cromwell: Increased revenues and surplus; major development project underway  
Hospital

(i) Profits seasonally weighted in favour of 2<sup>nd</sup> 6 months

# International Markets - HY 2011 Financials

Bupa Australia, Bupa International, Bupa Latin America, Max Bupa India, Bupa Hong Kong, Bupa Thailand, Bupa Arabia, Bupa China

	HY11 £m	HY10 £m	Change (%)
Revenues	1,872.2	1,638.7	14
Surplus	139.3	85.6	63

- Divisional revenues and surplus up primarily due to strong growth in Bupa Australia, Bupa International and favourable FX movements
- Bupa Australia: Revenues and surplus increased due to operational efficiencies, FX movements and reduced integration costs
- Bupa International: Revenues and surplus increased significantly
- Bupa Hong Kong: Revenues and surplus increased
- Bupa Thailand: Revenues up and small increase in surplus
- Bupa Latin America: Revenues up but surplus slightly down due to rising claims costs
- Bupa Arabia: Revenues up but surplus down due to a one-off regulatory cost
- Max Bupa India: Completed first full year of trading

# Care Services - HY 2011 Financials

Bupa Care Services UK, Bupa Care Services Australia, Bupa Care Services New Zealand, Sanitas Residencial, Bupa Home Healthcare

	HY11 £m	HY10 £m	Change (%)
Revenues	588.7	583.6	1
Surplus	67.7	66.1	2

- Divisional revenues and surplus continued to increase despite a challenging environment
- Occupancy stable at 88% and freehold ownership of care homes of around 80%
- UK: Revenues up and surplus marginally down due to higher catering and utility costs; occupancy 87% (HY10: 87%)
- Australia: Revenues and surplus increased; occupancy remained high at 93% (HY10: 94%)
- New Zealand: Revenues and surplus increased due to rising occupancy and good cost management; occupancy 95% (HY10: 94%)
- Spain: Revenues and surplus increased; occupancy 81% (HY10: 81%)



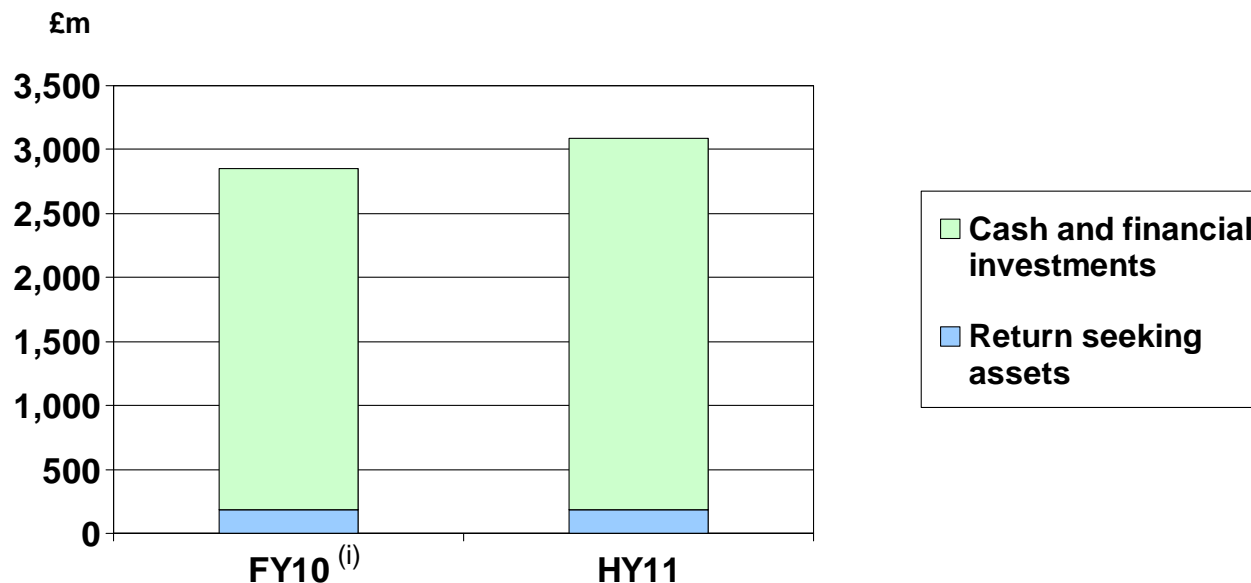
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## Net cash generated from operating activities

	HY11 £m	HY10 £m	Change (%)
<b>Surplus before taxation expense</b>	<b>244.1</b>	<b>162.1</b>	
Net financial income and expense	(11.8)	(19.2)	
Depreciation, amortisation and impairment	92.9	94.5	
Other non-cash items	(3.2)	13.2	
Increase in provisions and other liabilities under insurance contracts issued	260.2	318.8	
Increase in assets under insurance contracts issued	(138.0)	(125.1)	
Change in net pension asset / liability	(5.6)	(2.7)	
Decrease / (increase) in trade and other receivables, and other assets	1.4	19.0	
(Decrease) / increase in trade and other payables, and other liabilities	(63.6)	(9.6)	
<b>Cash generated from operations</b>	<b>376.4</b>	<b>451.0</b>	<b>(17)</b>
Income tax and withholding tax paid	(51.8)	(55.9)	
<b>Net cash generated from operating activities</b>	<b>324.6</b>	<b>395.1</b>	<b>(18)</b>

## Cash and investment portfolio



- Increase in cash due to growing businesses and favourable FX movements
- Conservative investment portfolio
- Approximately 88% of portfolio held in investments at AA- / Aa3 or better
- £189m return seeking asset portfolio; equivalent to 6% of Group cash and investments

(i) Excludes £173.6m of BHA cash and investments which were designated as 'assets held for sale' at FY10

# Borrowings

	<b>HY11</b>	<b>FY10</b>	<b>HY10</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank borrowings	-	192	243
£350m senior bond due 2016	360	360	360
£330m hybrid bond (perpetual)	388	377	387
£235m care homes securitisation due 2029 / 2031	238	238	238
£50m debenture due 2014	56	57	58
Other borrowings	62	65	64
<b>Gross borrowings</b>	<b>1,104</b>	<b>1,289</b>	<b>1,350</b>

<b>%</b>	<b>HY11</b>	<b>FY10</b>	<b>HY10</b>	<b>FY09</b>
Leverage <sup>(i)</sup>	19	23	25	27
Leverage <sup>(ii)</sup>	12	16	18	21

- £900m revolving credit facility fully undrawn at HY 2011
- Leverage down to 19%

(i) Gross debt (including hybrid debt) divided by (gross debt + equity)  
(ii) As per (i) but hybrid classified as equity due to its technically perpetual nature



## Solvency II

- Solvency II programme is continuing to progress in line with the January 2013 timeline
- Good global engagement with functional and business teams
- Successful participation in EIOPA stress test
- Positive regulatory relationships and good lobbying outcomes
- Bupa expects to be comfortably solvent by the compliance deadline

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# Group strategic context and focus

## Market context

- Long-term trends in chronic disease and demographics underpin growth
- People want more choice and control over their healthcare, especially online
- Pressure on government budgets

## Bupa well placed

- Strong brands, market positions and balance sheet
- Skill base in key areas of ageing, chronic disease management and wellbeing
- International reach and reputation provides strong platform for growth

## Focus

- Existing major markets where Bupa is a key player and can sustain and develop its strong positions
- Promising development opportunities in selected high growth economies in Asia and Latin America
- Be seen as a healthcare partner by our customers to aid differentiation
- Continued prudent financial management



## Political and regulatory landscape



- **UK:** Continuing uncertainty in the public sector
  - Local authority funding pressures in aged care
  - Commission on Funding of Care and Support has reported
  - Health and Social Care Bill undergoing parliamentary scrutiny
  - OFT market study into private healthcare provision market



- **Australia:** Government pushes healthcare reform agenda
  - 3<sup>rd</sup> attempt at means testing PHI 30% rebate
  - National Access Guarantee legislation likely to increase public patients in private hospitals



- **Spain:** Government continues to get to grips with weak economy
  - Regional Governments increased interest in PPPs
  - Government prepared to cut public services post regional elections
  - General election in November



- **US:** Starting to see implementation of Obama's health reform laws
  - Uncertainty remains as Republicans challenge reform

# Current operating priorities

## Europe and North America

- **BHW UK:** Customer retention; strong NPD pipeline
- **Sanitas:** Strong SME and dental focus; tight control of provider costs
- **Health Dialog:** Drive new product development to help Health Plan customers respond to health reform
- **Bupa Cromwell Hospital:** Investment programme underway to upgrade facilities

## International Markets

- **Bupa Australia:** Strong sales focus in good market conditions; ongoing synergy benefits
- **Bupa International:** Increased access to customers via web and focus on regionalisation
- **Latin America:** On-shore investment in Mexico to drive growth
- **Hong Kong / Thailand:** Strong selling effort in good market conditions; investment in branding
- **India:** Widening product portfolio and continued development of distribution network

## Care Services

- **Division:** Focus on cost control and differentiation via dementia expertise; investment focus on private pay
- **UK:** Prudent cost control as LAs look to reduce spending in current economic climate
- **Spain:** Occupancy and differentiated dementia offering
- **Australia / New Zealand:** Focus on good new build opportunities in stable market conditions
- **Bupa Home Healthcare:** Operational efficiency and growth in core markets

# Outlook

- The Group has benefited greatly from its strong international footprint and we expect continued momentum in the second half
- Focus on operational efficiency, product development and customer retention in Europe / US where high unemployment levels persist
- In the UK, we expect some short term pressure on aged care funding
- While the world is going through a difficult phase, we are optimistic about our future. The long term drivers of growth remain strong



Half Year Results Presentation  
*6 months ended 30 June 2011*

Questions and Answers

[www.bupa.com](http://www.bupa.com)



# The Bupa Group structure

Bupa Group			
Divisions	Europe and North America	International Markets	Care Services
	Business Units	Bupa Health and Wellbeing UK	Bupa Australia
Bupa Cromwell Hospital		Bupa International	Bupa Care Services Australia
Sanitas		Bupa Latin America	Bupa Care Services New Zealand
Health Dialog		Max Bupa India (JV)	Sanitas Residencial
Bupa Scandinavia		Bupa Hong Kong	Bupa Home Healthcare
		Bupa Thailand	
		Bupa Arabia (JV)	
		Bupa China	

