

21 October 2015

## ASX release

### AGM – CHAIRMAN AND MANAGING DIRECTOR PRESENTATIONS

#### CHAIRMAN

My name is Elizabeth Alexander and as Chairman of Medibank, I welcome you to this our first annual general meeting as a publically listed company.

Before introducing you to the rest of the Board, I wish to acknowledge that we are meeting on Wurundjeri land, the home of the Kulin nation, and pay my respects to their Elders – both past and present.

Now to introduce you to the Board and Company Secretary. I will ask them to stand to identify themselves. On my extreme right is Anna Bligh, next is David Fagan, then to Christine O'Reilly, and then next to me is our Managing Director & CEO, George Savvides. On my extreme left is Cherrell Hirst, then Linda Nicholls, and next to Linda is Peter Hodgett, and then to our Company Secretary, Mei Ramsay.

I now formally declare the meeting open. I also declare the poll on the resolutions open, so that any shareholders who need to leave the meeting may lodge their voting cards as they leave.

It has of course been a momentous year for Medibank.

Listed in November 2014, Medibank has made a significant transition from a government business enterprise to an ASX top 100 listed company.

#### FY15 results

I am pleased to report that Medibank produced strong overall results for the year, which exceeded the earnings targets in the prospectus issued ahead of the listing. Statutory net profit after tax was \$285 million. On a pro forma basis, group net profit after tax was up by 12.9% to \$292 million. These results reflected the improved operating performance of our core Health Insurance business.

As a result of the strong performance, the Board declared an inaugural dividend as a publicly listed company of 5.3 cents per share, fully franked. This relates to the seven-month period after listing, and was higher than our prospectus forecast. This dividend represents a full year payout ratio of 70%. Our policy is to target a dividend payout ratio of between 70% and 75% of underlying net profit after tax in the 2016 financial year.

We continue to maintain a strong and flexible financial position, with a debt-free balance sheet and Health Insurance capital, at 30 June 2015, of approximately 12.3% of premium revenue, which is within the Board's target range of 12% to 14%.

#### Health Cost Leadership

While 2015 has certainly been a year of significant change within the business, Medibank's purpose of delivering high quality, affordable healthcare for our members remains our absolute focus. Our members are telling us that affordability is a key concern, and we are seeing this reflected across the industry in

trends such as cover reductions and lapses as customers look to reduce the impact of healthcare cost inflation on the family budget.

As a leading health insurer in Australia, we believe it is our responsibility and in our shareholders' interest to do our best to ensure that quality healthcare remains affordable for all Australians.

We are very focused on managing our own costs, and are pleased to report a further improvement in our Health Insurance management expense ratio in 2015 to 8.6%, down from 9.2% in the prior year. You may have seen from our outlook that we're expecting further reductions. Our target is to reduce the management expense ratio to below 8% in FY17.

A core part of Medibank's strategy is health cost leadership. Our objective is to ensure we are delivering high quality healthcare and long-term affordability to our members. This is about spending our members' premiums wisely and ensuring that they are getting value for money when it comes to services, quality and cost.

We are pleased with our achievements this year in our health cost leadership initiatives. In particular, our payment integrity program, which addresses improper health benefit claims, delivered significant results in target areas such as dental and remedial massage in 2015.

Importantly, we also need to ensure our members' premiums are only paying for high quality healthcare and that they are not paying for avoidable complications, unnecessary treatments or wastage in the healthcare system more broadly. To achieve this, the whole healthcare industry needs to work together to remove waste and inefficiencies, so we can be confident of gaining the maximum value from every health care dollar we spend.

To this end, you may be aware that we have been discussing with hospitals how we can work together to improve quality and affordable outcomes for our members. The number of hospital groups we've successfully partnered with on our quality framework is steadily growing and already includes some of the most well-known and respected groups in Australia.

As an industry, it's critical that we address quality and affordability issues constructively so that we can have a strong and sustainable national healthcare system, not just for our members, but for all Australians. For that reason, our health cost leadership initiatives will continue to be an important and central focus for Medibank.

As you may be aware, the Australian Government is conducting a strategic review of Medicare, with the goal of ensuring it is sustainable and able to meet current and future needs. The many linkages between private health insurance and Medicare mean that, if the Government can achieve the goals it has set itself, Medibank and our members will directly benefit. Medibank strongly supports the review and stands ready to assist where it can.

George, our MD, will give you some thoughts on some of the other key changes that Medibank will be advocating for as part of the review.

## **Corporate governance**

Strong governance is essential to long-term business success, and is a key priority of the Medibank Board. It is my view that our approach to good governance must be clearly understood by stakeholders both inside and outside the company.

During the year, Medibank published its first Corporate Governance Statement as a listed company, which is contained in the annual report made available to shareholders in advance of this meeting. Medibank is committed to upholding the highest standards of corporate governance, and this is reflected in the company demonstrating compliance with all of the ASX Corporate Governance guidelines in its first year of listing.

Medibank has a stable board, with a breadth of experience, skills, and knowledge. This includes directors with experience on listed company boards and in healthcare and the insurance industries.

We are committed to an ongoing evaluation of the performance of the Board to ensure the Board and each director remains effective. This includes periodic reviews of the Board's performance, and the assessment of the Board's collective skills and experience to ensure it is well positioned to oversee and govern Medibank's operations. These processes have been completed for 2015, and I remain confident the Board is well placed to oversee the Company's operations on your behalf.

As you would be aware from your review of the Notice of Meeting, two directors are standing for re-election at this meeting. Christine O'Reilly and Peter Hodgett will provide brief presentations in support of their re-elections. The Board unanimously supports the re-election of these directors and values the skills, knowledge and experience that Christine and Peter bring to the Boardroom.

### **Corporate social responsibility**

At Medibank, we take corporate social responsibility very seriously. Our purpose – for better health – extends beyond the healthcare of our customers, and into the communities in which we operate, including the health and wellbeing of our employees.

Through the Medibank Community Fund, Medibank is proud to have invested \$13.8 million over the past five years in a number of programs and partnerships that support the health of many Australians, including through our health research fund and the Stephanie Alexander Kitchen Garden Foundation.

For our employees, the importance of ensuring a safe workplace is paramount, but our aim is to go well beyond that. We aim to be one of the healthiest company in Australia with a strong focus on our employees' health, safety and wellbeing. We have a number of Better Health and wellbeing programs in place to support this objective.

We continue to focus on diversity, and fostering an inclusive culture in the workplace. We recognise that workplace diversity is particularly important as the business focuses on building its organisational capability to support its broader long-term strategy.

In 2015, measurable objectives for the financial year have been established to continue our progress on gender diversity, particularly within the senior leadership group, to ensure we have a diverse group of high potential future leaders within the business.

### **Strategy and Management**

The Medibank brand has been synonymous with high quality private healthcare for many years. Maximising the performance and growth of our core Health Insurance business remains the key focus of the Board and Senior Executive team.

Our near-term focus will be on optimising our product portfolio, and improving our marketing and sales effectiveness, to ensure that we're making the most of our dual-brand portfolio of our Medibank and ahm brands, and on continuing to offer competitive products and services for our members.

Our ability to provide high quality and affordable healthcare to our members is underpinned by our health cost leadership strategy, and we will continue to ensure we are spending our members' premium wisely.

Over the long term, implementing our strategy effectively means that we will be well positioned to deliver both competitive and sustainable products for our members, and sustainable returns for our shareholders.

This year we made some changes to the management structure of the Health Insurance business to ensure it is more clearly aligned with the implementation of our strategy. David Koczkar, while continuing as our Chief Operating Officer, has also assumed overall responsibility for the Health Insurance business, which importantly brings together overall accountability for sales, service, and the profitability of the business.

Andrew Wilson, the Executive General Manager of Provider Networks and Integrated Care, will continue to drive our focus on health cost leadership and claims sustainability through his management of our hospital and ancillary provider networks.

And as we continue to position the company for future success, the timing of the CEO succession is a key consideration. In accordance with this, George and the Board have agreed to bring forward his anticipated retirement date by some 15 months to March next year, which will be after the presentation of the current half year results. We both believe this timing will work well. George is ready for the next phase of his career, having been the Managing Director & CEO of Medibank for more than 13 years and he leaves the company in good shape for his successor to drive its next phase as a listed company.

George has had a remarkable career with Medibank, steering the company through many years of Government ownership, culminating in last year's IPO and the first year as a listed company in which the prospectus earnings forecast was comfortably exceeded. He will be leaving the company with a strong balance sheet, a very capable and focussed executive team and strong momentum in the business.

Your board also believes we have a good strategy in place for the future growth of the company and we will be looking for a successor who understands and embraces that strategy. On that score we believe we have a couple of excellent internal candidates to succeed George as CEO, but over the next four months we will run a formal and comprehensive process which includes both internal and external candidates from the global marketplace.

And finally, with a good deal of gratitude for all you have achieved for Medibank, particularly over the past 12 months, I hand over to you George for your comments on the company's performance and current outlook.

## **MANAGING DIRECTOR**

Good morning. Let me add my welcome to the first Medibank AGM as an ASX listed company. It took 39 years for Medibank to get here, three scoping studies and, for myself personally, it has been a privilege to have observed 14 years of the journey as the Managing Director.

The Chairman has introduced the Board members this morning. Let me also recognise members of my Executive Committee that are here this morning.

- David Koczkar, our COO who heads up our \$6b Health Insurance sales, product and marketing business for the Medibank & AHM brands & strategy.
- Dr Andrew Wilson, who leads our Provider Network & Integrated Care (or PNIC) team, covering the annual purchase of \$5b of hospital and ancillary provider services, as well as the care suite related to primary care & Garrison health services.
- Paul Koppelman, our CFO who apart from Finance also is responsible for General Counsel, Actuarial, Treasury, Risk Management, Audit and Investor Relations.
- Kylie Bishop who leads our People & Culture function including talent & performance management at Medibank

You may also have seen our announcement on Monday regarding the appointment of Sarah Harland to the new role of Executive General Manager of Technology & Operations. She's not here today, but we very much look forward to Sarah joining us from January next year.

This morning I will provide a brief overview of the FY15 performance and then focus my comments on the progress made in three strategic areas that drive our enterprise value, they being:

- Profitable Growth;
- Operational Excellence; and
- Health Cost Leadership.

So firstly, the FY15 results. We reported a statutory group Net Profit After Tax (NPAT) of \$285.3m, up from \$130.8m in FY14. For those familiar with the Prospectus, you will recall FY14 NPAT was influenced by impairment and restructuring expenses, hence the doubling of NPAT in the statutory accounts

## **FY15 Result Summary**

The Prospectus issued in October 2014 just prior to the float set out our forecasts in pro forma terms for comparative purposes. Looking at the graph on the left, the pro forma NPAT result achieved for the year was \$292m, up 13% on the Prospectus forecast of \$258m, and a similar increase on prior year. The strong performance has been favourably received by the market, and I will explain what it was built upon on in this presentation.

In the year to June 30 2015 we paid out a record \$5.1b in member benefits and supported our members paying for over 400,000 acute surgeries, more than 1.2 million hospital admissions and over 27 million ancillary services including dental, optical and physiotherapy.

The strong earnings performance was driven by the strong profit growth in our health insurance business, which generated a 33.8% increase in operating profit. This was 13% ahead of Prospectus, reflecting the impact of our sophisticated approach to the procurement of health benefits for policy holders and the reduction of the management expense ratio or the MER as we call it.

Our Health insurance premium revenue grew 5.1% in FY15, a slower growth rate than the prior year, and a mirror of the slowing market growth. This revenue growth was below our Prospectus forecast of 6.2%, and reflects customer affordability headwinds that triggered elevated levels of cover reductions by members.

Our Complementary Services operating profit, excluding the discontinued Immigration Contract, was up by \$2m to \$13.5m but was slightly below the Prospectus forecast. We have continued to streamline the Complementary Services business, having announced several divestments that were confirmed in the first quarter of this year. As we move into 2016, the Complementary Services business is strategically aligned to strengthen our Health Insurance business and is more profitable.

The combined operating result (Health Insurance & Complementary Services) was up 25% to \$320m

Finally, the net investment income of \$93.8m was above Prospectus forecast. This was lower than prior year due to lower interest rates and lower growth in equity markets compared with 2014

## **Shareholder returns**

As Elizabeth has said, the stronger FY15 result made it possible to pay an inaugural fully franked dividend of 5.3 cents, compared with 4.9 cents outlined in the Prospectus

Going forward, the company expects to pay dividends in arrears, in March and September, based on 6 month periods. The Board's current policy as outlined in the Prospectus is to target a payout ratio of 70-80% of underlying annual NPAT.

We are pleased to see the share price comfortably above the IPO issue price, as can be seen on the slide, despite what has been a difficult period in equity markets. It's the long term sustainable share price that matters, and the value creation that underpins it.

## **Health Insurance Performance**

Let's now take a closer look at the drivers of value in our Health Insurance business result, and here I will touch on in more detail the three strategic themes I mentioned at the outset.

The first of these is profitable revenue growth. A key to our success in FY15 was to focus primarily on the things we can control rather than wish for things beyond our control. We can't control headwinds, a slowing economy or an eroding private health insurance government rebate, but we have successfully managed cover changes requested by our members, whilst protecting profitability. Opportunities for unprofitable revenue growth abound, but we refused to pursue these. Consequently Health Insurance premium revenue growth was 5.1%, below the 6.2% anticipated in the Prospectus.

Industry conditions in 2015 were a little more challenging than initially anticipated, which impacted Medibank and other industry participants. The cumulative effect of the reducing Government private health insurance rebate is adding to the affordability concerns consumers are feeling when it comes to

their private health insurance policies. This has seen the proportion of members seeking to reduce their cover materially increase.

Let me now move to the second column in the graph, the \$5.1b paid in member benefits claims. This is the second of the three levers we have deployed in the Medibank strategy which we call Health Cost Leadership. Approximately 86 cents in every premium dollar we receive from members is spent on paying member benefit claims charged to Medibank from our national network of hospital and primary care providers. The efficient procurement of health services directly impacts the year on year premium increases and the competitiveness and profitability of Medibank. Hence the importance of our Health Cost leadership strategy.

As we all know, health care costs continue to grow faster than CPI, compounded further by growing utilisation of health services due in part to our longer living population. By focusing on health cost leadership – covering utilisation, safety and efficient price – our PNIC team expertly contest the procurement of health services from our provider network.

The aim of our health cost leadership initiatives is to deliver long-term affordable health insurance cover for our members that offers the appropriate levels of protection. Medibank paid 100% of the eligible claims made by our members in FY15, yet our strategic focus on health cost leadership resulted in us purchasing those health benefits at rates better than peer group. Hence our payout ratio of 86% is approximately 100bps below the rest of the industry. Our sophisticated approach to managing health costs has seen one of the lowest increases in health benefit claims for Medibank for some time, an increase of just 4.3% compared to industry growth of 7%. Whilst this was marginally assisted by the lower revenue growth, the net advantage for Medibank was significant.

The specific programs we deployed to achieve this included:

- A payment integrity program which we applied to dental and remedial massage provider networks. This enabled us to track over-servicing and identify improper payments via our data and analytics capability, taking advantage of our straight through processing systems;
- The introduction of performance based hospital contracting with a strong focus on clinical outcomes, patient safety and therefore linking payment to reductions in preventable complications and waste; and
- With respect to extras cover, our disciplined product design and management of claims that resulted in 2.5% year on year cost growth while meeting 100% of eligible members' claims.

Our third strategic focus area is Operational Excellence. This is represented in the third bar of the graph. This is where we challenge our own costs of doing business. Measured as an MER ratio of health insurance management costs as a proportion of premium revenue, Medibank delivered its third year of consecutive MER reduction, down by 50 bps to 8.6% in 2015. Measured across the last three years our MER is down 200 bps. The positive momentum generated by David Koczkar and his team, along with our Executive Committee colleagues, has seen us confidently target two further years of reduction in our outlook statement.

The success of our group strategy which pursues a double focus on costs (i.e. management and health benefit costs) has been clearly demonstrated in the pronounced operating margin improvement of 120 bps to 5.5% as shown in the fourth bar in the graph. Our two strong cost levers in our group strategy more than compensated for the pressures on revenue growth and health costs.

### **Health Insurance Premium Revenue Growth**

The primary focus now is to lift the Health Insurance revenue growth while holding to our profitable growth objective. Several changes have already been made to enhance sales and marketing effectiveness, they include:

- To direct more of our promotional message and customer service to existing customers, not just targeting new customers; that is in an effort to improve the levels of customer retention
- We have secured a new media buyer – resulting in broader, deeper, reach at lower cost

- We're finalising a more contemporary advertising & promotional delivery for the Medibank brand which we will see in the new year.

We have also filled a gap in our product portfolio with the launch late in FY15 of our Corporate health insurance product range. We are pleased with the early reports back from our front line sales team on this new range.

Member retention is a major focus – we are applying more resources to reward membership as a key retention initiative. Gym Better is a prime example of that.

We are nearing the completion of a major investment to enhance customer service experience through the implementation of the DelPHI project SAP technology which incorporates customer relationship management, contributions management and product. The new IT service platform will remove many pain points for customers to enhance customer experience. This will complete the last phase of our core systems renewal.

### **Industry Margins**

This slide gives you an update on our Health Insurance operating margin compared to our peer group.

As said previously, Medibank's operating margin increased by a significant 120 bps to 5.5%

Our clear ambition is to deliver best in class margins while continuing to deliver affordable health cover for our members

We have demonstrated good progress in our claims management processes – and we see the progressive benefits of total coverage under our performance contracts flowing into FY17 and beyond. There is an ongoing focus on claims adjudication in particular in the broader use of the payment integrity program. As I said previously the benefits of this work will continue to produce gains for several years.

### **Complementary Services**

Complementary Services are a relatively small part, just 10% of the group revenue, and 4% of our segment operating profit. The PNIC team that manage the \$5b pa of health purchasing for the Medibank also lead major health contracts within Complementary Services, such as our Care Suite primary care programs with GP's including Carepoint, designed to assist the 2% of our members that claim 35% of our hospital claims due to their complex needs. The same team also oversee our Nurse Triage telehealth capability, and the ADF Garrison Health contract. Through their hands-on health system knowledge they are able to make a strategic contribution to a stronger PHI business for Medibank. In this way we gain direct insights into the performance of the health system and use this know-how to improve the services provided to health fund members.

Complementary services also includes the diversified insurances business which provide a standalone return and is also an important platform to engage and retain health insurance members.

### **Our Strategy**

Our short to medium term focus is to realise the full potential of our Health insurance business.

Today I focused on three primary themes of our group strategy: Profitable Growth, Health Cost Leadership and Operational Excellence. The objective is clear.

- To build a best in class private health insurer, pursuing profitable growth through:
  - o product optimisation and performance; and
  - o strengthening our marketing and customer service to lift revenue growth.
- To extend our Health Cost Leadership initiatives, including the performance based hospital contracting and our payment integrity program progressively across the entire network, sharing the benefits we generate with our members in the form of more affordable health cover; and

- To broaden the customer experience through an expanded private health insurance role that covers pre and post hospital care and a more effective primary care service for members with complex conditions. We call this expanded role a transformation from health insurance to health assurance.

## **Healthcare System Reform**

Let me just talk for a moment about healthcare system reform.

Unfortunately there are a lot of leaks in the funding bucket that is the Australian health care system. But there are also, therefore, many opportunities to improve the system to enhance health outcomes and lower costs, and so improve affordability.

Medibank is pleased to have been one of the leading voices calling for reform in the challenging conversation about health outcomes and the affordability of healthcare in Australia.

We have given our strong support to the Federal Health Minister's review of the 5,700 Medicare Benefits Schedule listed services to ensure these reflect contemporary clinical best practice.

There are many positive features of our world class health care system but more can be done to eliminate poor health outcomes and reduce waste and inefficiencies.

That's why Dr Andrew Wilson and his PNIC team are looking to make hospitals accountable for avoidable readmissions and for Hospital Acquired Complications.

It isn't surprising if occasionally there may be some public disquiet associated with this approach but it is, by and large, the exception and not typical of the over 150 contracts we have successfully negotiated in recent times.

## **Health Insurance Outlook**

Before closing, I'd like to add a brief comment on trading in the year to date.

In terms of current industry conditions, we have seen a continuation of the affordability challenges that have contributed to the trend towards cover reductions and customer churn, and continue to impact premium revenue growth. This is an area of our business that is receiving significant focus, and plans are in place to progressively address the sales growth trajectory.

As was the case last year, these top line impacts have been offset in the first quarter by better than expected claims management outcomes.

As I said, it's still early days as we're just three months into the new financial year, and we are still targeting:

- Premium revenue growth of above 5.5% in FY16
- A management expense ratio of 8.3% in FY16 and below 8.0% in FY17
- Operating profit of above \$370m in FY16.

## **Closing remarks**

I would now like to spend a moment talking about the announcement this morning of my intended retirement at the end of March in 2016. The Board and I have agreed that this is the right time to transition to new leadership. For me it has been a great privilege to have spent almost 14 years working at Medibank. I have had the pleasure of working with some fantastic people in such an important industry that supports the provision of high quality healthcare to many millions of Australians every year. It has been a fascinating journey for the business and for me personally. When I started at Medibank it was a Government Business Enterprise with 3 million members, \$2b of revenue and a bottom line loss of over \$175m. Medibank is now a top ASX 50 company with nearly 4m members, \$6.6b of revenue and pro forma Net Profit Before Tax of over \$400m in FY15.



Having guided the business through a successful listing on the ASX last year and having delivered our FY15 prospectus earnings guidance, I believe that now is a natural time for me to retire. With the support of our leadership team and the board we have established a clear and compelling strategy for Medibank, but there is still much work to be done to realise the full potential of the business. With that in mind, it's an appropriate time for me to hand over the leadership, so that my successor can build on the strong platform that has been established and deliver the next phase of the Medibank journey for both our policyholders and you our shareholders.

So finally I will conclude by saying that I remain confident in the positive outlook for Medibank.

Our Purpose, For Better Health, is a sustainable approach to value creation for both customers and shareholders. The management team, employees and I are excited about the contribution we make to people's lives every day.

Thank you as shareholders for your commitment to Medibank.

I will now hand the meeting back to Chairman.

21 October 2015

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# 2015 ANNUAL GENERAL MEETING

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# CHAIRMAN'S ADDRESS

FY15 results

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Health cost leadership

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Corporate governance

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Corporate social responsibility

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Strategy and management

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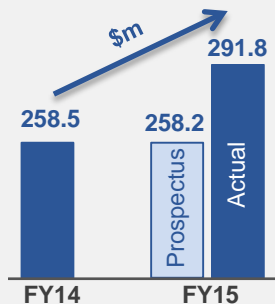
# MANAGING DIRECTOR'S ADDRESS

**George Savvides, Managing Director**

# FY15 RESULT SUMMARY

Net profit after tax ahead of Prospectus forecast

Pro forma net profit after tax



Health Insurance  
premium revenue

5.1%↑

**\$5.1bn**

Health benefits provided  
to members

Health Insurance  
operating profit

33.8%↑

Complementary Services  
operating profit

**\$13.5m**

Increased from \$11.5m  
Excluding immigration contract

Net investment income

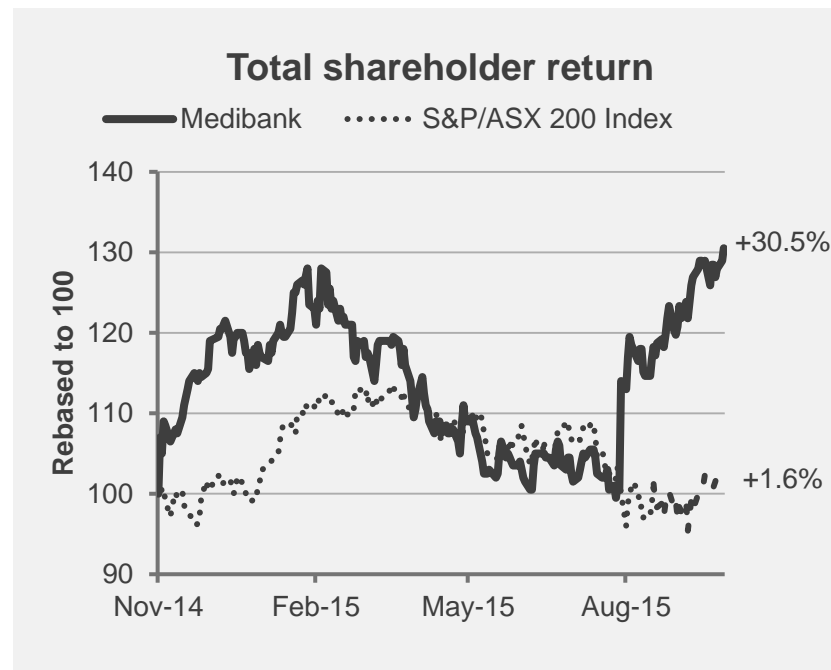
**\$93.8m**

Ahead of Prospectus  
forecast

# SHAREHOLDER RETURNS

Inaugural dividend ahead of Prospectus forecast; focus on long-term returns

- Inaugural dividend of 5.3 cents per share fully franked (Prospectus forecast of 4.9 cents per share)
- Target payout ratio of 70-80% of annual underlying NPAT confirmed
- No dividend reinvestment plan
- Strong focus on long-term shareholder returns

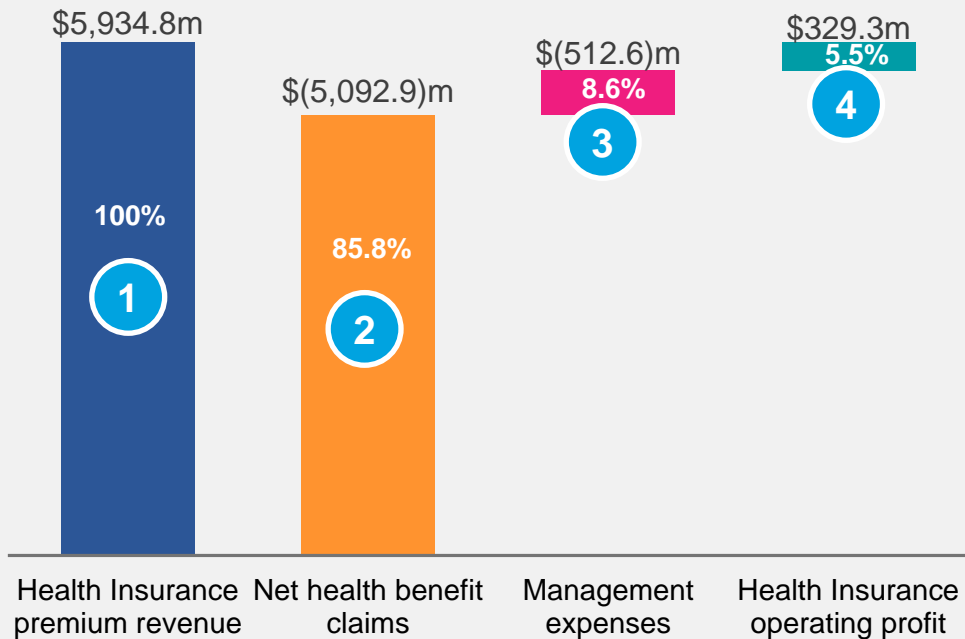


Source: Bloomberg data as at 20 October 2015

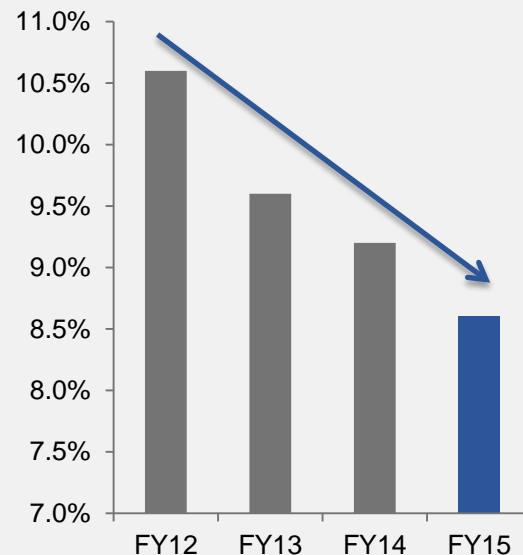
# HEALTH INSURANCE PERFORMANCE

Driving profitable growth in the core Health Insurance business

FY15 pro forma Health Insurance operating profit



Management expense ratio



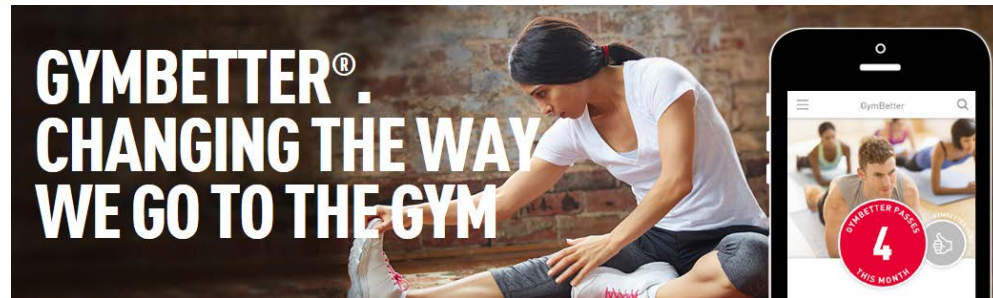


# HEALTH INSURANCE PREMIUM REVENUE GROWTH

Focus on customer experience and retention



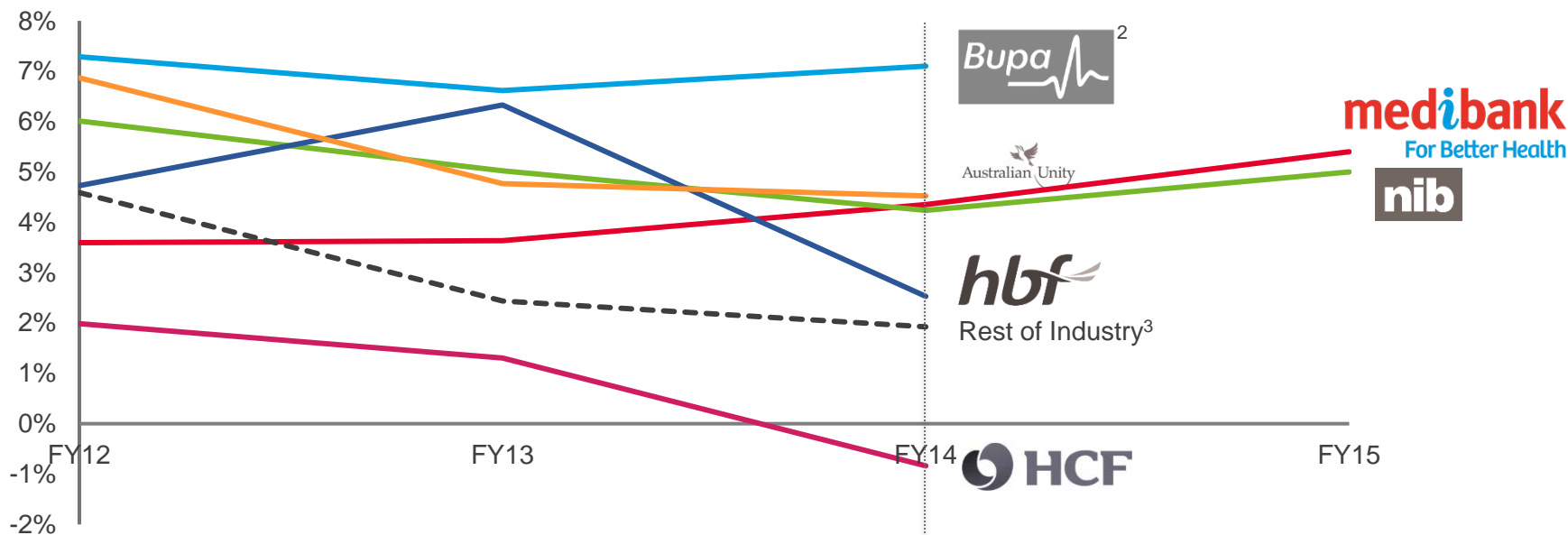
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# INDUSTRY MARGINS

Significant operating profit margin improvement – pursuing best in class

Health Insurance operating profit margin (Australian residents only): top 6 vs. rest of industry<sup>1</sup>



Source: APRA (formerly PHIAC), Medibank

1 The operating profit margin includes Australian residents only.

2 Bupa FY14 margin has been adjusted to reflect the estimated impact of the provision release resulting from the reduction in its risk margin.

3 Rest of industry represents the aggregate of all private health insurers in Australia excluding the top 6.

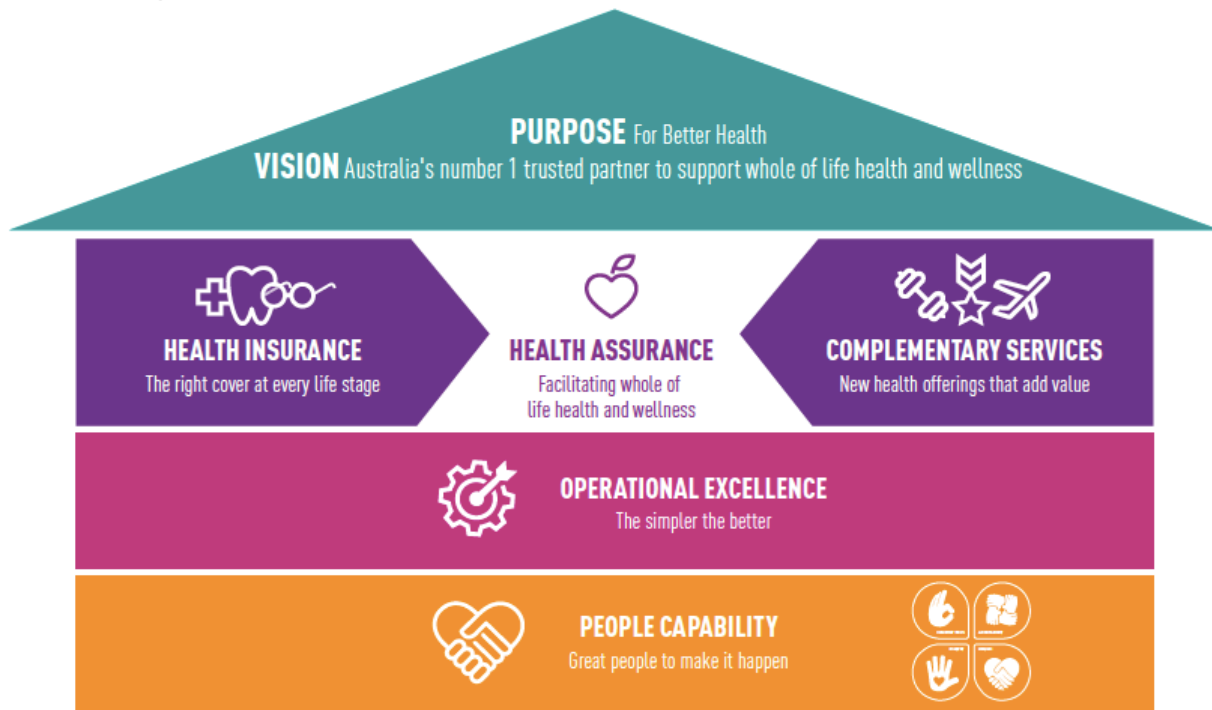
# COMPLEMENTARY SERVICES

Continues to complement the core Health Insurance business



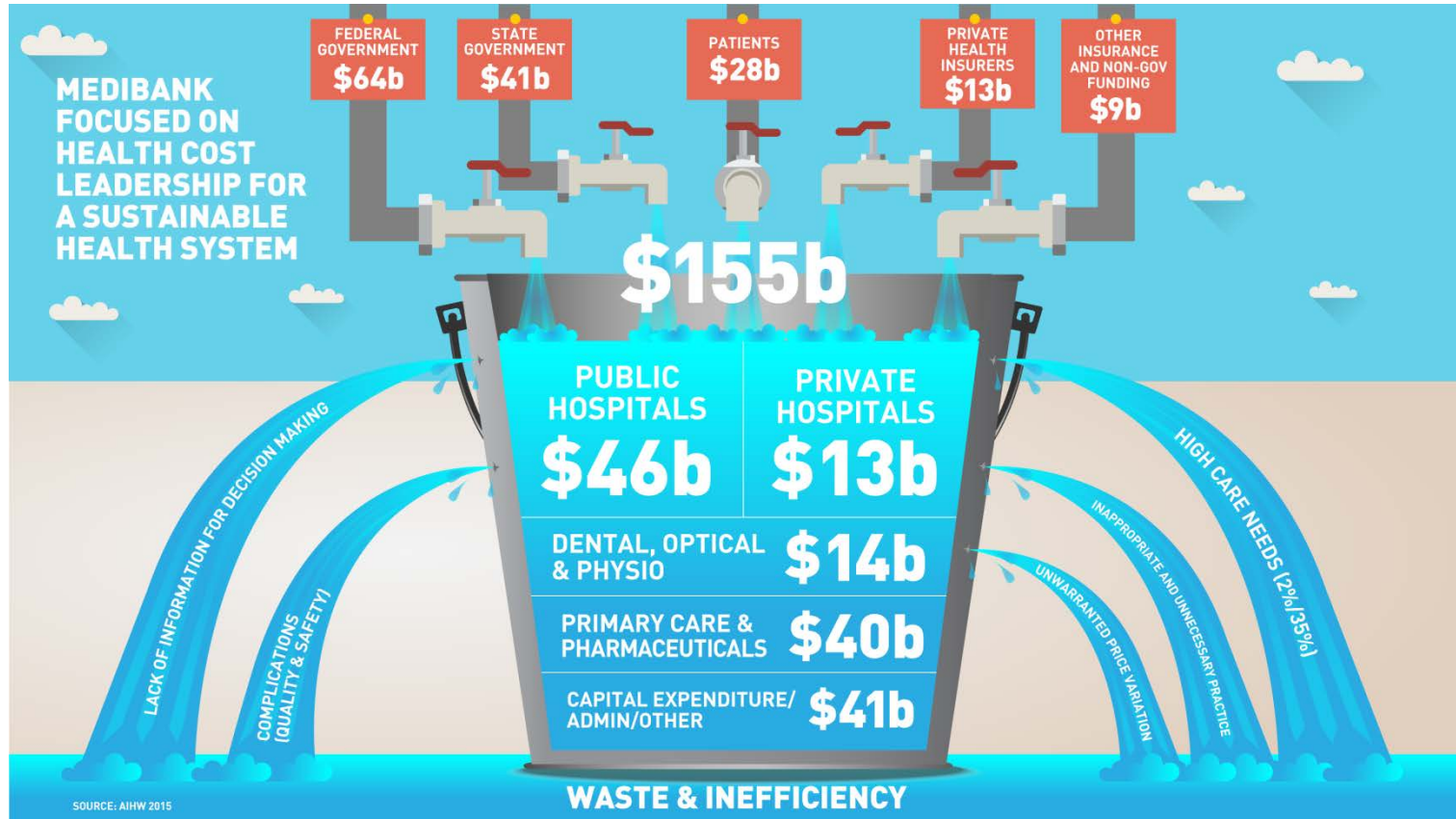
# OUR STRATEGY

Focus on profitable growth, health cost leadership and operational excellence



# HEALTHCARE SYSTEM REFORM

Leakages in healthcare system must be addressed to improve affordability



# HEALTH INSURANCE OUTLOOK

## Driving performance

### 1Q FY16 commentary

- Continuation of FY15 trends
  - Continuing affordability challenges impacting premium revenue growth
  - Offset by improving health benefit claims management

### Targets unchanged

- Premium revenue growth target above 5.5% in FY16
- Management expense ratio target of 8.3% in FY16 and below 8.0% in FY17
- Operating profit target above \$370m in FY16

# GLOSSARY

<b>1Q</b>	3 months ending 30 September 20XX	<b>MPL</b>	Medibank Private Limited
<b>FY12, FY13, FY14, FY15, FY16, FY17</b>	Financial year ended/ending 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016, 30 June 2017	<b>NPAT</b>	Net profit after tax
<b>Immigration Contract</b>	The contract between the Commonwealth and Medibank Private for the provision of pre-migration visa health screening services to prospective Australian migrants on behalf of the Commonwealth which expired with effect from July 2014 (with a transition period to November 2014)	<b>Pro forma</b>	Consistent with the Prospectus, pro forma financial information is derived from the statutory consolidated income statement adjusted for the one-off costs of the IPO and certain significant and other items
<b>Member</b>	A Policyholder and any other individuals covered under the same private health insurance policy	<b>Prospectus</b>	The Medibank Private Limited Prospectus dated 20 October 2014
		<b>Total shareholder return</b>	A performance measure of total return to the shareholder over time that combines both share price appreciation and dividends paid.