

HALF YEAR RESULTS PRESENTATION

6 months ended 30 June 2015

6 August 2015

AGENDA

- 1 **Group Highlights - Stuart Fletcher, CEO**
 - 2 Segmental Results - Stuart Fletcher, CEO
 - 3 Financial Review - Evelyn Bourke, CFO
 - 4 Operating Priorities and Outlook - Stuart Fletcher, CEO
 - 5 Q&A
-

HY 2015 GROUP HIGHLIGHTS:

STEADY GROWTH, MAINTAINING STRONG MARKET POSITIONS

PERFORMANCE

- Delivered a steady performance despite challenging market conditions

HIGHLIGHTS

- Revenue £4.9bn, up 7% at CER⁽¹⁾
- Underlying profit before taxation⁽²⁾ £253.3m up 2% at CER
- Net cash flow from operations down 16% to £453.7m (2014 HY: £542.9m)
- Preparation for Solvency II well underway
- Leverage steady, credit ratings maintained

(1) Constant exchange rates

(2) See slide 13 for further details

OPERATING ENVIRONMENT:

CONTINUE TO GROW IN CHALLENGING MARKETS

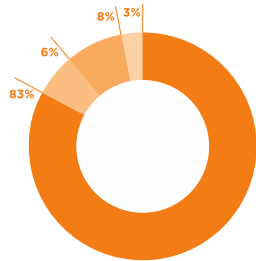
- Operating environment remains challenging in many of our markets, but we continue to grow and maintain our strong market positions
- Australian economy is growing more slowly than previous years with consumer confidence down
- Signs of growth in the corporate and SME insurance segments after an overall decline in the UK health insurance market across the last decade
- Economic conditions in Spain remain challenging, however, the economy has out-performed GDP growth forecasts
- Regulatory reform in a number of markets, including Poland, Hong Kong, Chile and Thailand
- Public funding pressures in the UK mean local authority funding for care services is often below the true cost of delivering care

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AUSTRALIA AND NEW ZEALAND

REVENUES BY BUSINESS



■ Bupa Australia Health Insurance
■ Bupa Health Services Australia
■ Bupa Aged Care Australia
■ Bupa Care Services New Zealand

Good revenue growth in a challenging marketplace, but profits down

Performance

- Good health insurance revenue growth despite affordability pressures
- Continued focus on improving customer experience
- 2014 profits benefited from release of risk margin due to regulatory change

REVENUES ⁽¹⁾

£1,852.3m

(HY 2014: £1,812.4m)

Up 2%; Up 9% CER

UNDERLYING PROFIT

£121.9m

(HY 2014: £142.6m)

Down 15%; Down 8% CER

CUSTOMERS

5.1m

(HY 2014: 4.7m)

Up 9%

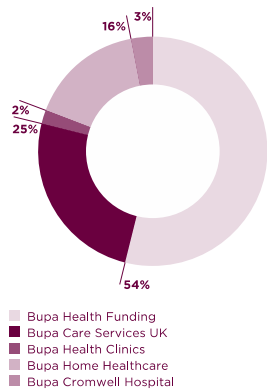
Operational Highlights

- Expansion in the dental market and Healthcare provision business progressing
- Bupa Medical Visa Services expanded

(1) HY 2014 revenues of £1,812.4m do not include the revenues of the equity accounted associate (Dental Corporation, Canada) which was disposed of in 2014

UNITED KINGDOM

REVENUES BY BUSINESS



REVENUES

£1,375.0m

(HY 2014: £1,336.6m)

Up 3%

UNDERLYING PROFIT

£55.4m

(HY 2014: £61.3m)

Down 10%

CUSTOMERS

3.6m

(HY 2014: 3.5m)

Up 3%

Revenue growth from all parts of the business, but profits down

Performance

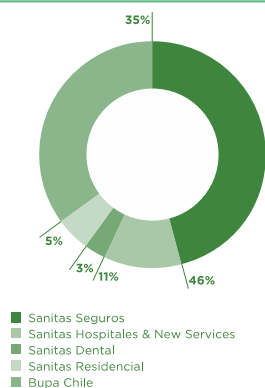
- Growth in SME and corporate health insurance products
- Home Healthcare contract wins
- Positive contribution from 2014 dental centre acquisitions
- Care Services profit benefitted from good growth in Richmond Care Villages
- Profits down due to impacts of narrowing margins in corporate health insurance

Operational Highlights

- Continued to look for ways to improve affordability across the private health sector for the benefit of customers
- Expansion in the dental market progressing
- Continued investment in care homes to provide even better services
- Launched Bupa Boost

SPAIN AND LATIN AMERICA DOMESTIC

REVENUES BY BUSINESS



REVENUES

£939.8m

(HY 2014: £885.0m)

Up 6%; Up 17% CER

UNDERLYING PROFIT

£57.5m

(HY 2014: £54.4m)

Up 6%; Up 17% CER

CUSTOMERS

4.2m

(HY 2014: 3.6m)

Up 17%

Resilient performance with strong growth in revenue, customers and profit

Performance

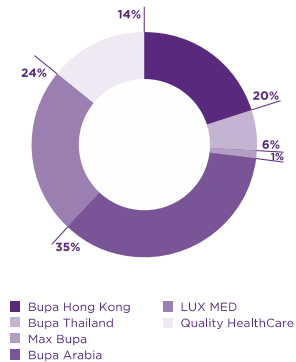
- Revenue growth largely driven by the first full half-year contributions from Bupa Chile and Virgen Del Mar Hospital
- Lower claims and costs in Sanitas Health Insurance contributed to profit growth

Operational Highlights

- Sanitas Residencial expands pioneering day care centre service
- Continue to innovate with new product propositions in Spanish Health Insurance
- Construction progressing on new flagship hospital, Clínica Bupa Santiago
- Salud Global launch, the first tiered range of IPMI products in Chile

INTERNATIONAL DEVELOPMENT MARKETS

REVENUES BY BUSINESS (1)



Good revenue performance with significant profit growth

Performance

- Revenue growth was primarily driven by Hong Kong and Poland
- Particularly strong customer growth in Bupa Arabia, in all segments
- Strong sales growth across IDM's health insurance businesses
- Positive impact on earnings from the sale of Health Dialog

REVENUES(2)

£270.2m

(HY 2014: £250.3m)

Up 8%; Up 6% CER

UNDERLYING PROFIT

£10.1m

(HY 2014: £(0.3)m)

Up >100%; Up >100% CER

CUSTOMERS

10.5m

(HY 2014: 8.4m)

Up 25%

Operational Highlights

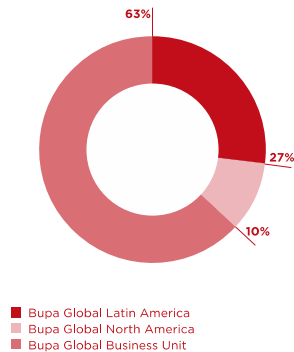
- In Poland, acquired Medico and TK-MEDYK, extending our geographic footprint
- Launched new fee-for-service clinics under the Profemed brand in Poland
- Finalising application to increase our stake in Max Bupa to 49%
- Acquisition of oncology specialist provision, Magodent, in Warsaw in July

(1) Chart includes all revenues to give a sense of the scale of each business

(2) Revenues of £270.2m do not include the revenues of equity accounted joint ventures (Max Bupa, India) and associates (Bupa Arabia)

BUPA GLOBAL

REVENUES BY BUSINESS (1)



REVENUES (2)

£479.7m

(HY 2014: £487.0m)

Down 1%; Down 6% CER

UNDERLYING PROFIT

£50.9m

(HY 2014: £37.4m)

Up 36%; Up 24% CER

CUSTOMERS

1.9m

(HY 2014: 1.9m)

Flat

Profit recovery after challenging 2014

Performance

- Underlying profit performance up due to exiting non-strategic geographies and re-pricing a number of loss-making corporate accounts
- Continued focus on operational efficiencies
- Strong retention across all markets and segments but challenging new sales in certain segments

Operational Highlights

- Partnership with Hang Seng Bank in Hong Kong performing well
- Launch of individual tiered proposition products in the UK, Hong Kong, Mexico and Chile
- Regionalisation strategy continues – Bupa Global Greater China now fully established and Bupa Global Middle East being formed
- Activation of provider network formed through strategic global partnership with the Blue Cross Blue Shield Association⁽³⁾

(1) Chart includes all revenues to give a sense of the scale of each business

(2) Revenues of £479.7m do not include the revenues of equity accounted associates (Highway to Health, part of Bupa Global North America)

(3) Blue Cross Blue Shield Association is a national federation of 36 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 106 million members

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HY 2015 FINANCIAL OVERVIEW

REVENUES

HY2014	£4.8bn
HY2015	£4.9bn

(Up 3%)
(Up 7% at CER)

UNDERLYING PROFIT BEFORE TAXATION⁽¹⁾

HY2014	£259.8m
HY2015	£253.3m

(Down 3%)
(Up 2% at CER)

STATUTORY PROFIT BEFORE TAXATION

HY2014	£266.6m
HY2015	£255.4m

(Down 4%)

NET CASH GENERATED FROM OPERATING ACTIVITIES

HY2014	£542.9m
HY2015	£453.7m

(Down 16%)

LEVERAGE⁽²⁾

FY2014	27.6%
HY2015	28.0%

(Up 0.4% pts)

IGD COVERAGE

FY2014	319%
HY2015	321%

(Up 2% pts)

(1) In order to reflect trading performance in a consistent manner, we remove a number of non-trading items from our reported profit that limit comparability to arrive at underlying profit. See slide 13

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

UNDERLYING PROFIT

Summary of results		
	HY 2015 £m	HY 2014 £m
Total revenues	4,916.6	4,770.9
Underlying profit before taxation	253.3	259.8
Non-underlying items	2.1	6.8
Statutory profit before taxation	255.4	266.6
Taxation	(52.5)	(54.1)
Profit for the period	202.9	212.5

NON-UNDERLYING PROFIT ITEMS

	HY 2015 £m	HY 2014 £m
Amortisation of intangible assets arising on business combinations	(24.7)	(27.1)
Transaction costs on acquisitions and disposals	(0.7)	(4.2)
Realised and unrealised foreign exchange (losses)/gains	(13.3)	7.2
Net property revaluation gains	6.6	4.3
Net losses on disposal of fixed assets	(0.8)	(0.4)
Deferred consideration in relation to the sale of Bupa Ireland Limited	24.1	-
Net gain on disposal of businesses	-	11.1
Gains on return seeking assets, net of hedging	6.8	12.7
Restructuring costs	-	(1.0)
Other ⁽¹⁾	4.1	4.2
Total non-underlying profit items	2.1	6.8

(1) Other includes central non-underlying costs including £4.0m of foreign exchange gains in 2015

SOLVENCY

THE GROUP MAINTAINS STRONG SOLVENCY COVER

Group Solvency Position (IGD)	HY2015	FY2014
	£m	£m
Capital resources	2,634.7	2,588.1
Capital requirement	820.9	812.0
Solvency surplus	1,813.8	1,776.1
Solvency Coverage %	321%	319%

£37.7M INCREASE IN SURPLUS SINCE FY2014 DRIVEN BY PROFIT IN THE PERIOD AND REDUCTION IN INADMISSIBLE ASSETS OFFSET BY FX

Group Solvency Movements	£m
2014 Year end solvency surplus	1,776.1
Profits	69.7
Acquisitions & disposals	(21.3)
Decrease in inadmissible assets	72.5
FV adjustments to regulatory capital	(6.9)
Foreign exchange	(47.9)
Movement in non-controlling interest	(4.5)
Valuation and other movements	(15.0)
Change in requirement	(8.9)
2015 Half year solvency surplus	1,813.8

SOLVENCY II

PREPARATION WELL UNDERWAY – DEMONSTRATES WE WILL BE WELL CAPITALISED UNDER THE NEW REGIME

- Solvency II will apply from 1 January 2016
- Subject to Group regulation, with Bupa Insurance Ltd and Sanitas Seguros regulated as Solo entities
- Remain well capitalised under Solvency II, both as a Group and at each Solo entity level
- Used the standard formula to assess our solvency capital requirement and have applied for an undertaking specific parameter for premium risk for each of the Group, Bupa Insurance Ltd and Sanitas Seguros
- We are closely engaged with the PRA on the various industry wide aspects of preparation
- Our Solvency II capital position is a key consideration in our business investment and decision making

CASH GENERATION

A GOOD PERIOD OF CASHFLOW ALBEIT DOWN FROM A PARTICULARLY STRONG HY 2014

	HY 2015 £m	HY 2014 £m
Profit before taxation expense	255.4	266.6
Adjustments for:		
Net financial expense	18.1	12.5
Depreciation, amortisation and impairment	132.2	129.8
Other non-cash items (including deferred consideration on disposal of Bupa Ireland Ltd)	(13.8)	(24.7)
Changes in working capital and provisions:		
Movements in insurance assets/liabilities	181.2	203.5
Change in net pension asset/liability	(6.9)	0.3
Change in working capital	(77.7)	45.8
Cash generated from operations	488.5	633.8
Income taxation paid	(34.1)	(90.3)
Decrease in cash held in restricted assets	(0.7)	(0.6)
Net cash generated from operating activities	453.7	542.9
Capital expenditure ⁽¹⁾	(161.0)	(138.4)
Net acquisitions/disposals of businesses ⁽²⁾	(23.2)	(191.7)
Receipt of deferred consideration on disposal of Bupa Ireland Limited	24.1	-
Interest income received	33.4	22.3
Interest paid	(47.7)	(50.7)
Repayment of borrowings	(29.5)	(405.1)
Proceeds from new borrowings	35.4	619.8
FX/Other	(86.7)	63.1
Net increase in cash and financial investments	198.5	462.2
Closing cash and financial investments ⁽³⁾	3,427.3	3,516.0

(1) Includes purchase of property, plant and equipment, intangible assets and investment properties

(2) Includes increases/decreases in equity accounted investments

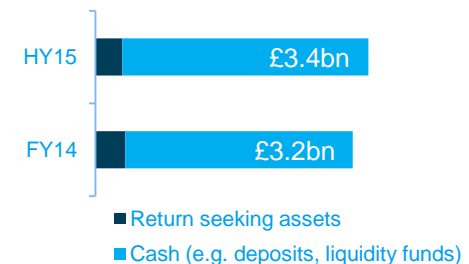
(3) Includes restricted assets

CASH AND FINANCIAL INVESTMENTS

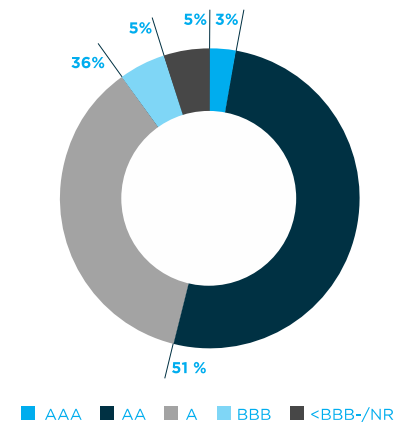
PRUDENT INVESTMENT APPROACH AND INCREASE IN CENTRAL CASH

- £3.4bn cash and financial investments
- £157m cash held centrally
- Conservative investment portfolio
- Approximately 90% of portfolio held in investments rated \geq A-/A3 by 1 or more agency
- £339m return-seeking asset portfolio held in UK and Australian insurance businesses (10% of Group cash and financial investments)

CASH AND INVESTMENT PORTFOLIO



HY15 CASH AND INVESTMENTS BY CREDIT RATING (%)



BORROWINGS

STABLE LEVERAGE AND BANK FACILITY EXTENDED

	HY 2015 £m	FY 2014 £m
Borrowings under £800m bank facility	-	-
£500m subordinated bond due 2023	500	499
£330m perpetual hybrid bond (g'teed by Bupa Insurance Ltd)	400	398
£350m senior bond due 2016	362	362
£350m senior bond due 2021	347	348
£235m care homes securitisation due 2029 / 2031	238	238
Bupa Chile	160	164
Other	70	75
Total borrowings	2,077	2,084

LEVERAGE (%)



- Bupa's £800m bank facility remains undrawn
- Leverage steady at 28%
- Bupa Finance Plc senior debt ratings remain at A- (Fitch) and Baa2 (Moody's)
- Recently extended the bank facility to July 2020

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CURRENT OPERATING PRIORITIES

Australia & New Zealand

- Change programme – in health insurance, enhancing end-to-end customer experience and operating efficiency
- Expanding care home portfolio while creating additional services, e.g. care hubs
- Growing dental business and leveraging increased Bupa customer traffic (cross-selling)
- Growing Health Services business and delivering public sector opportunities

International Development Markets

- Integrating acquisitions in Poland
- Expanding distribution channels and developing new innovative methods of interacting with customers
- Driving operating efficiencies and exploiting economies of scale
- Assessing opportunities for new market entry

United Kingdom

- Focused on growth through working across the sector to make private healthcare more accessible and affordable
- Change programme – delivering efficiencies and organising around specific customer segments
- Further investment in dental provision both organically and inorganically and in Care Services
- Working through future implications for the aged care sector following the move to a National Living Wage from April 2016, with full implementation by 2020

Bupa Global

- Change programme – continuing to regionalise operations and improve operational efficiency
- Continuing to launch tiered global healthcare propositions in priority markets
- Partnering with sister MUs to utilise joint scale and local market expertise
- Highway to Health (HTH) investment – focusing on growth in Corporate sector

Spain & Latin America Domestic

- Capturing new Health Insurance customers – supported by new products and services
- Expanding owned dental provision network
- Managing medical costs carefully to ensure products are affordable and deliver sustainable growth
- Accelerating performance from Bupa Chile

Bupa-wide priorities

- Continued focus on operational efficiency
- Continuing to strengthen risk and governance capabilities
- Delivering performance from our acquired businesses
- Organic growth and innovation
- Solvency II
- Investing in people, leadership and talent capability
- Ensuring practice sharing platforms are delivering impact on business performance
- Focusing on driving further cash generation
- Delivering on Bupa's 2015 carbon reduction target

OUTLOOK

- Anticipate market conditions will remain challenging particularly in Australia, the UK and Spain
- International scale and market leading positions, supported by our robust balance sheet, mean we are positioned for continued revenue and profit growth

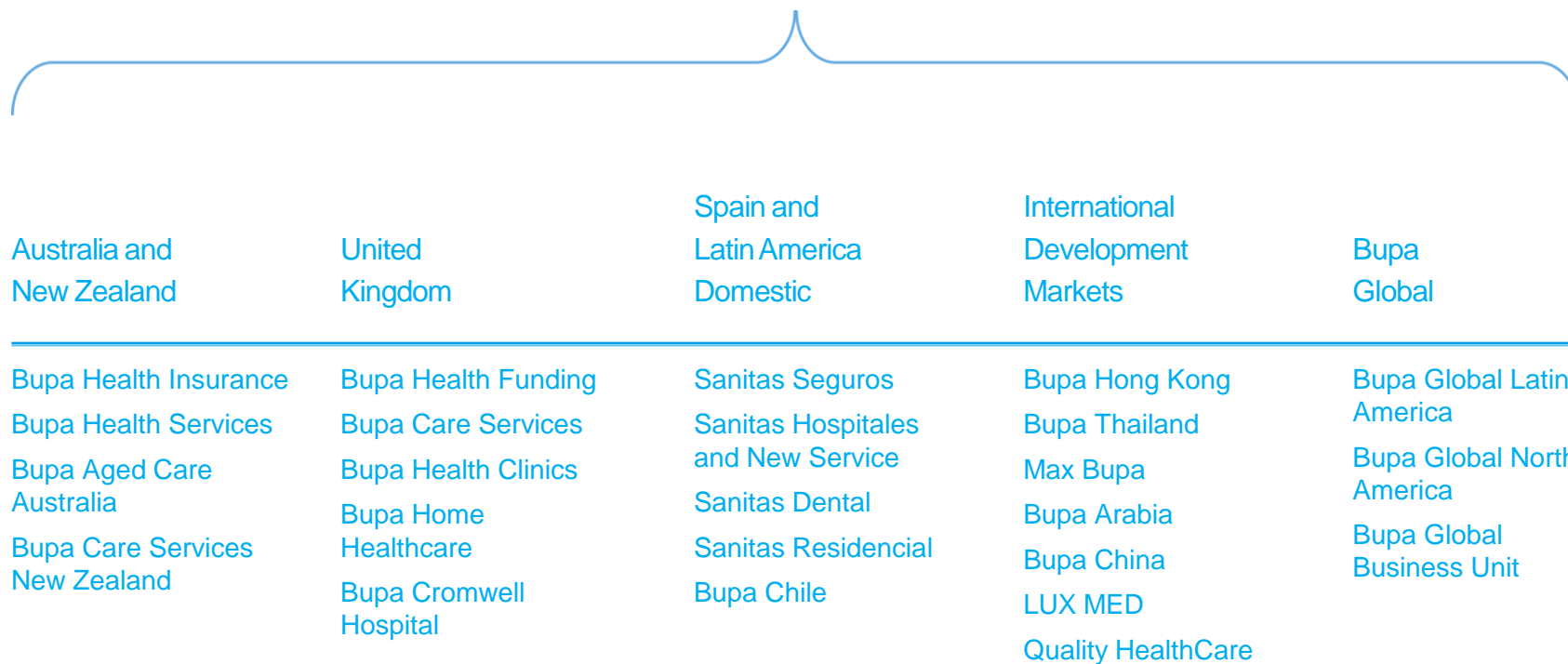
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QUESTIONS AND ANSWERS

APPENDIX: DETAILED ORGANISATION STRUCTURE

MARKET UNITS



DISCLAIMER

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

- *This document may contain certain forward-looking statements with respect to certain of the British United Provident Association Limited Group's ("Bupa's") plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Bupa's control, including, among others, global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries. As a result, Bupa's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Bupa's forward-looking statements. Bupa does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.*