

Group CEO's review

The COVID-19 pandemic has changed our world on every level. The past year saw a seismic shift in priorities and accelerated social and technological change.

“We must deliver for customers and play our part in society. Our focus is on growth, transformation and sustainability. We must grow the business of today. We must innovate and become the business of tomorrow. And we must act on the climate crisis – healthy people and healthy businesses need a healthy planet.”



I am incredibly proud of how our team responded in 2020 and thank all our people across the world for their amazing hard work and commitment, as well as their contribution to wider society during this difficult period. COVID-19 is having a terrible impact across the world at a very human level. I want to recognise all those whose lives were lost to the virus. Our thoughts are with their families and loved ones.

The pandemic has also changed our world on every level. The past year saw a seismic shift in priorities and accelerated social and technological change. Health has been elevated in the minds of individuals, families, organisations and governments. COVID-19 and its impacts have accelerated digitalisation exponentially and permanently. This has coincided with significant shifts in social and political dynamics, including increasing expectations of businesses.

Having been at Bupa for over 15 years, most recently as CEO of Europe and Latin America, I am honoured to serve as Group CEO from the start of 2021. On behalf of the organisation, I would also like to thank Evelyn Bourke for leading Bupa as our Group CEO for many years but, in particular, through a very difficult 2020.

It is an important time for Bupa. We must deliver for customers and play our part in society. Our focus is on growth, transformation and sustainability. We must grow the business of today. We must innovate and become the business of tomorrow. And we must act on the climate crisis – healthy people and healthy businesses need a healthy planet.

Our 2020 Full Year results reflect volatile and, in some lines of business, challenging trading conditions from the pandemic across our markets. Despite this, the benefits of the diversified nature of Bupa, both in terms of health business line and geography, are demonstrated in these results with revenue at £12.1bn flat at CER on 2019 and underlying profit marginally down at £388m.

Over 2020, we responded to the fast-changing environment acting responsibly, as part of national efforts to address the pandemic, and with the interests of our customers and employees always prioritised. The actions we took to support customers and our people, our operational response to COVID-19, and the pandemic's impact by business line were as follows:

- **Insurance:** Throughout the pandemic we accelerated investment in telehealth and digital healthcare services, so that customers could continue to access healthcare remotely. We took a range of targeted actions in our markets to support our customers. These included: a pledge to pass back any exceptional financial benefit arising from COVID-19 to UK PMI customers; removing pandemic exclusions for COVID-19; delaying approved premium increases in Australia and Chile; providing free access to Blua digital consultations in Spain; and supporting those experiencing financial hardship. Claims were reduced by the restrictions on access to healthcare facilities, in particular, hospitalisation for elective surgery, giving some benefit to profit in the year. Although these restrictions have largely been lifted, postponed claims will return and the quantum and timing of claims rebound in 2021 remains uncertain. There is potential for volatility in insurance profits in the coming year, although this will be largely mitigated in Australian Health Insurance and in the UK PMI business by reserves held at year end.
- **Health provision:** Our hospitals in Spain, Poland and Chile treated thousands of COVID-19 patients as part of the national responses. In Spain, we doubled the number of ICU beds and constructed two field hospitals. In the UK, the Cromwell Hospital treated cancer and cardiology patients on behalf of the NHS. Other businesses, particularly dental and clinics, were largely closed during the initial

Performance 2020

Revenue¹

£12.1bn

-2% AER 2019: £12.3bn
0% CER 2019: £12.1bn

Statutory profit/(loss) before taxation

£410m

AER 2019: £(78)m

Underlying profit²

£388m

-7% AER 2019: £416m
-4% CER 2019: £404m

1. Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.
2. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory profit before taxation can be found in the notes to the condensed consolidated financial statements.

lockdown periods, which affected performance. As restrictions eased, we reopened services with operational safety measures in place. Activity started to recover towards normal levels in the second half of the year, although continued to be impacted by local lockdowns.

- **Aged care:** Protecting residents and staff remains our absolute focus, with comprehensive safety measures introduced and investment in safety equipment, staff training and support. Across our businesses in Spain, the UK, Australia and New Zealand, our teams supported and cared for our residents and worked hard to maintain their connections with families and loved ones using technology. We introduced temporary admissions restrictions to protect our residents and our people. We closed the year with reduced occupancy levels, which impacted performance. We incurred higher operating costs with additional PPE and other pandemic related expenses. In Australia, we invested to improve clinical standards and ended the year with no care homes under regulatory sanction.

For our people, we focused on keeping them safe and supporting them during uncertainty. We significantly expanded the availability of mental wellbeing and resilience services, helplines and support. We enabled our frontline people to continue to work safely by implementing enhanced cleaning regimes in facilities, providing PPE and training on specialist equipment. We facilitated remote working wherever possible through technology and at the peak of the first wave of the pandemic, 96% of our people were able to work. Different working arrangements were put in place for the remainder of our people.

During 2020, we supported the work of community partners through a Healthy Communities Fund and via the Bupa Foundations in the UK, Spain and Australia.

Many thousands of our people volunteered to support those affected by the pandemic, including participating in our programmes to support mental health and resilience for young people and in schools. We continued to progress our environmental management agenda and prepare a new Environment and Climate Action plan, which we aim to publish this year.

We remain financially strong with a stable solvency capital position. Over the year, we managed liquidity prudently and improved our debt maturity profile raising £650m through a senior bond and Tier 2 bond issue. We also redeemed £330m of bonds issued in 2004. We increased our shareholding in Bupa Arabia by 4% to 43.25% as part of our ongoing investment in strengthening our market positions. I would like to thank Joy Linton, our outgoing CFO for her leadership over her years at Bupa and for her excellent handover to Martin Potkins our Interim CFO.

We have strong foundations for our future. Significant investment in technology, a streamlined organisation structure, and our diversified business model helped us end 2020 in a strong position and ready to begin a new stage of growth for the benefit of our customers, even though we face some challenges.

Outlook

We are in the early stages of vaccine deployment in many of our markets but the pace will vary, and it is clear COVID-19 will continue to impact economies, health systems and our business lines over the medium term. These impacts will vary by country. The quantum and timing of deferred health insurance claims in some markets is also uncertain. We will continue to adapt and innovate to meet the demands of this new environment, continuing to play our part in helping customers, our people and society.

The pandemic has accelerated opportunities in our markets. Customers are increasingly focused on their health and wellbeing, and both customers and clinicians are more willing to use telehealth services – presenting opportunities for healthcare companies who can adapt to these trends.

We are well-placed to address these challenges and opportunities with underlying financial strength, a resilient organisation and a diversified business model. We are developing our new strategy with a focus on excellence for customers, innovation, transformation and sustainability. I am confident we will end the year with increased momentum in all these areas.



Iñaki Ereño
Group CEO

Our priorities for 2021

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| Our priorities are... | <ul style="list-style-type: none"> ▪ Excellence for customers ▪ Innovation ▪ Digital transformation ▪ Sustainability ▪ Growth |
| We are committed to... | <ul style="list-style-type: none"> ▪ Continuing to adapt and innovate to meet the new demands ▪ Playing our part in helping customers, our people and society ▪ Acting on the climate crisis |
| Underpinned by... | <ul style="list-style-type: none"> ▪ Underlying financial strength ▪ A resilient organisation ▪ A diversified business model ▪ A robust Risk Management Framework |