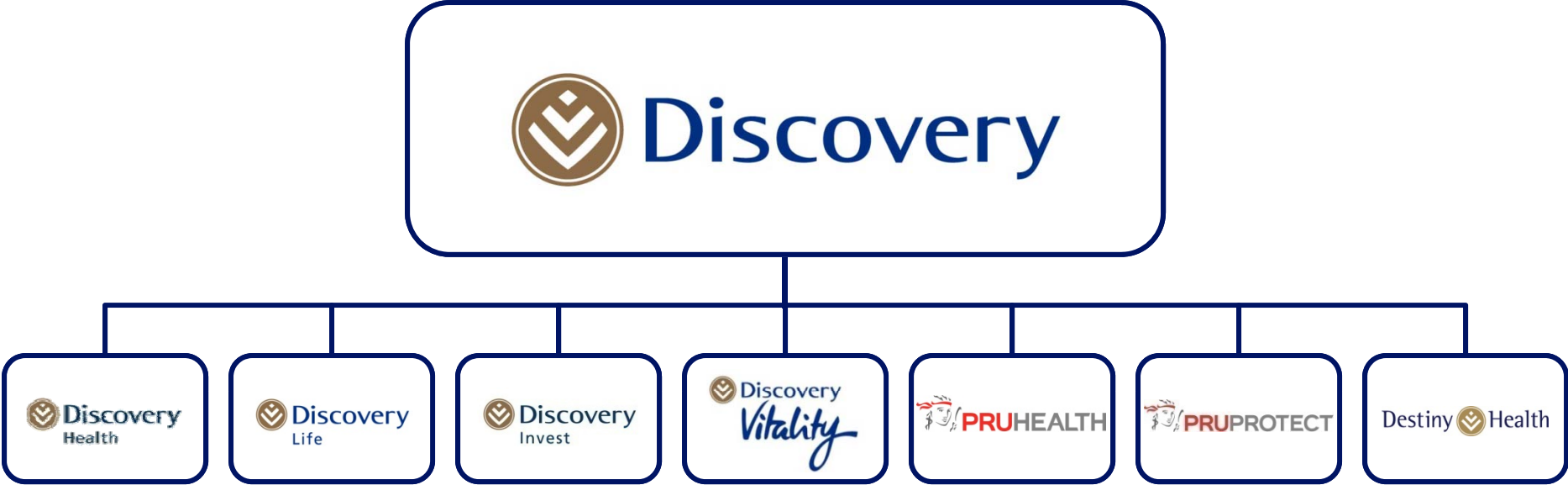




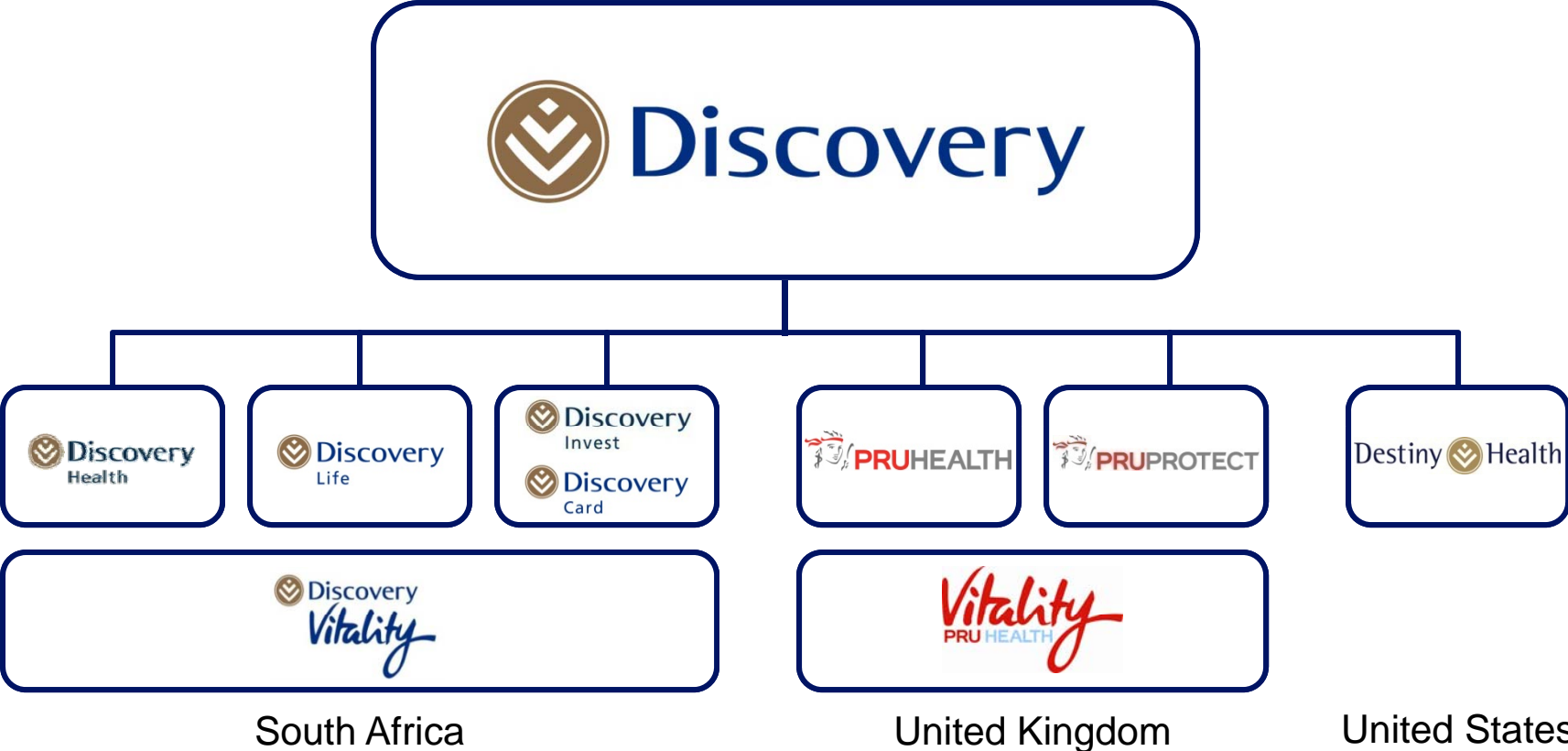
Interim financial results for the 6 months ended  
**31 December 2008**

Adrian Gore, Discovery

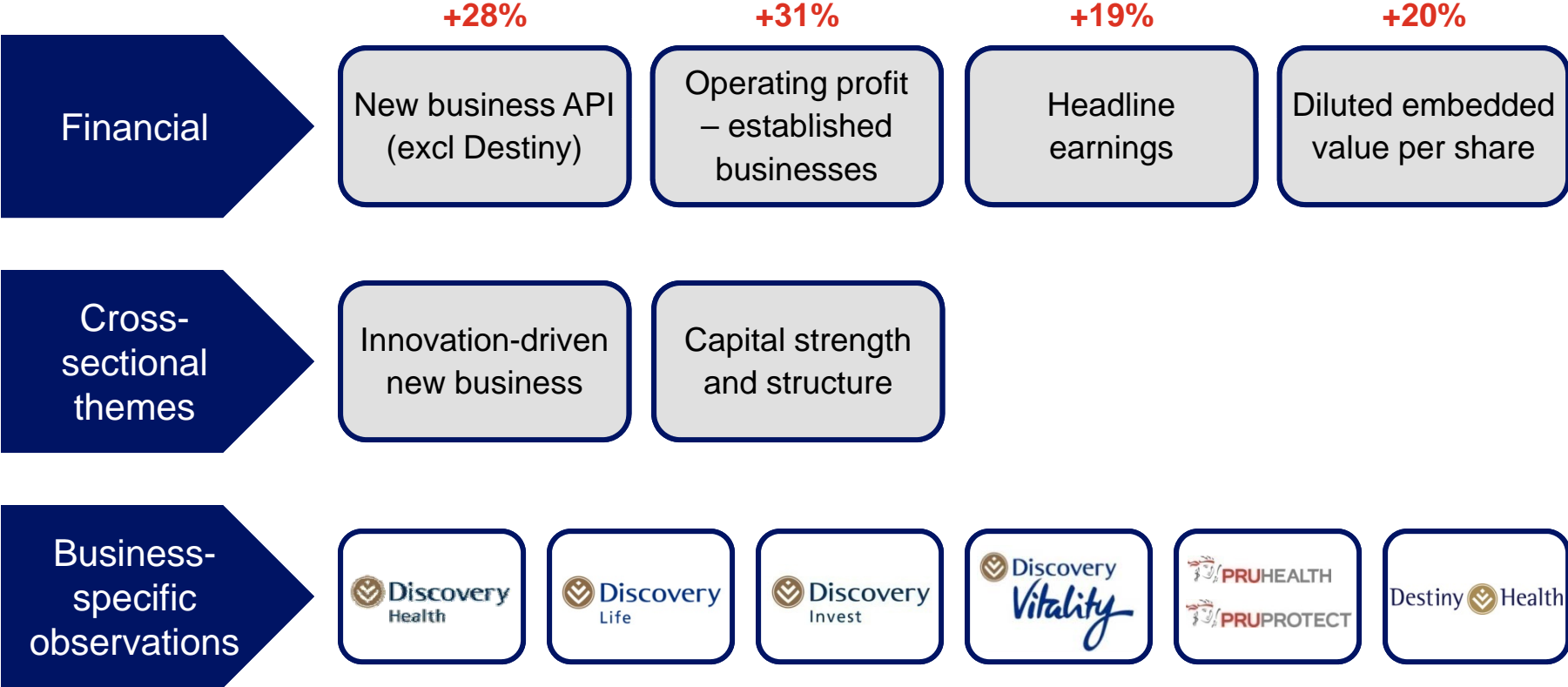
# Discovery corporate profile



# Vitality is foundational to all of Discovery's businesses



# Key observations for the 6 months ending 31 December 2008



## Key observations over the period

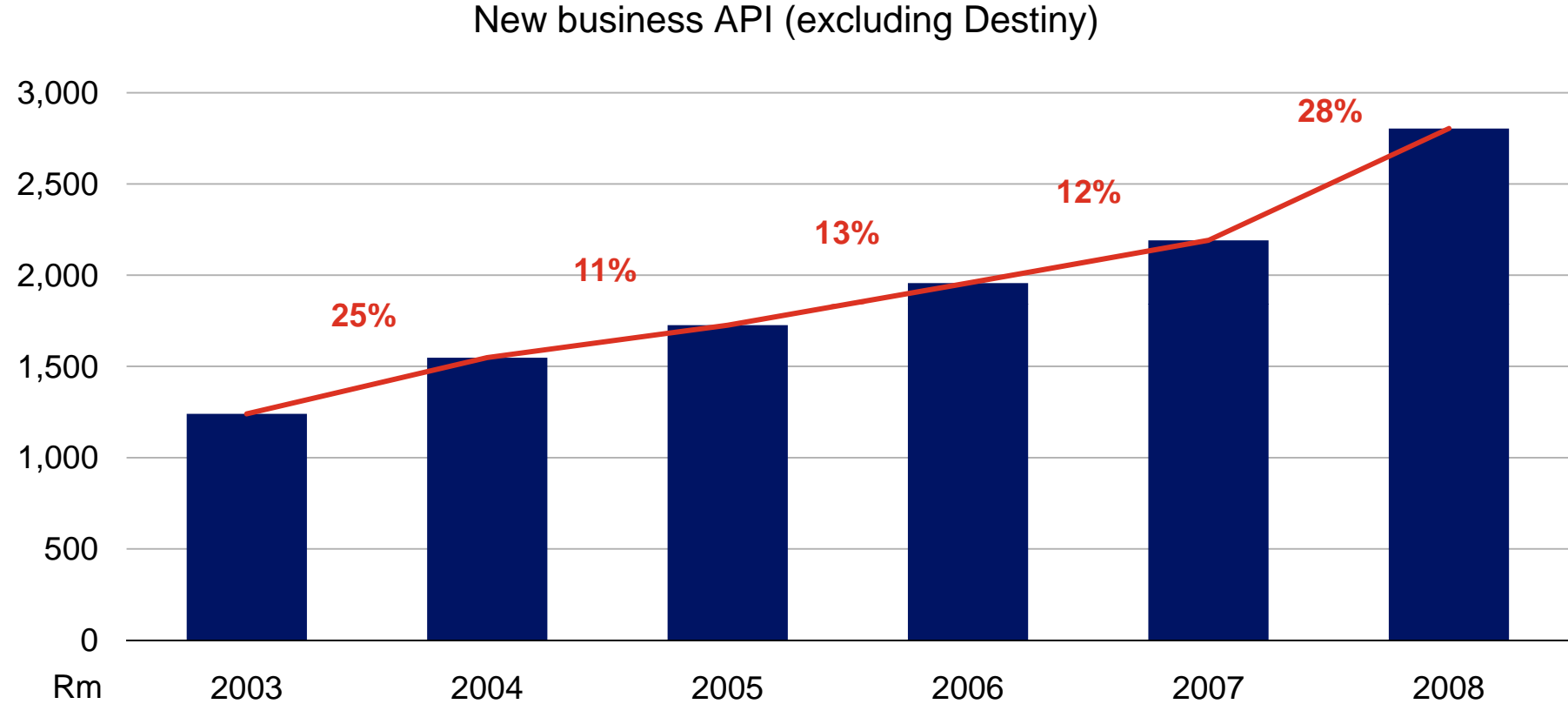
Financial

Pleasing performance in every respect, and beyond expectation, despite the recessionary climate

## Performance for the 6 months ended 31 December 2008

	6 months to 31 Dec 2008	% change	Comment
New business API	<u>R2,798m</u>	28%	

# New business API remains robust across the group



Note: Excludes Destiny

## Performance for the 6 months ended 31 December 2008

	6 months to 31 Dec 2008	% change	Comment
New business API	R2,798m	28%	
- Discovery Health	R475m	22%	Excellent performance across all aspects
- Discovery Life	R618m	29%	Continued strong claims experience and business growth
- Discovery Vitality	R23m	10%	
- PruHealth	(R64m)	23%	Performance in line with plan
Operating profit – established businesses	R1,052m	31%	Above internal hurdle of 30%

## Performance for the 6 months ended 31 December 2008

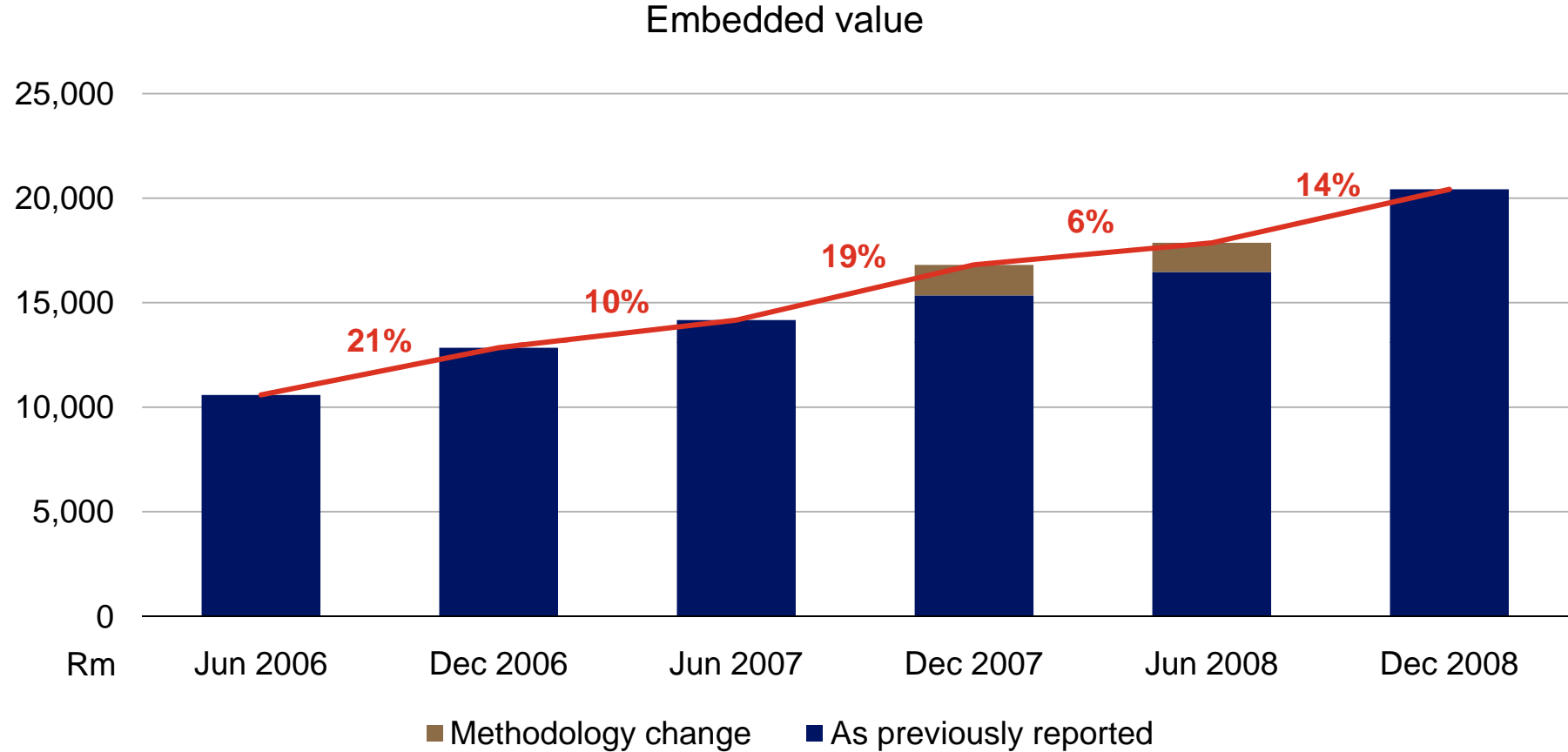
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- Discovery Vitality	R23m	10%	
- PruHealth	(R64m)	23%	Performance in line with plan
Operating profit – established businesses	R1,052m	31%	Above internal hurdle of 30%
- Discovery Invest	(R83m)	(26%)	Significant investment in platform development
- PruProtect	(R104m)	(>100%)	Losses largely in line with expectation
Operating profit – new businesses	(R187m)	73%	Investment in strategic initiatives
Destiny Health	(R119m)	(49%)	Run-down in line with expectation
Operating profit after start-ups & wind-down	R746m	21%	

## Performance for the 6 months ended 31 December 2008

	6 months to 31 Dec 2008	% change	Comment
New business API	R2,798m	28%	
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Operating profit – new businesses	(R187m)	73%	Investment in strategic initiatives
Destiny Health	(R119m)	(49%)	Run-down in line with expectation
Operating profit after start-ups & wind-down	R746m	21%	
Investment income	R143m	(41%)	
Finance charges, forex and unbundling costs	(R9m)		
Impairment on shareholder investments	(R63m)		Unrealised losses on shares with significant decline
Transfer to premium deficiency reserve	(R27m)		Recording of future Destiny losses in current period
Taxation	(R282m)	9%	No tax relief for PruHealth tax losses
Profit after BEE expense	R501m	(7%)	
Headline earnings	R489m	19%	

**Diluted HEPS 88.6c (+18%); dividend per share 25.5c (+19%)**

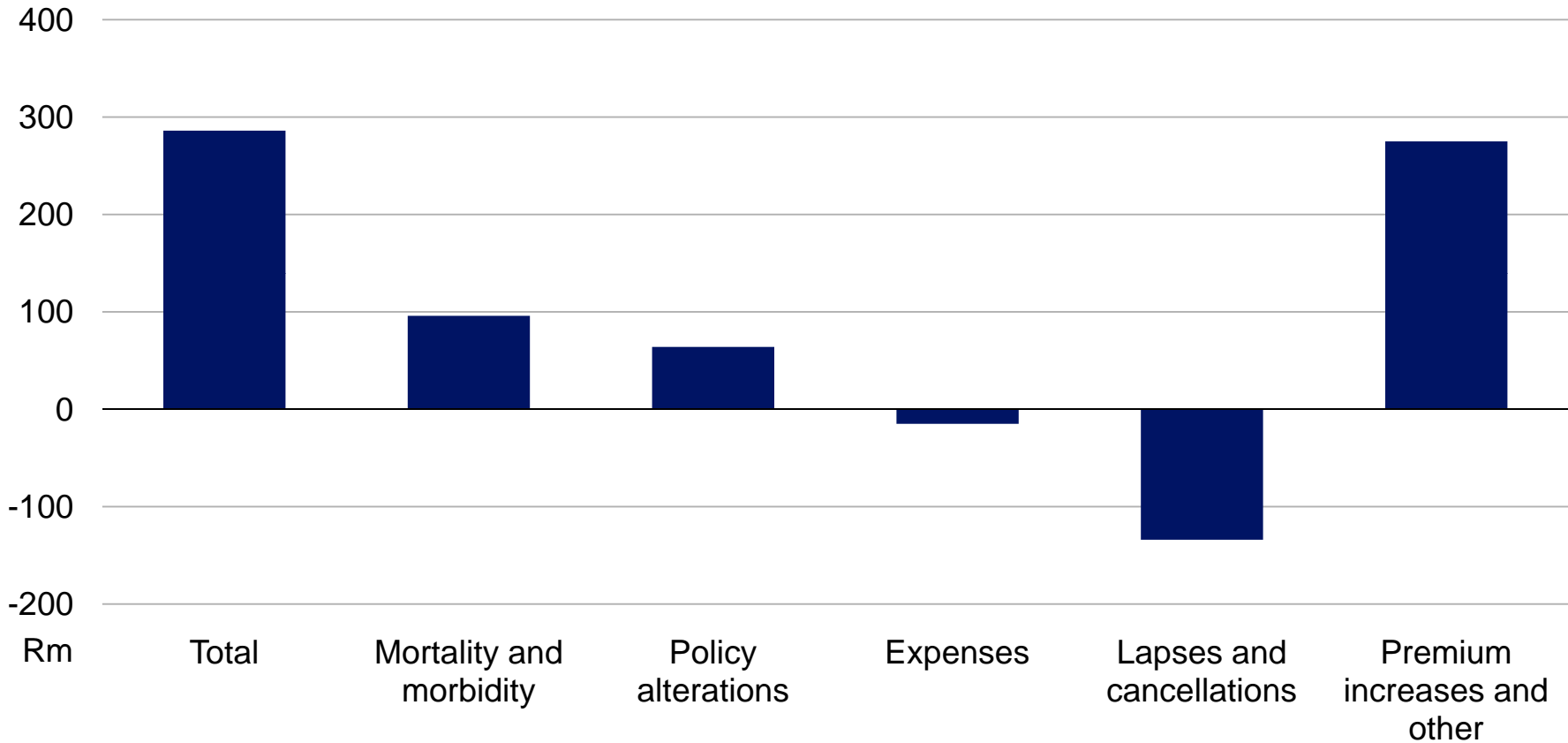
# Progression of embedded value



**Diluted embedded value per share of R36.17**

# Experience variances

Experience variances (6 months ended December 2008)



# Key observations over the period

Financial

Pleasing performance in every respect, and beyond expectation, despite the recessionary climate

Innovation-driven new business

Using the power of innovation to enhance quality, protection and value for money

# Using innovation to drive better benefits, lower costs and product differentiation

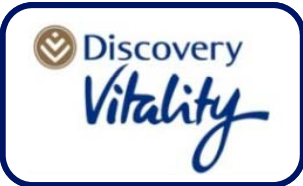
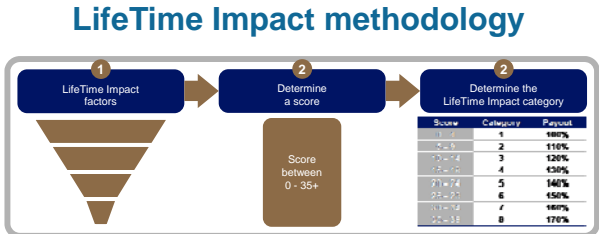


### Cover Integrator

Integrated Cover flexes by Vitality status

Vitality status	Adjustment to extra cover	
	20% Integrated Cover	40% Integrated Cover
Blue	-0.63%	-1.07%
Bronze	-0.33%	-0.57%
Silver	0%	0%
Gold	0.33%	0.57%
Diamond	0.63%	1.07%

Additional cover at half price  
Life fund



# Using innovation to drive better benefits, lower costs and product differentiation



### Personal Pathways



### Vitality Interactive



### Enhancement of Vitality partners



### Product re-change

#### Premium impact

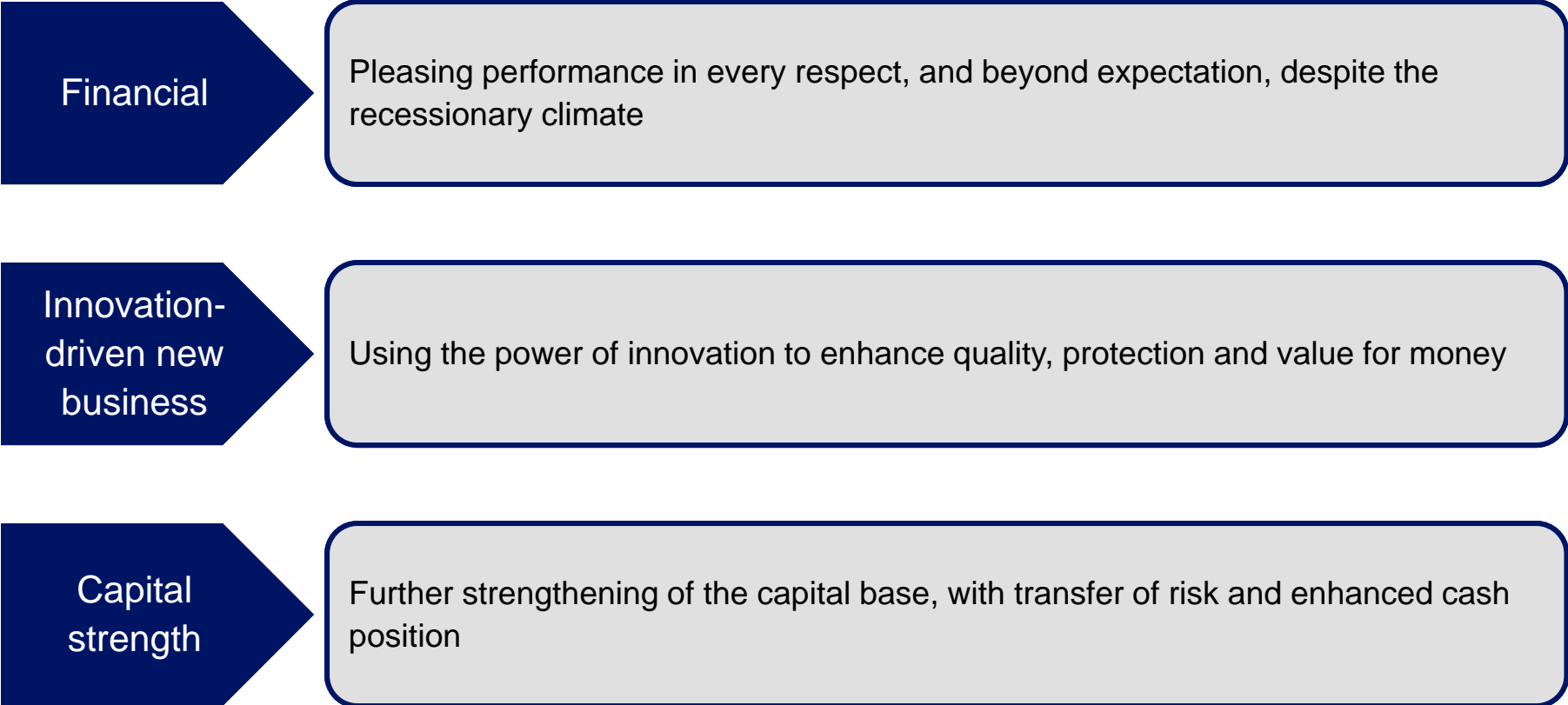
Platinum	-2.0%
Gold	-1.5%
Silver	-1.0%
Bronze	0%

### Vitality Lite



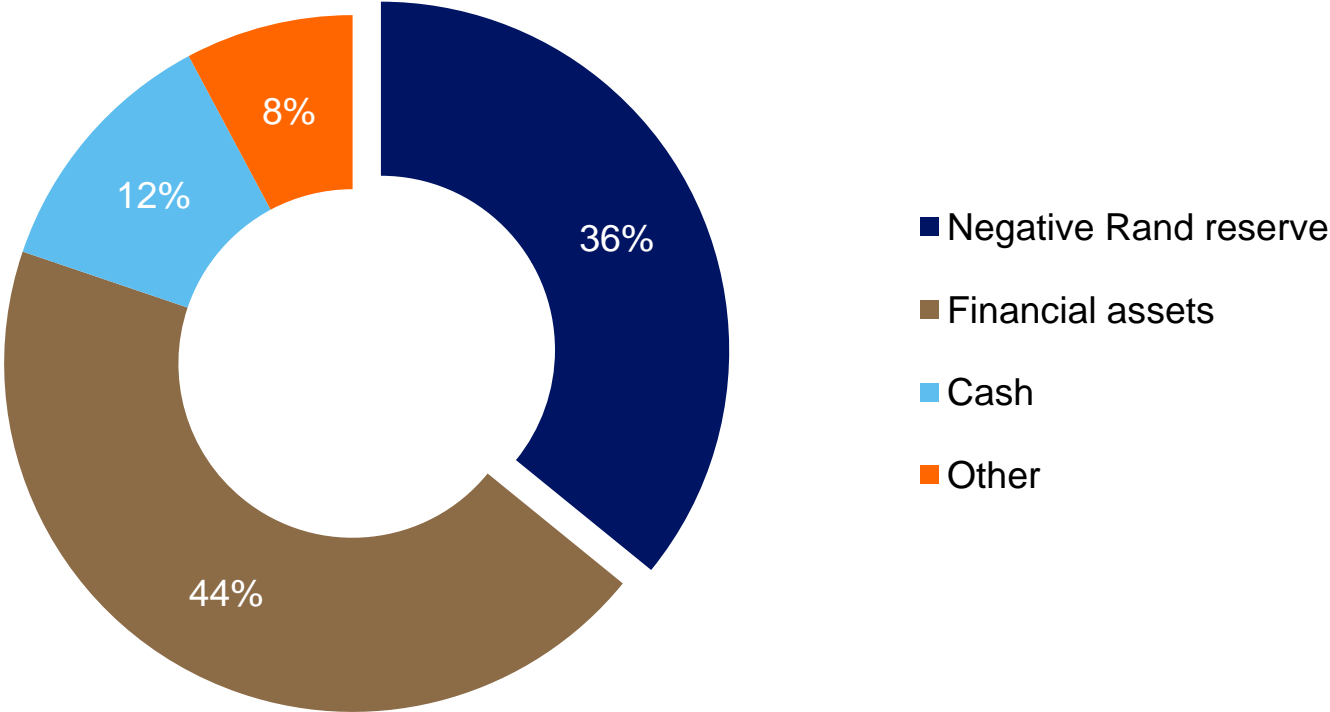
Consistent theme: Differentiation, better value for money, excellence

# Key observations over the period

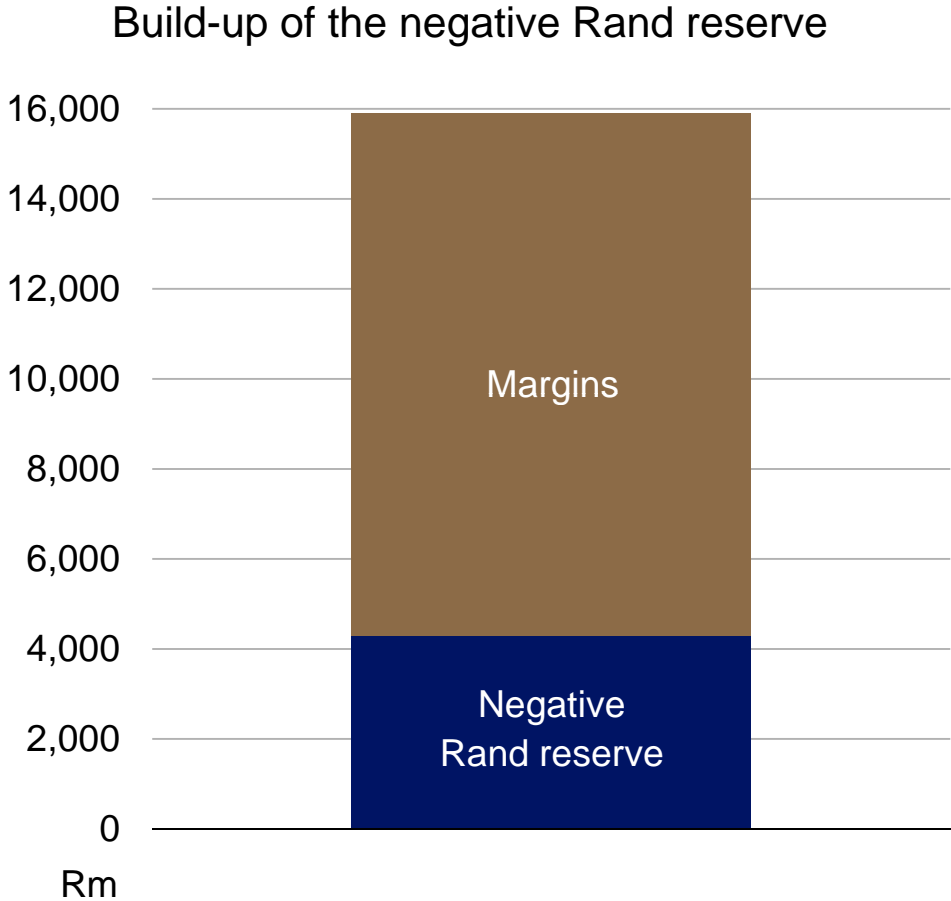


# Discovery Group balance sheet

Composition of Discovery's balance sheet

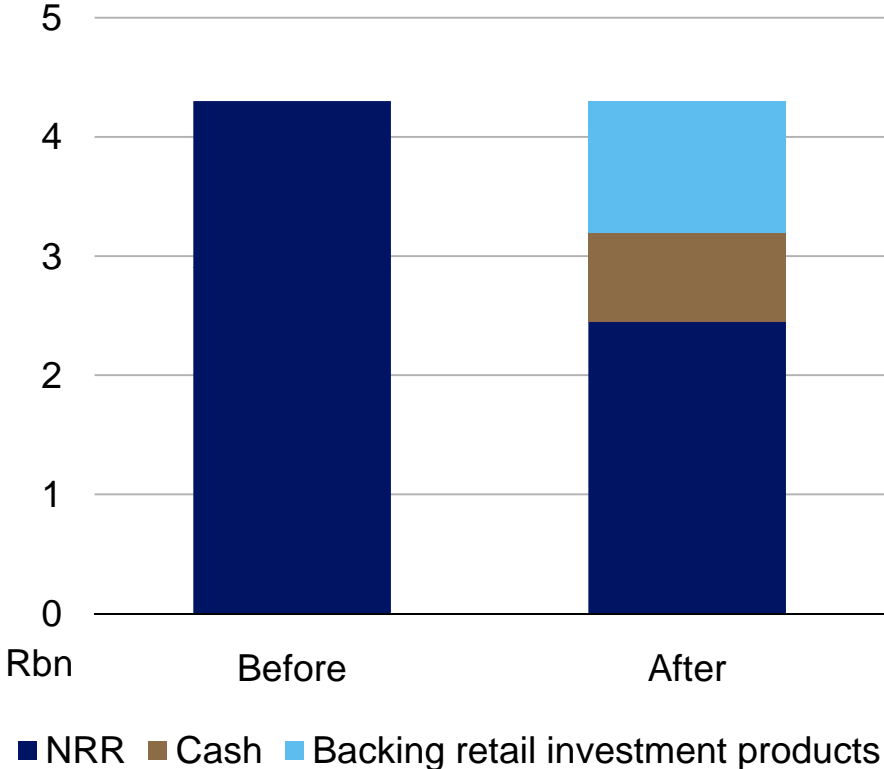


# Understanding the negative Rand reserve



# Financial reinsurance of NRR

Monetisation of the NRR



## Benefits

- 1. Transfer of risk R1.85bn

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- 2. Improved cash flow position R850m

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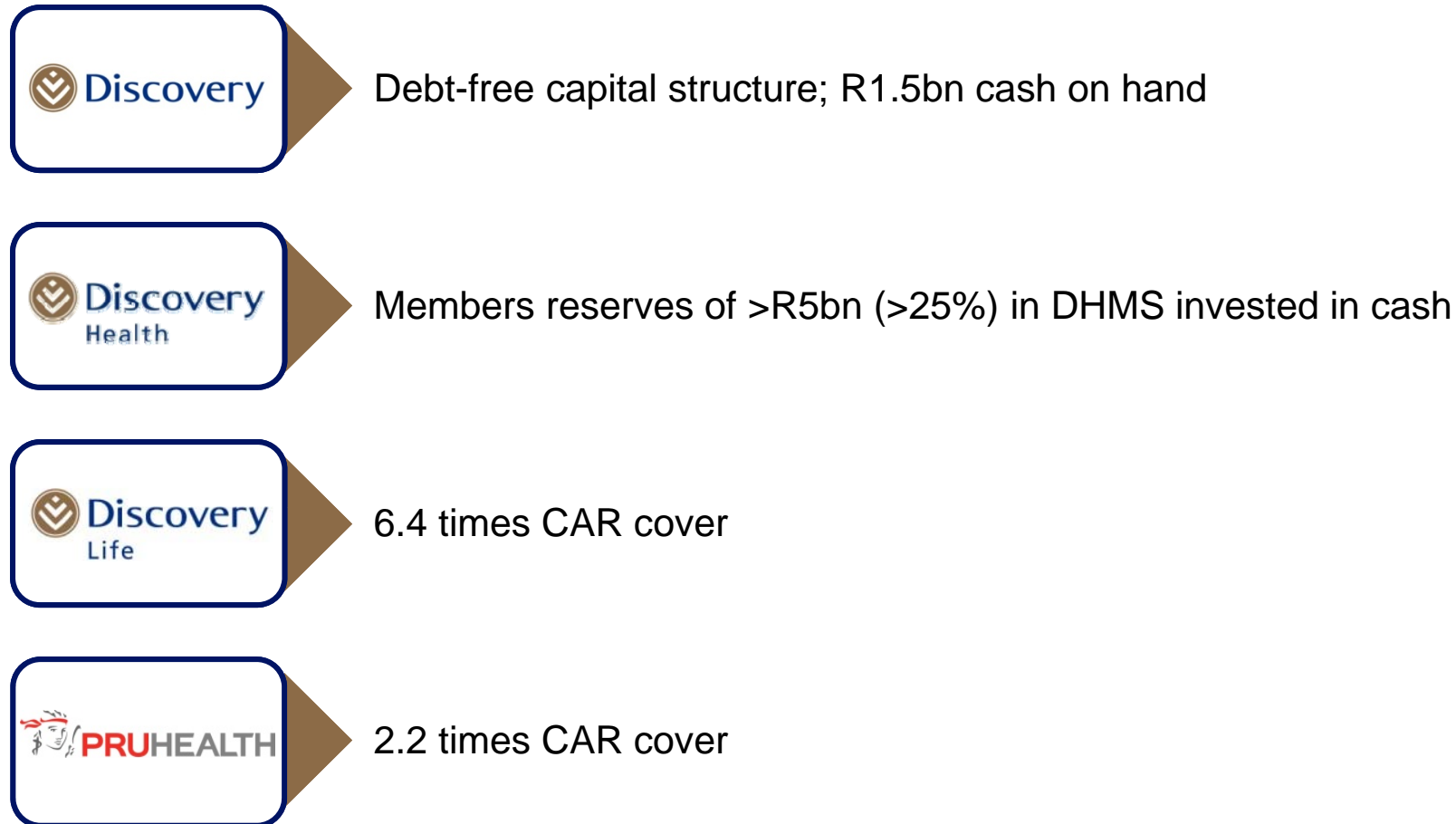
- 3. Enhanced flexibility

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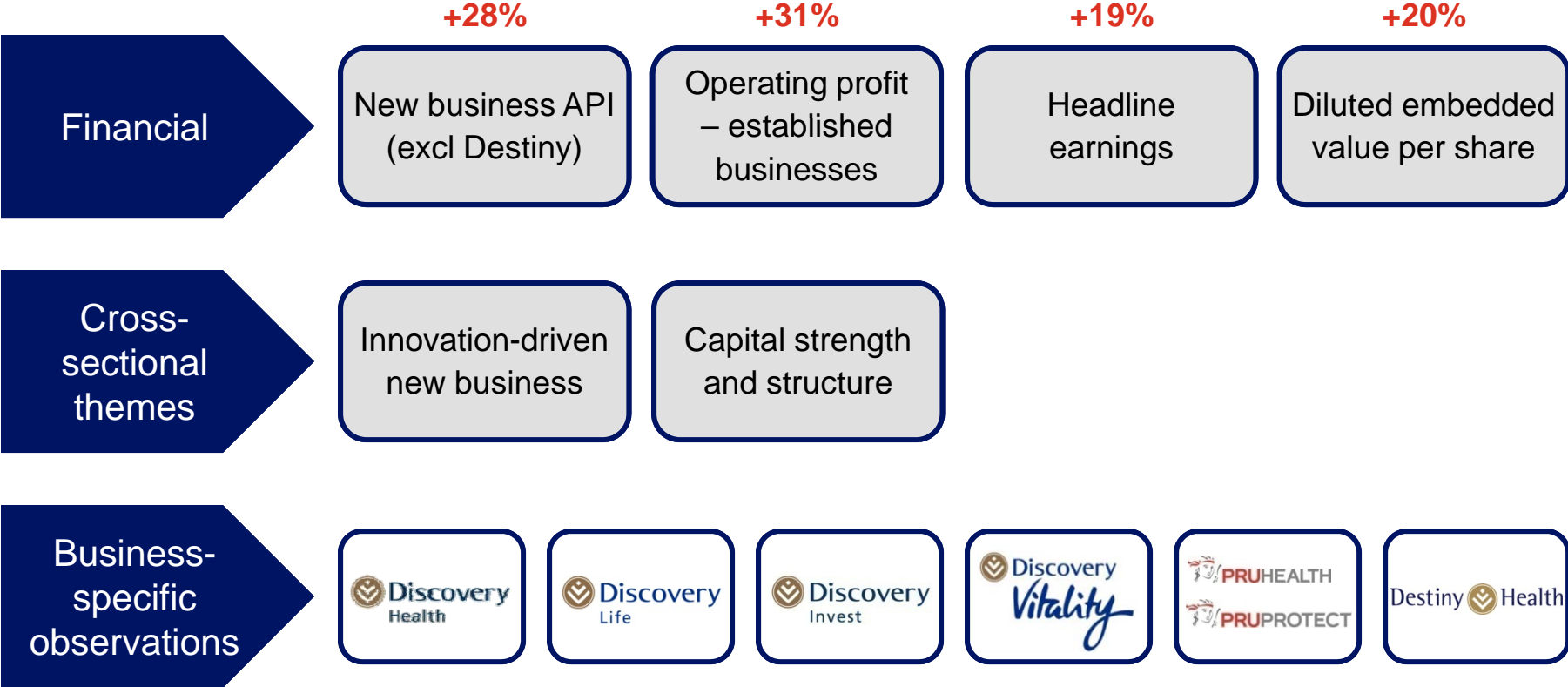
- 4. Retain margins

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## Overview of capital management philosophy



# Key observations for the 6 months ending 31 December 2008



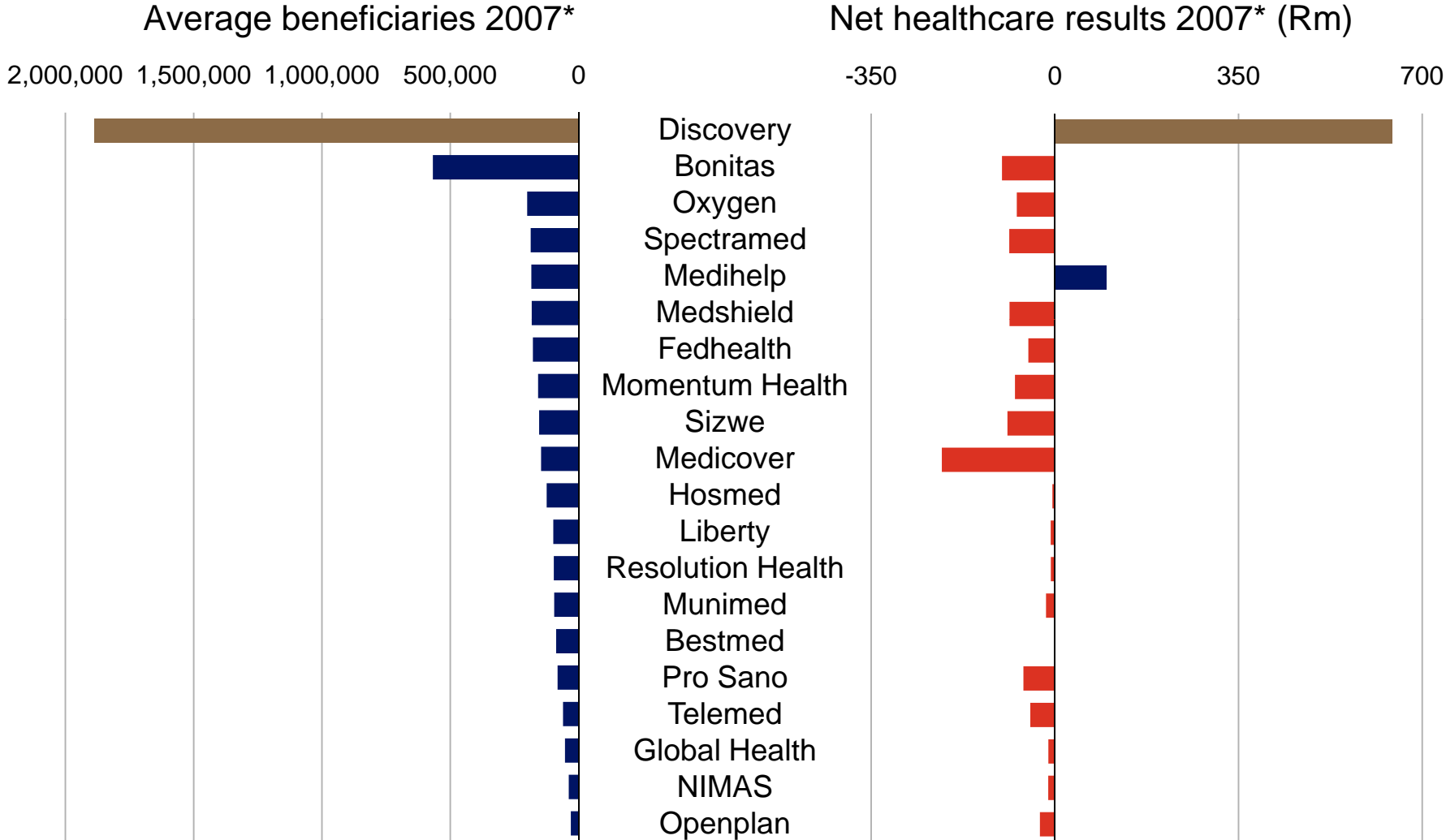


## Key financial drivers

	6 months to 31 Dec 2008	6 months to 31 Dec 2007	% change
Operating profit	<b>R475m</b>	R389m	22%
Membership	<b>2,093,434</b>	2,054,270	4%
DHMS annualised lapse rate	<b>3.55%</b>	3.57%	-1%
DHMS reserves*	<b>&gt;R5bn</b>	R4.2bn	
DHMS solvency (%)*	<b>&gt;25%</b>	23.0%	

\* These results still have to be audited and approved by the Board of Trustees

# Overview of the SA health insurance landscape



\* Source: Council for Medical Schemes, 2008 report

## Discovery Health observations

1

Solvency and performance of DHMS

2

A better healthcare system for members

3

Strong acceptance of product and value philosophies

4

Service quality and efficiency

5

Regulatory positioning in the context of the National Health Insurance

## Discovery Health observations

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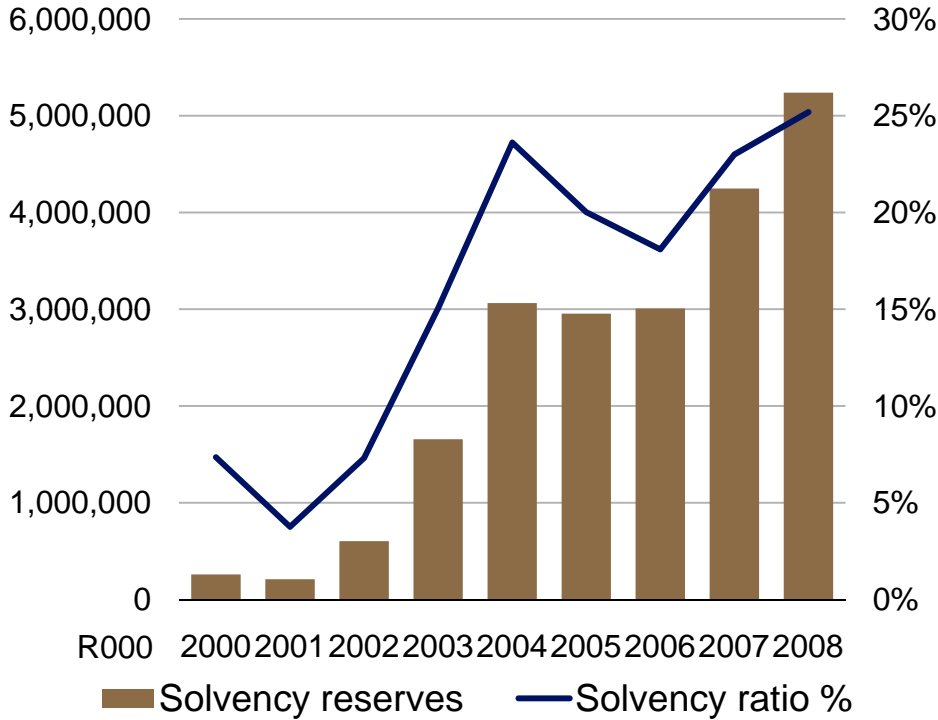
Service quality and efficiency

5

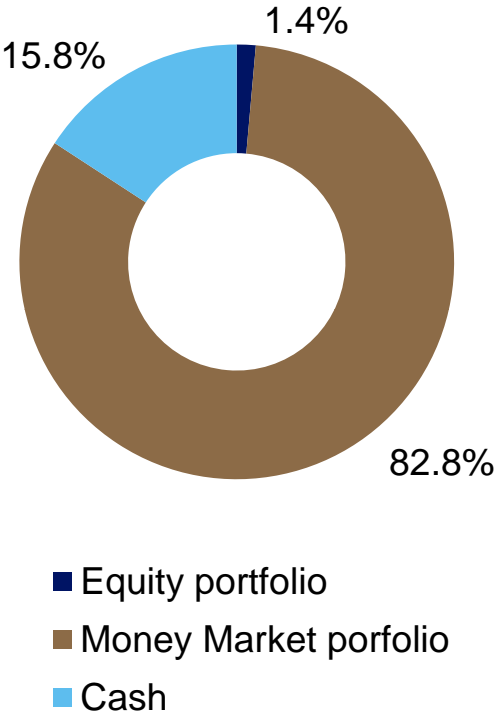
Regulatory positioning in the context of the National Health Insurance

# Attainment of 25% solvency target

DHMS solvency and reserves\*: December



Investment of DHMS reserves: Dec 2008



**Risk-based capital requirement of between R1.5bn and R2.8bn**

\* Note: Subject to final audit

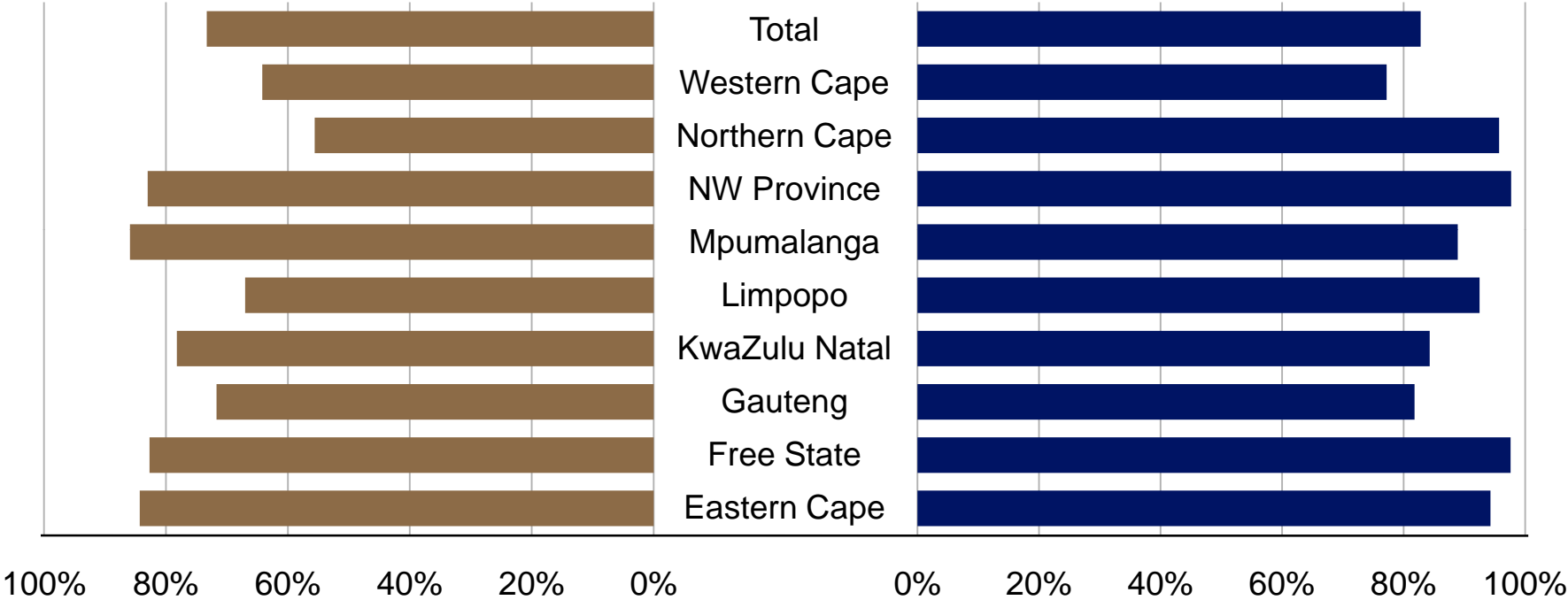
## Discovery Health observations

- 1 Solvency and performance of DHMS
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# Proprietary Discovery Payment Arrangements

General practitioner

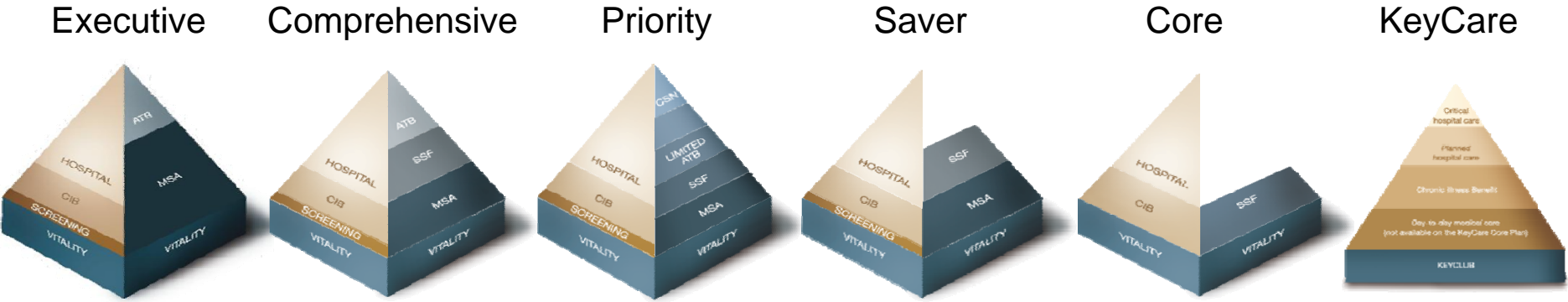
Specialist



General practitioner: 75% penetration

Specialist: 83% penetration

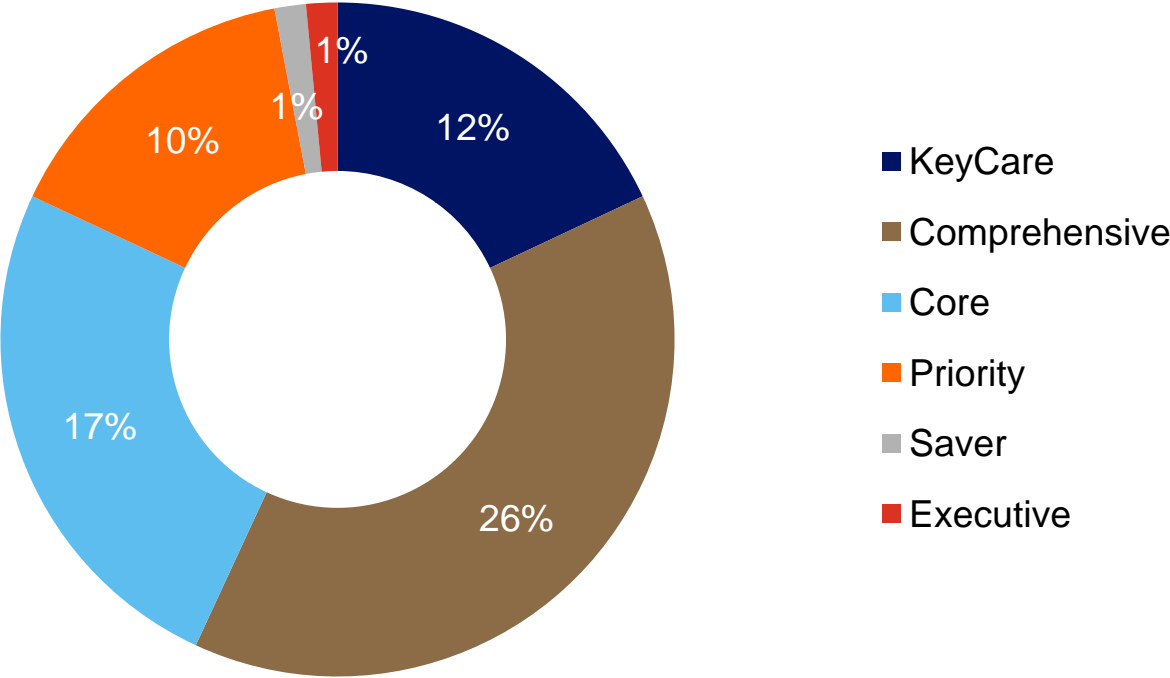
# Structural consistency provides flexibility and widest plan choice



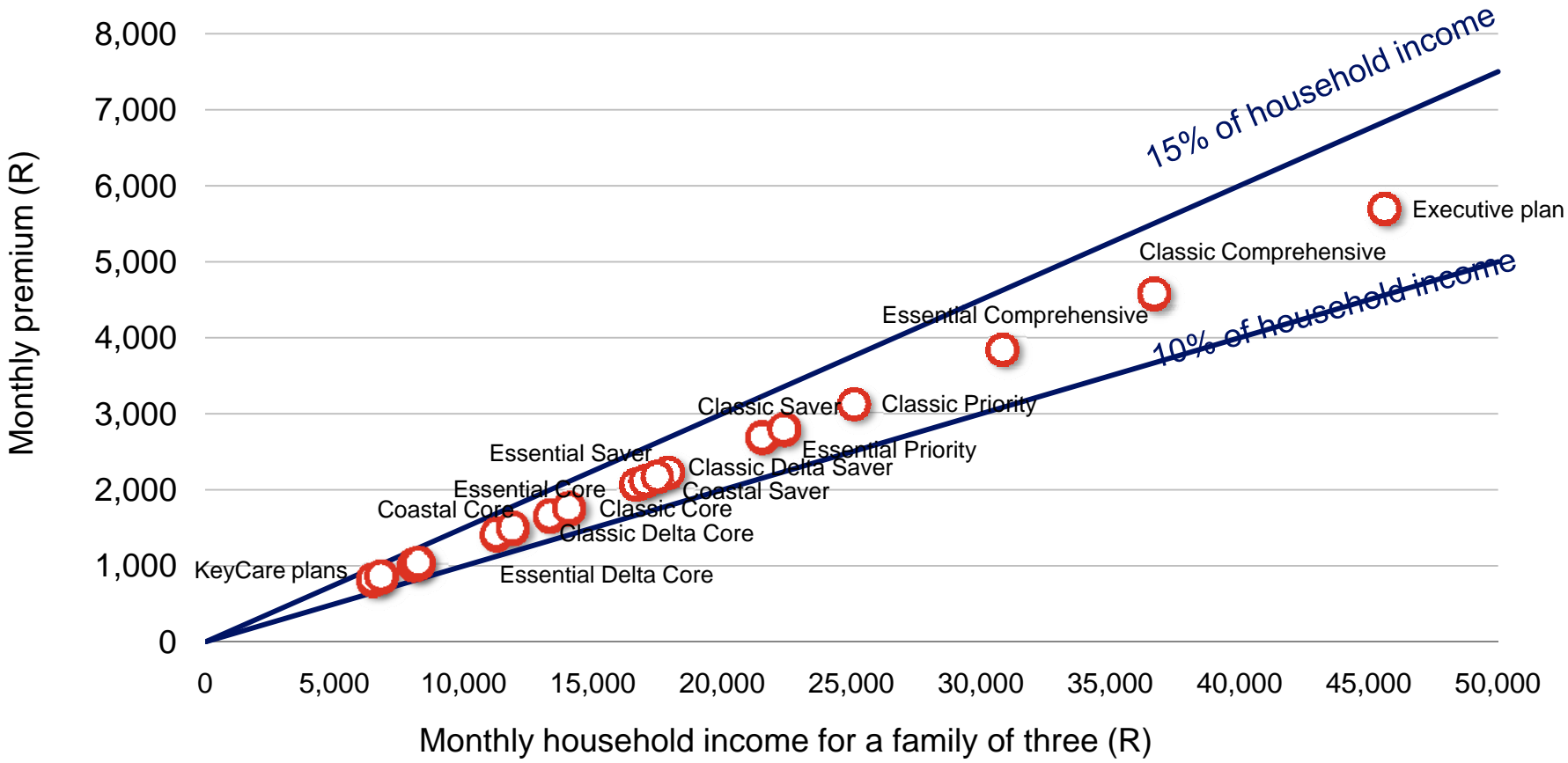
Member can choose from varying levels of benefits

# Distribution of membership by plan type

Distribution of DHMS membership by plan type (Dec 2008)



# Appropriateness of price points

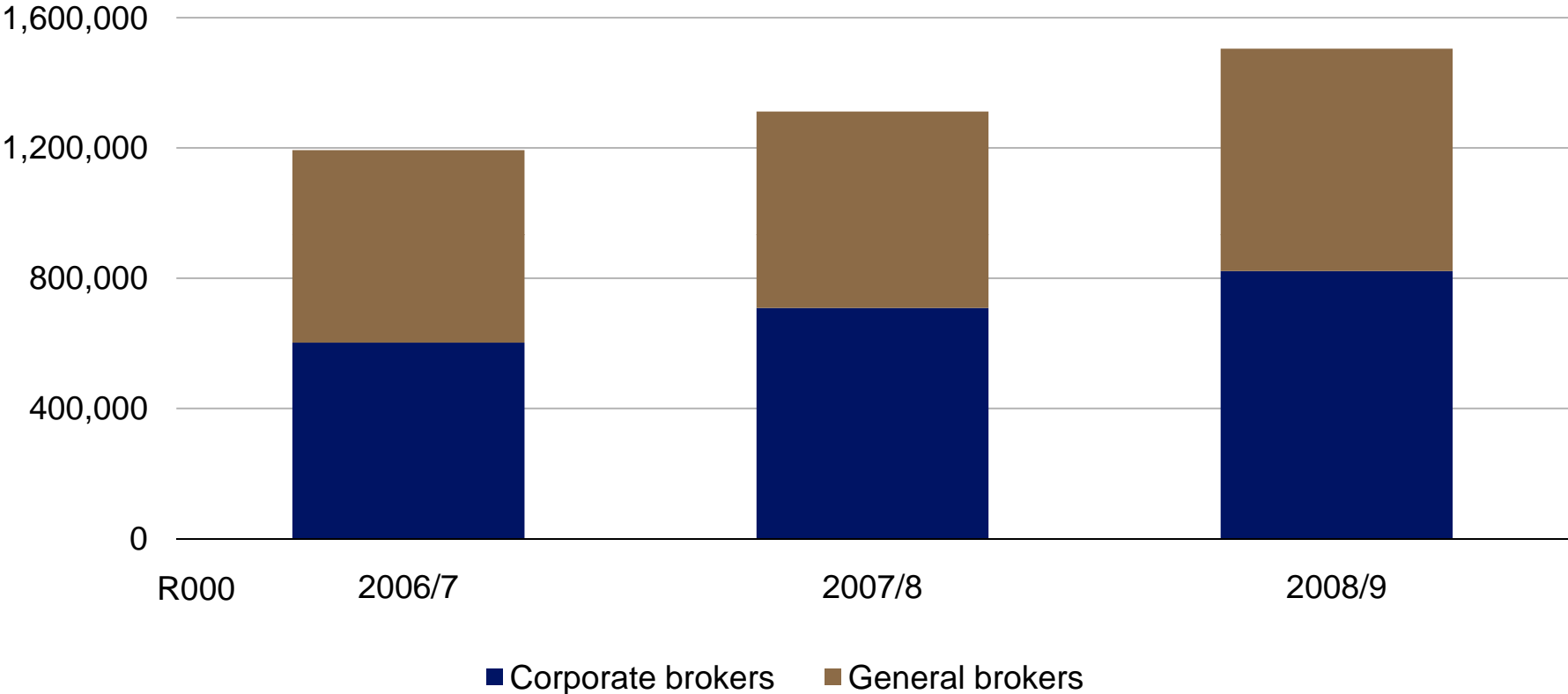


## Discovery Health observations

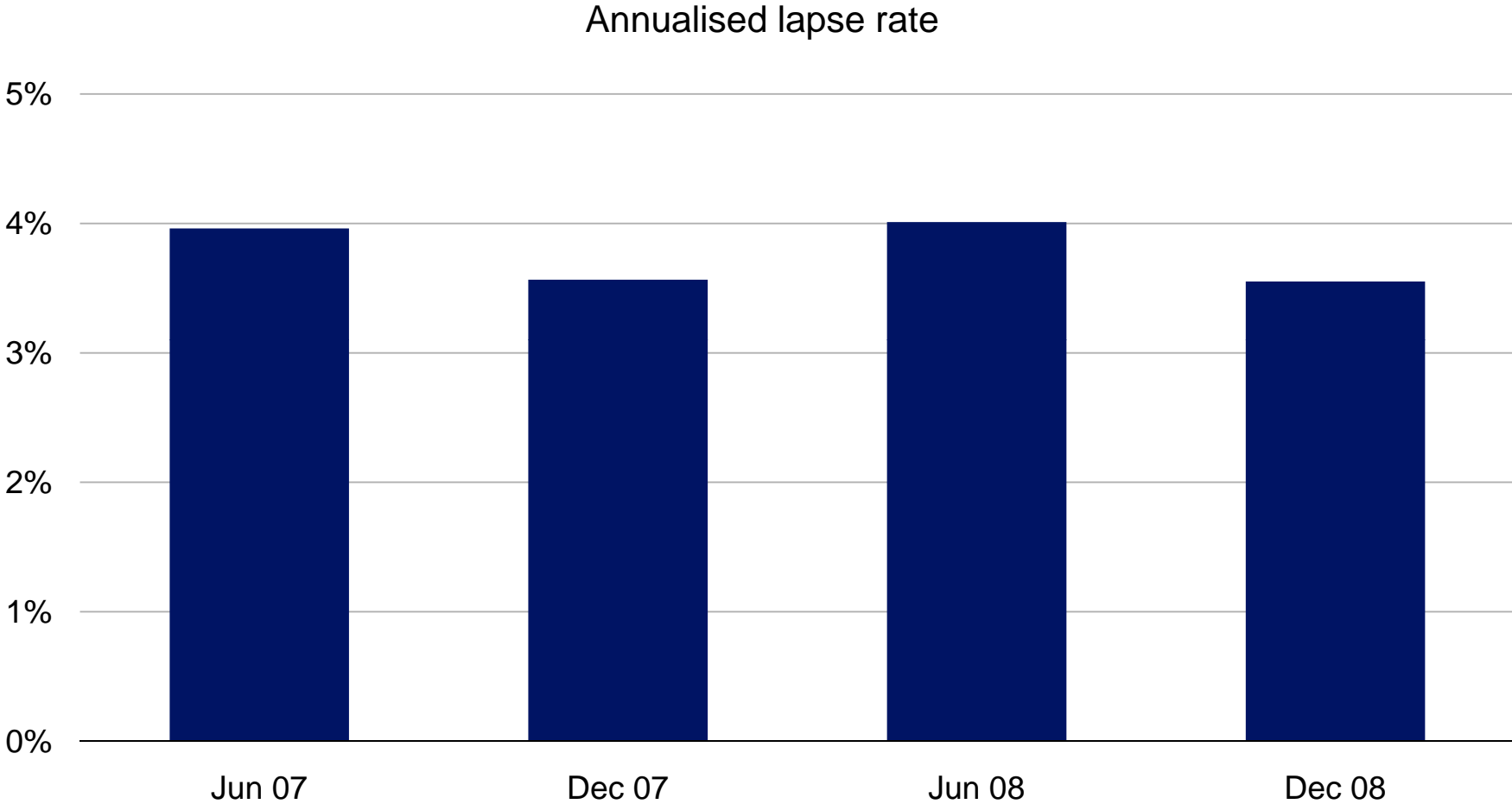
- 1 Solvency and performance of DHMS
- 2 A better healthcare system for members
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# New distribution channels have been additive to the overall result

Health new business by sales channel (6 months ended December)

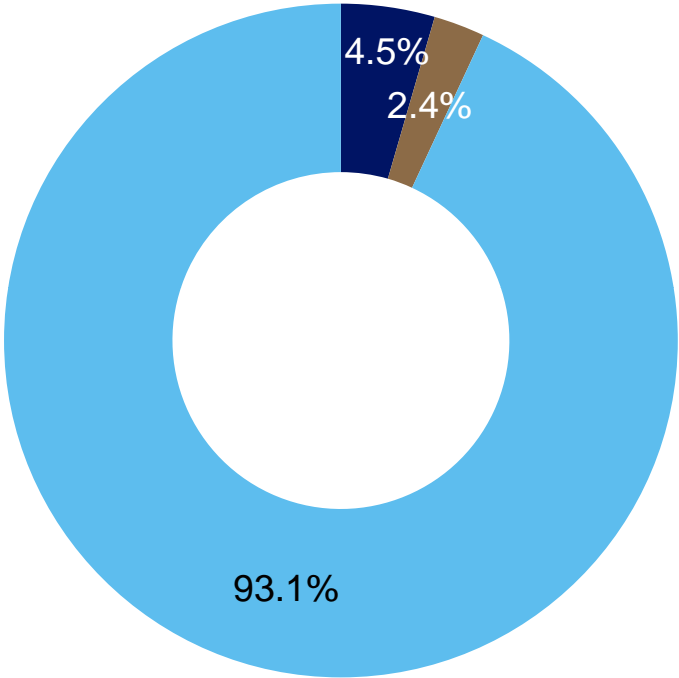


# Lapse rate remains well contained



# Members who change plans, on average, buy up to better coverage

Plan changes: 2008 - 2009



■ Plan upgrade   ■ Plan downgrade   ■ No plan change

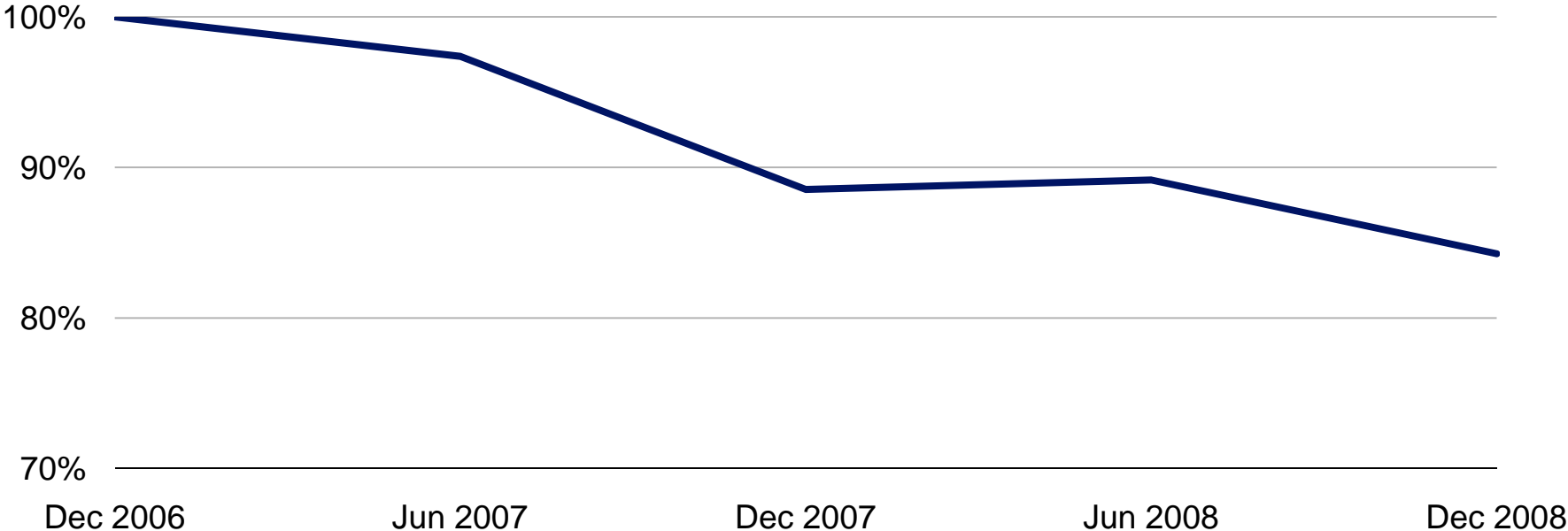
**93% of members retained their cover, while 65% of movers bought up**

## Discovery Health observations

- 1 Solvency and performance of DHMS
- 2 A better healthcare system for members
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- 5 Regulatory positioning in the context of the National Health Insurance

# Discovery Health achieved additional operating efficiency

Expenses per member per month (real) (Dec 2006 = 100%)



"This is the first time in my 15 years of auditing that an organisation of this size and complexity ... is certified without any non-conformance to the ISO standard, whether a minor or a major non-conformance."

**Martin Prinsloo, CEO, DNV**



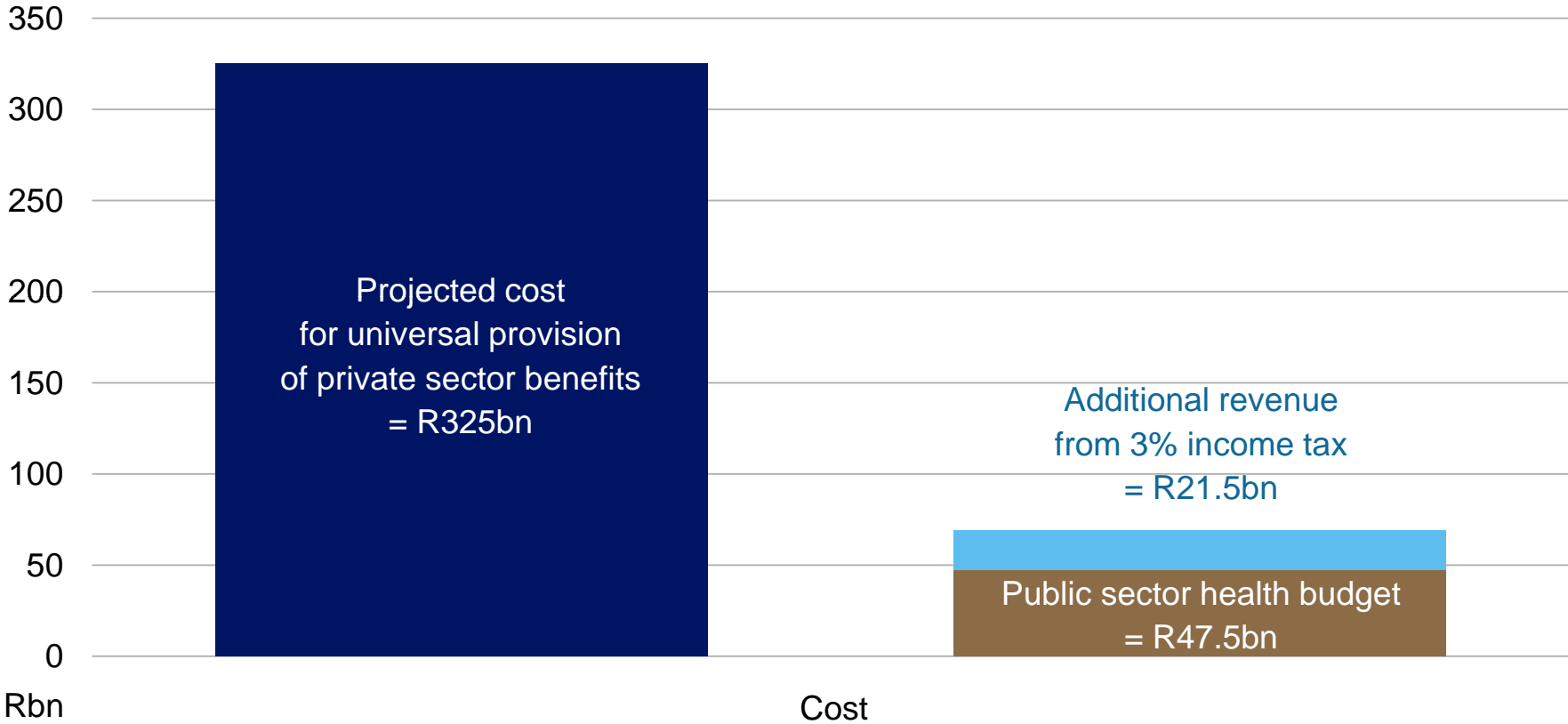
## Discovery Health observations

- 1 Solvency and performance of DHMS
- 2 A better healthcare system for members
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## Revised principles of National Health Insurance in ANC Manifesto

Funding	Suggested tax of 3% - 5% of personal income
Package of services	Primary health care, hospital services and outpatient services, free at point of service
Providers	Private and public facilities and providers
Quality	Independent quality improvement and accreditation body will set the national standards
Implementation	Envisaged over 5 years

# Implementing full or partial NHI packages in SA is unaffordable in short – medium term



Note: Costed in 2007 terms, assuming private sector tariff levels

## Discovery Health observations

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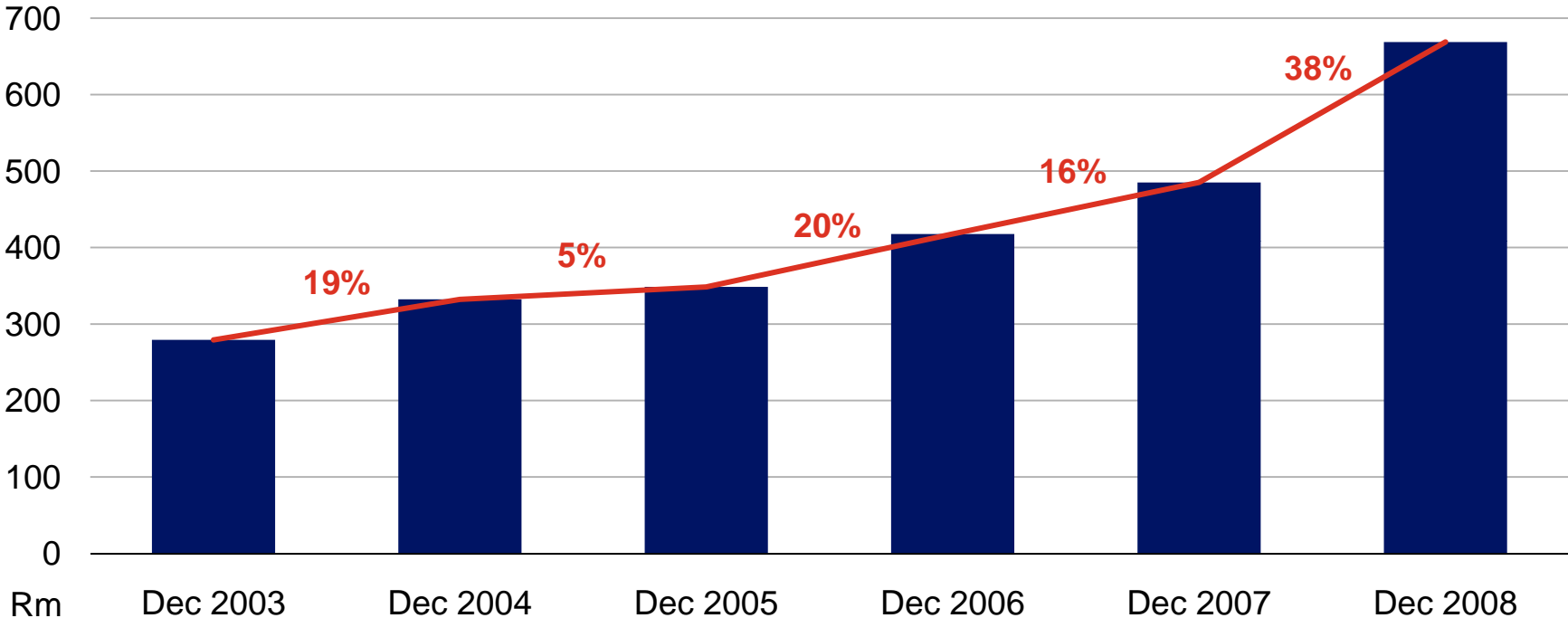
## Key financial metrics

	6 months to 31 Dec 2008	6 months to 31 Dec 2007	% change
New business	<b>R801m</b>	R589m	36%
Gross inflows	<b>R1,880m</b>	R1,446m	30%
Operating profit	<b>R618m</b>	R479m	29%
Value of in-force (SVM basis)*	<b>R9,182m</b>	R7,626m	20%

\* Includes Discovery Life and Discovery Invest

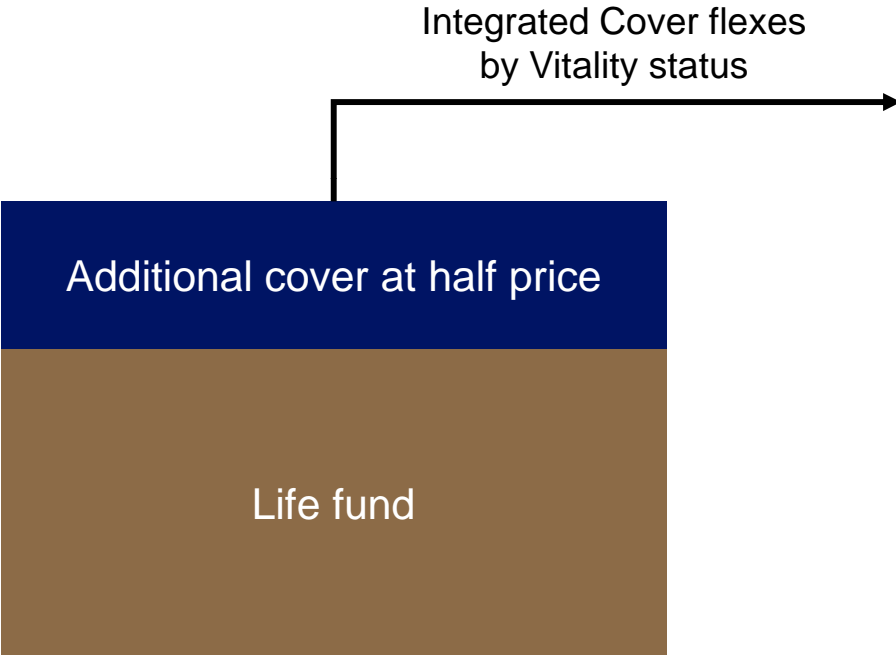
# New business remains robust despite market conditions

Risk new business API (including ACIs and servicing increases)



# Product excellence: Cover Integrator

Cover Integrator provides up to a 50% discount on additional cover

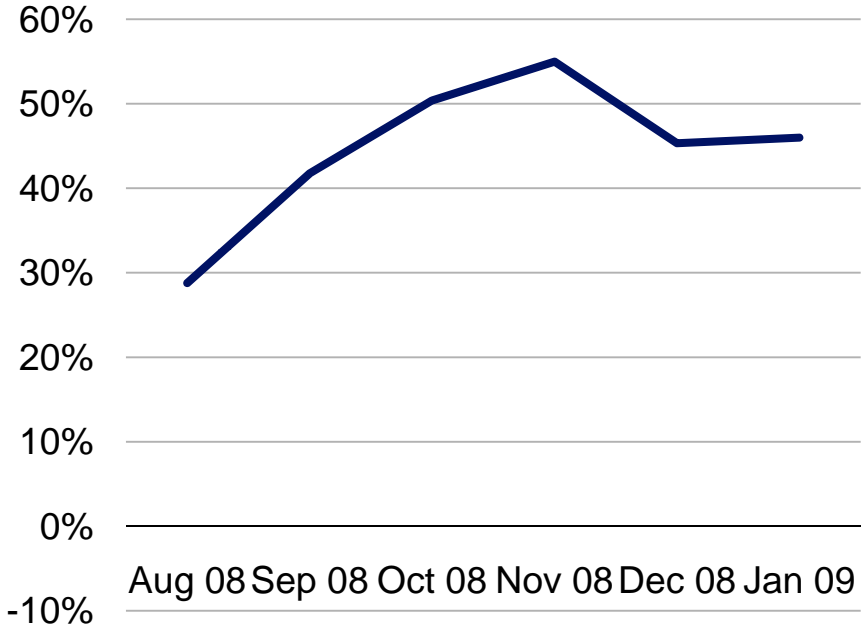


Adjustment to extra cover

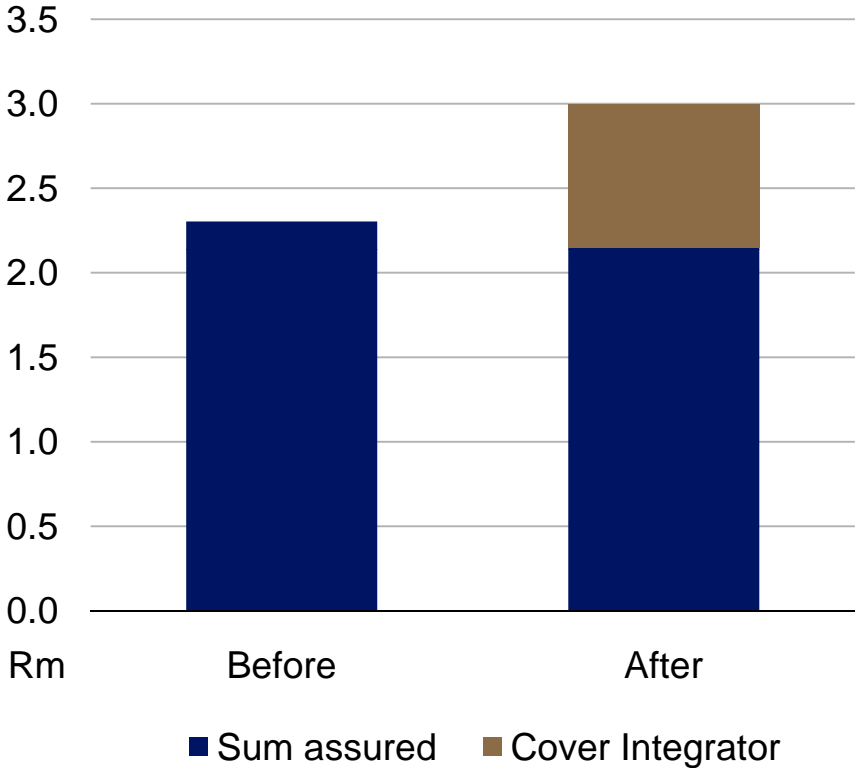
Vitality status	20% Integrated Cover	40% Integrated Cover
Blue	-0.63%	-1.07%
Bronze	-0.33%	-0.57%
Silver	0%	0%
Gold	0.33%	0.57%
Diamond	0.63%	1.07%

# Product excellence: Strong receptivity to Cover Integrator

Cover Integrator take-up %



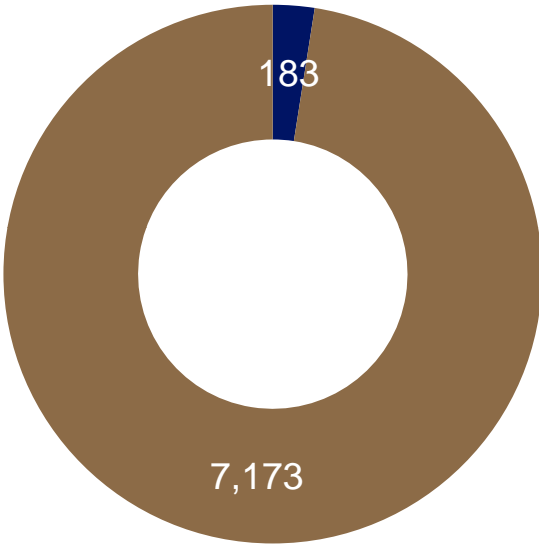
Average sum assured of existing policies



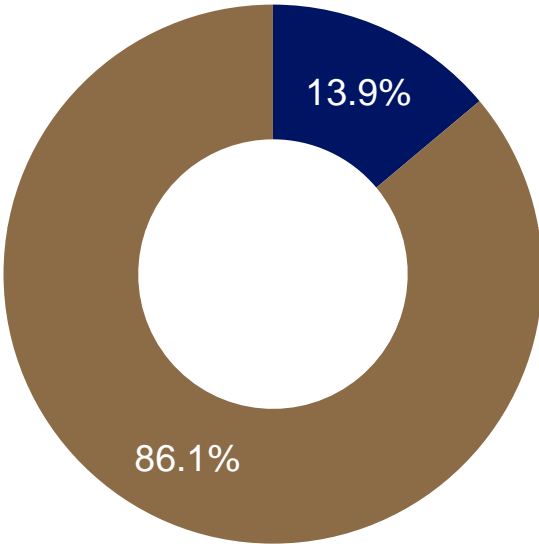
# Distribution excellence: Investment in distribution

Distribution breakdown: Jul 2008 – Jan 2009

Distribution of API: Jul 2008 – Jan 2009\*



■ Agents      ■ Brokers



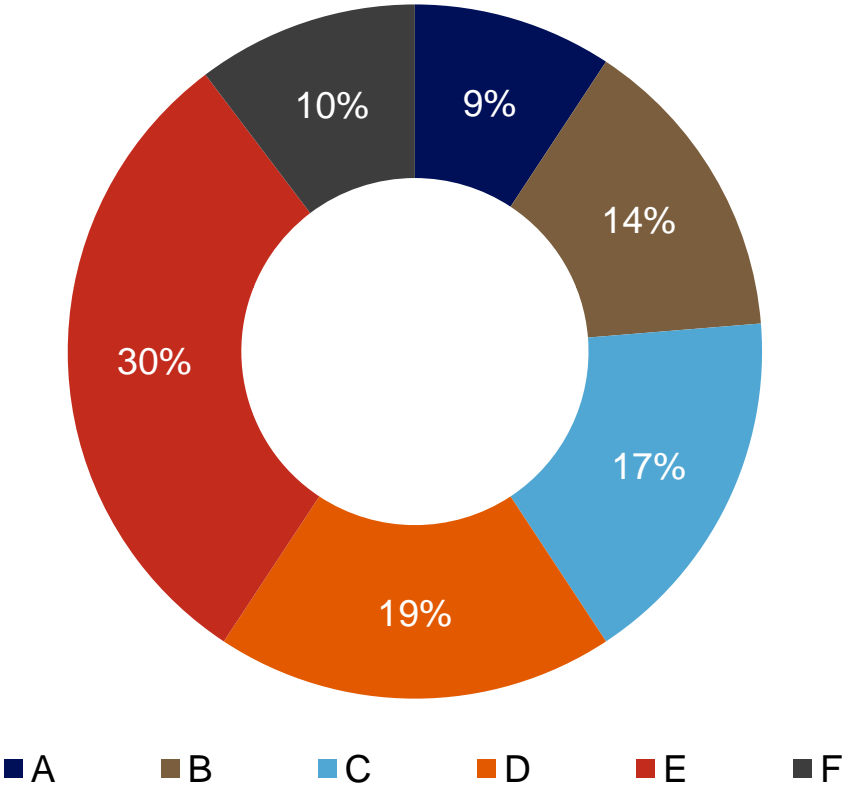
■ Agent      ■ Broker

**Multiplier effect of 5 times**

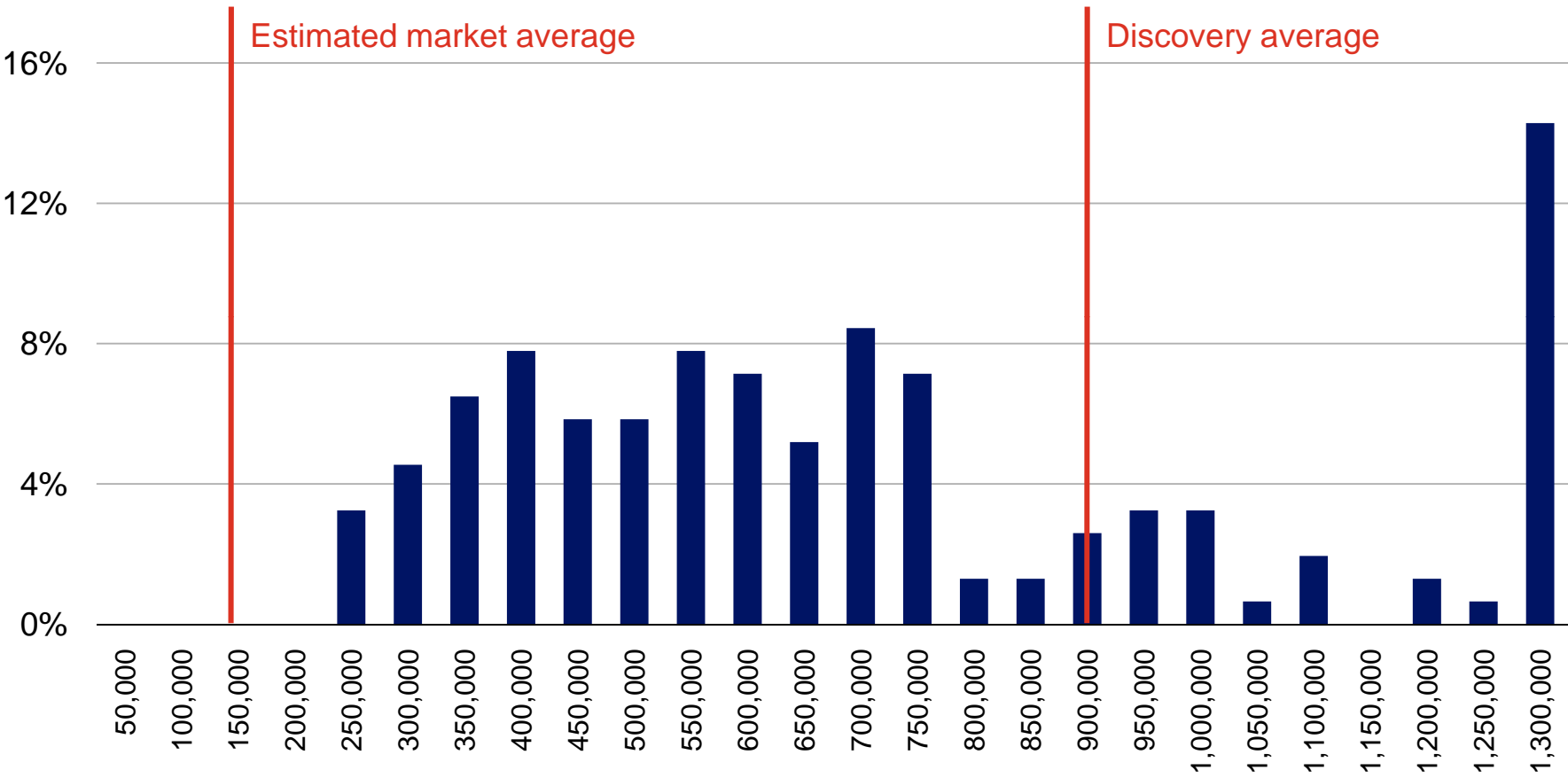
\* Risk only

# Recruitment analysis of Discovery agents

Recruitment analysis by previous employer

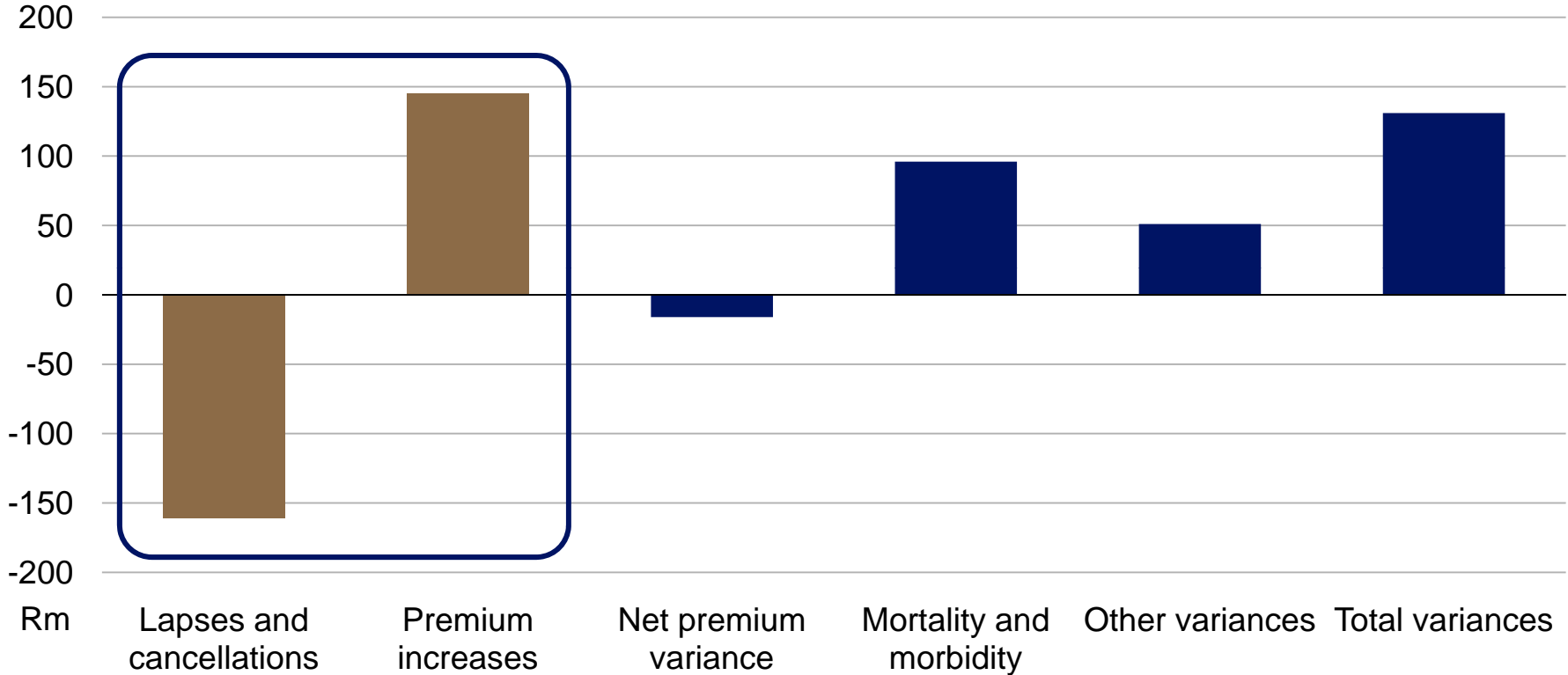


# Distribution of annualised commission per agent



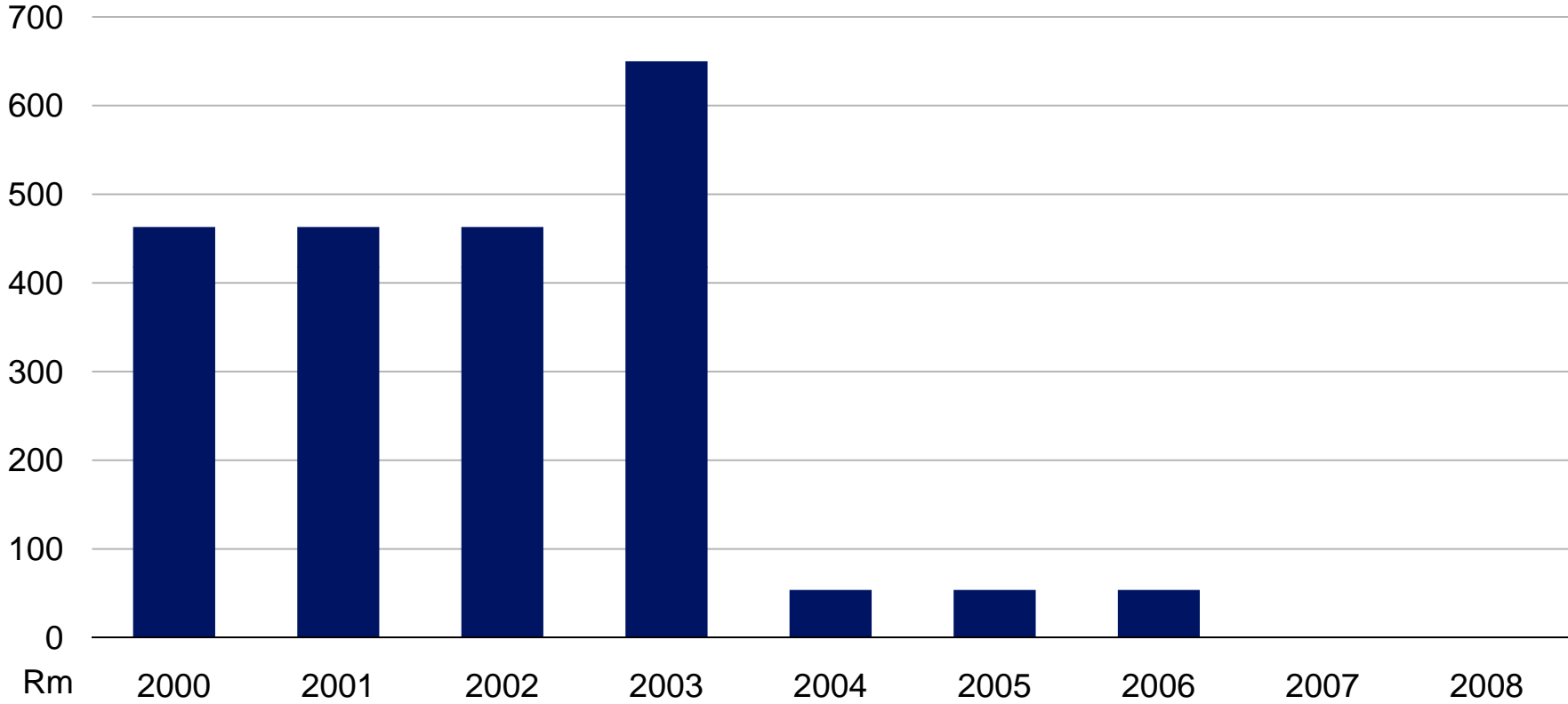
# Discovery Life experience variances

Experience variances (6 months ended December 2008)



# Building a business of scale and quality

Total capital investment in Discovery Life



**Current EV of R10.6bn is 5 times the investment value**

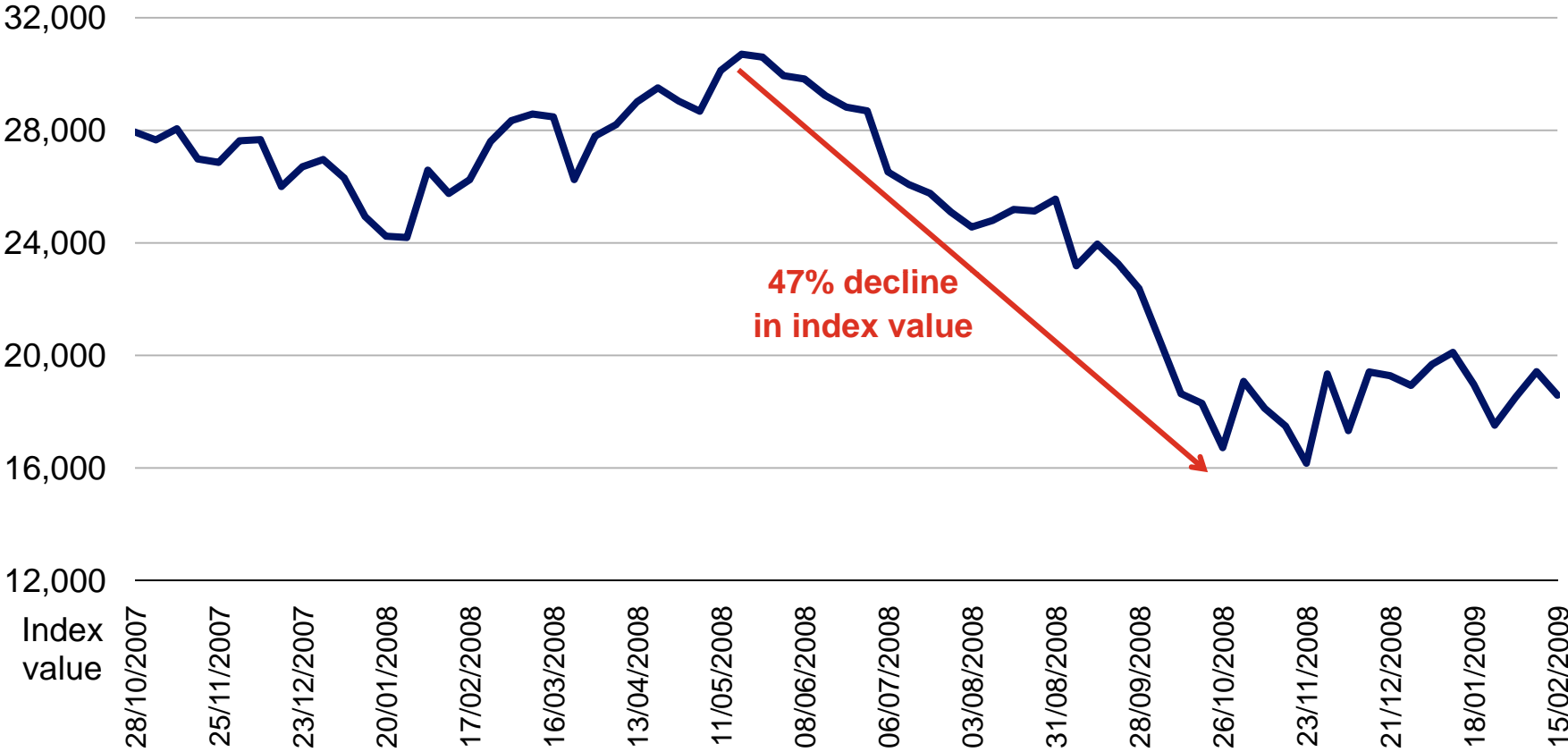


## Key financial metrics

	6 months to 31 Dec 2008	6 months to 31 Dec 2007	% change
Gross inflows	<b>R2,330m</b>	R396m	489%
Funds under Management	<b>R2,066m</b>	R406m	408%
Operating loss	<b>(R83m)</b>	(R66m)	(26%)

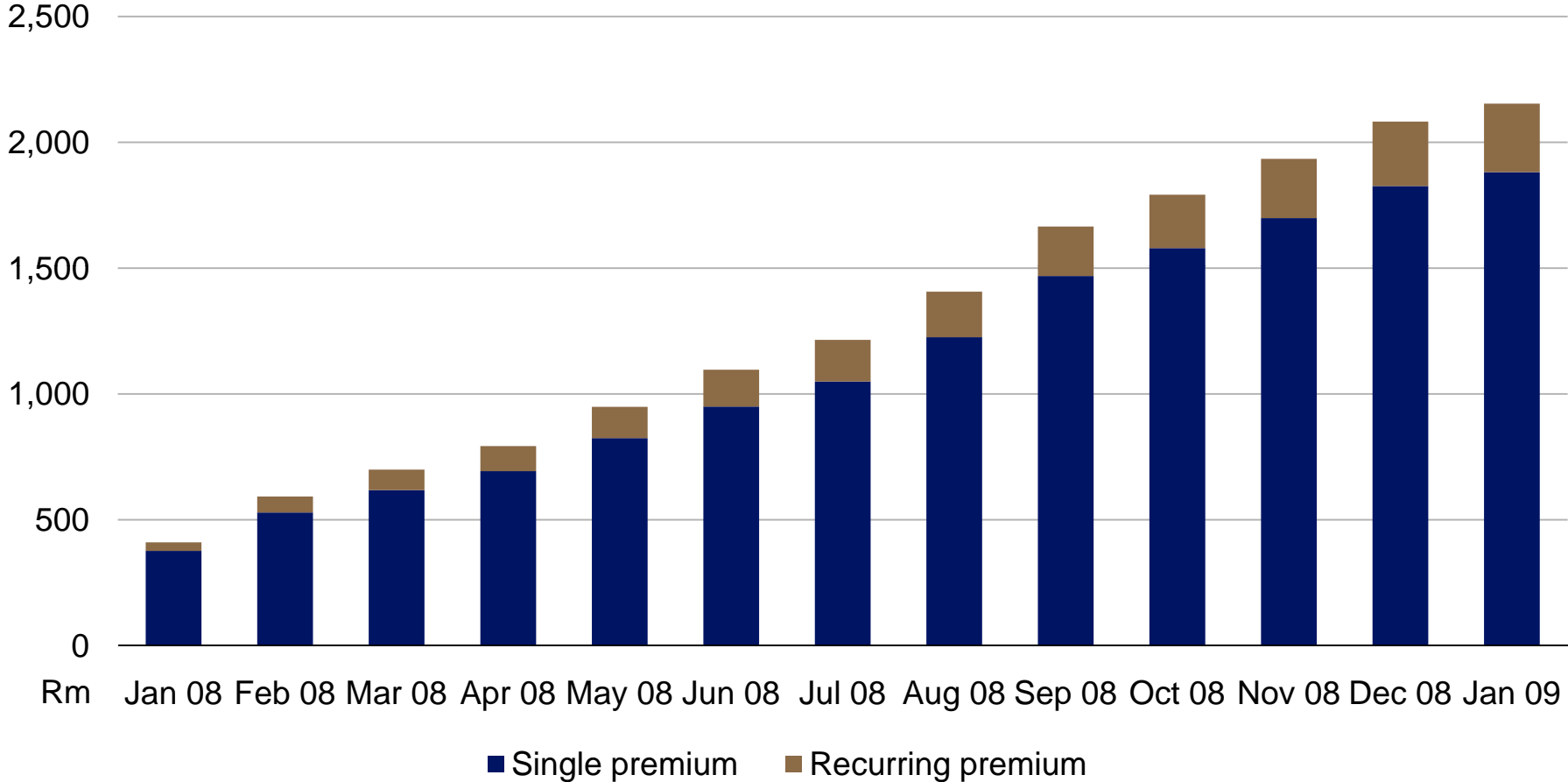
# Market conditions have worsened over the past 6 months

## Performance of the Top 40 Index



# Gross inflows have grown in line with budget, with good annuity flow

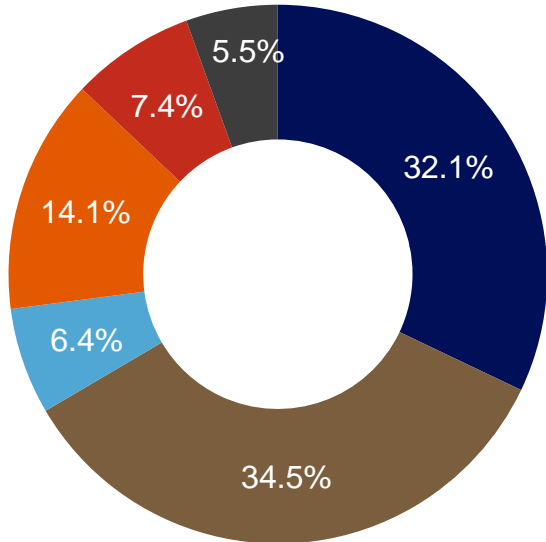
Gross inflows



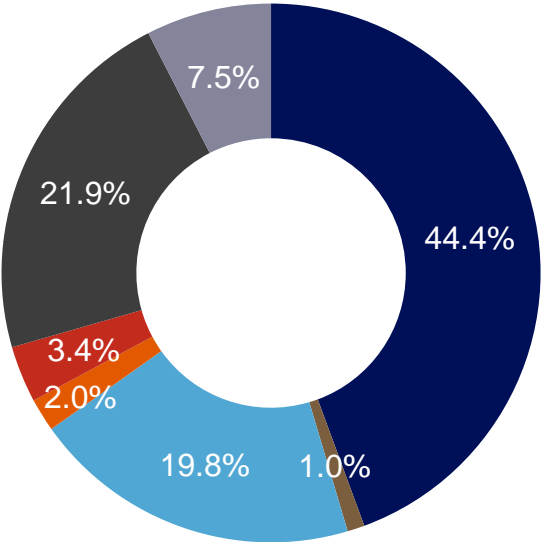
# Distribution of Funds under Management

32% investment in endowment

80% of assets invested in Discovery funds



- Endowments
- Investment Plan
- Retirement Annuity
- Linked Annuity
- Pension Preserver
- Provident Preserver

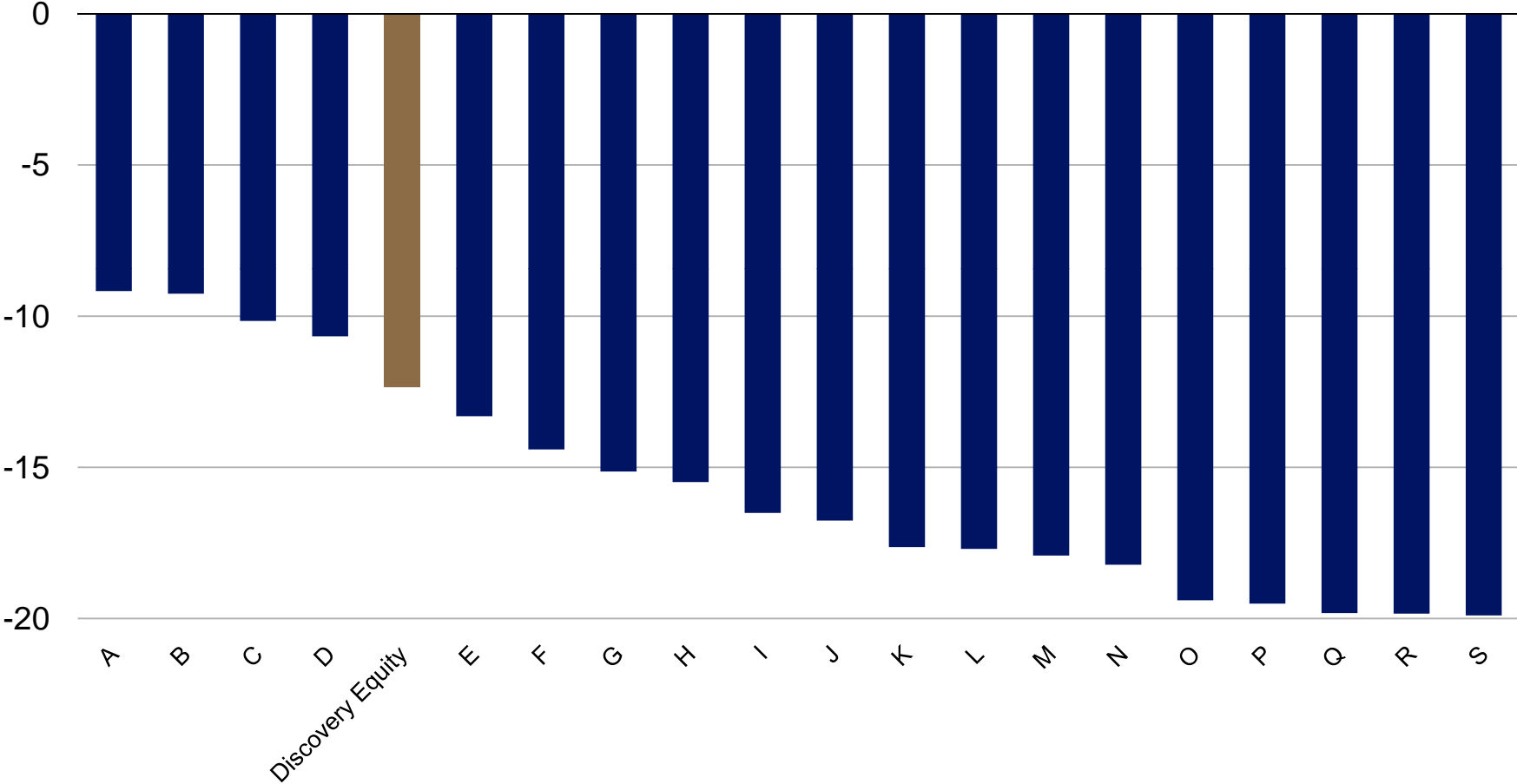


- Discovery Single Manager
- Discovery Multi Manager
- External Funds
- Alpha Funds
- Target Retirement
- Escalator Funds
- RightChoice Investments

\* Risk only

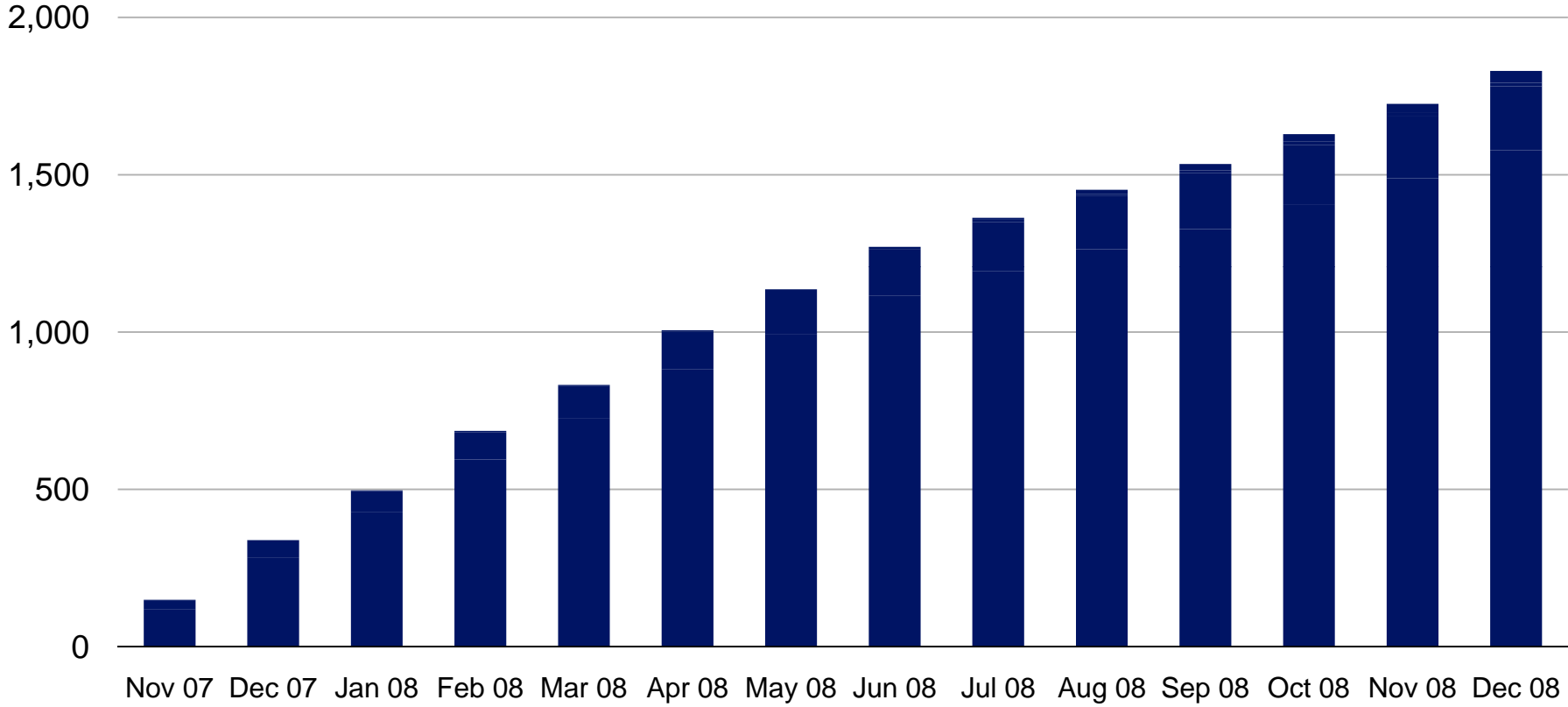
# Investment performance

12-month performance: Discovery Equity Unit Trust



# Support for gross inflows: Enhanced distribution network

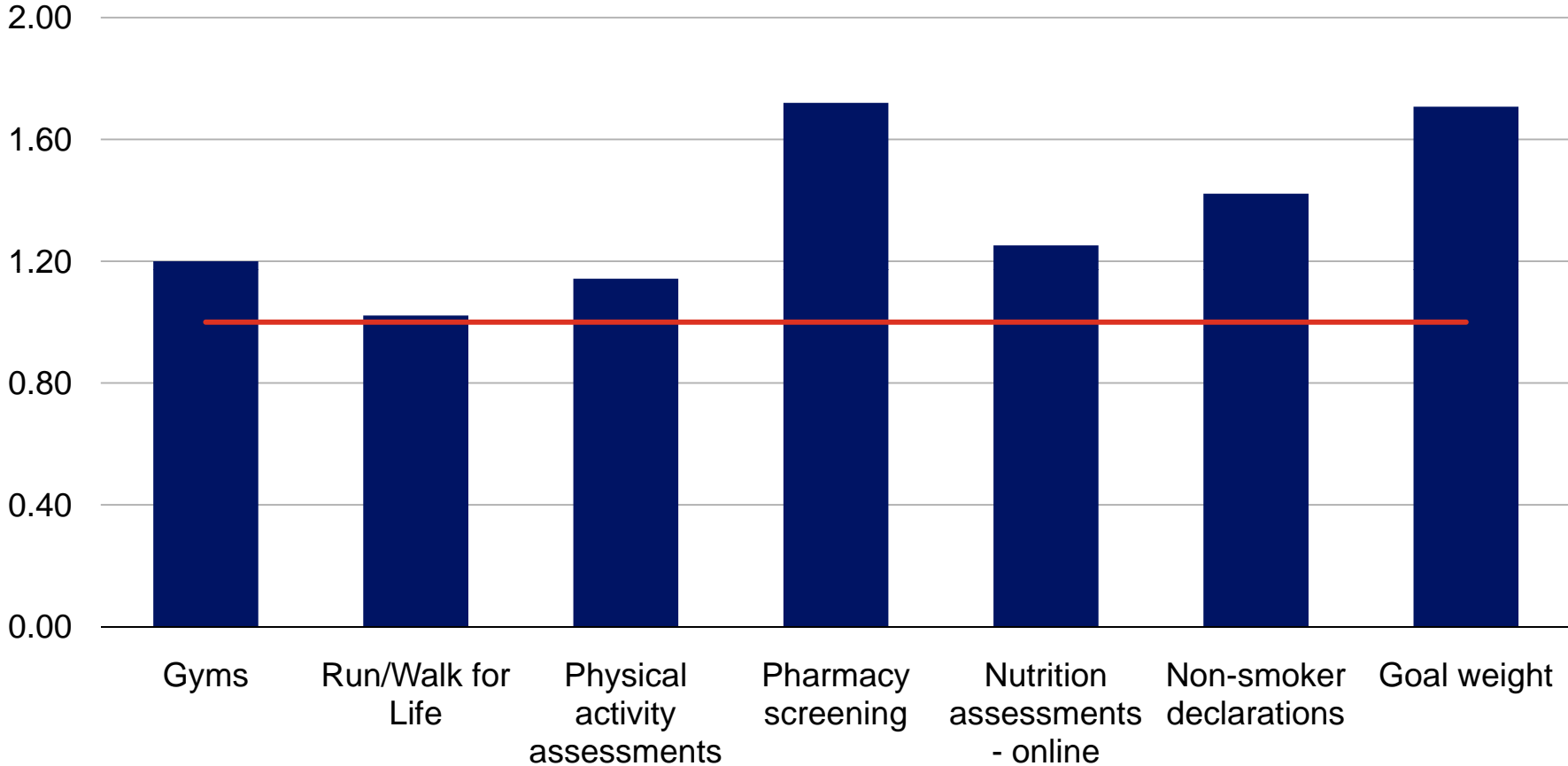
Cumulative number of supporting brokers and agents





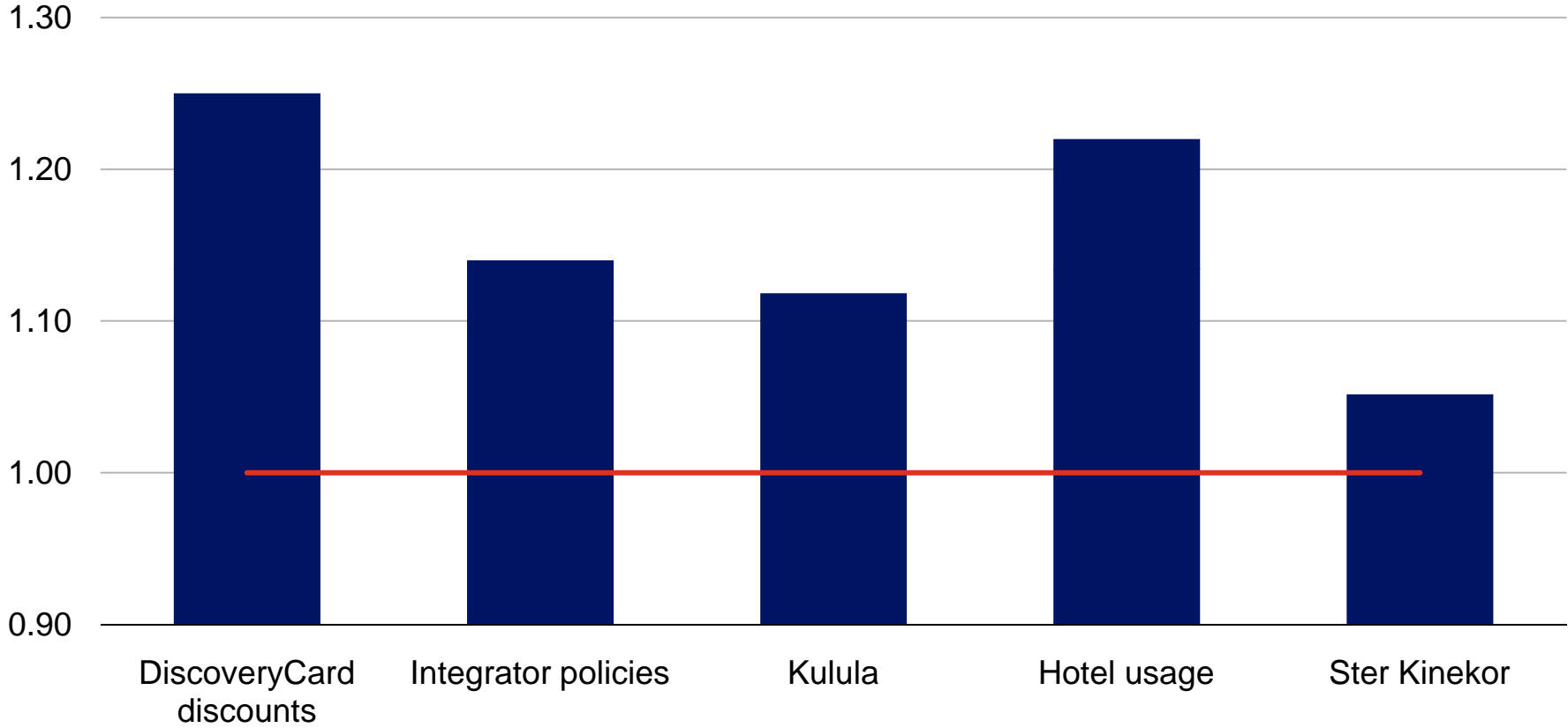
# Vitality Wellness engagement is increasing

Wellness engagement: 6 months ended December, 2008 vs 2007

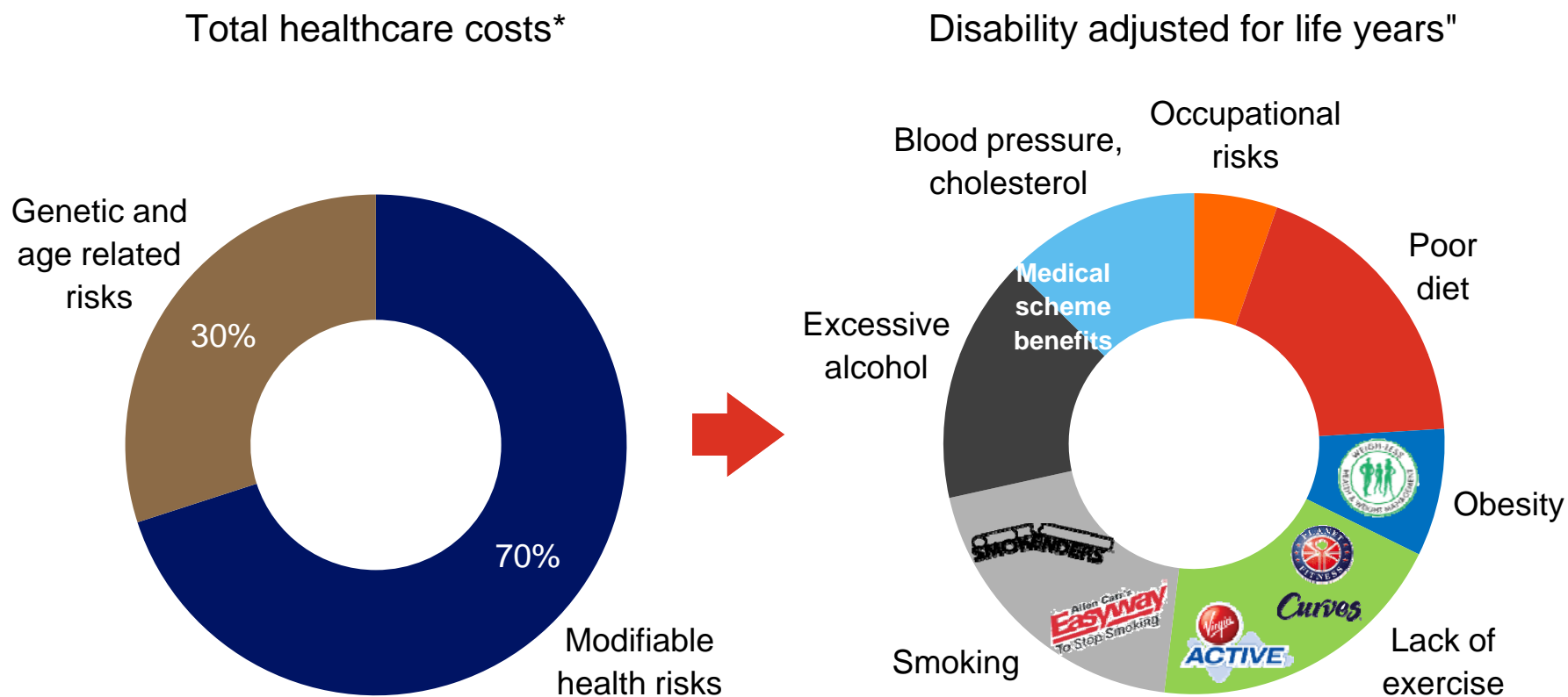


# Vitality engagement is high across the benefit spectrum

Benefit utilisation: 6 months ended December, 2008 vs 2007



# The role of healthy living in preventing non-communicable diseases



\* Source: Wellness Councils of America and the Center for Health Care Economics

" Source: Adapted from World Health Report, 2002

# Launching Vitality HealthyFood™



25% saving on nutritional items purchased at Pick n Pay

# HealthyFood™ provides the opportunity to demonstrate clinical rigour of Vitality

## Independent Vitality Nutrition Panel

Prof Tim Noakes

ESSM, University of Cape Town

Prof Vicki Lambert

ESSM, University of Cape Town

Prof Marjanne Senekal

Faculty of Health Sciences, University of Cape Town

Anne Till

Director: Anne Till & Associates; dietician

## Advisory consultants

Dr Nelia Steyn

Chief Specialist Scientist, Medical Research Council







Prof Christine Venter

School for Physiology, Nutrition and Consumer Sciences,  
North-West University

Jane Badham

JB Consultancy

# HealthyFood™ provides the opportunity to demonstrate clinical rigour of Vitality

Fruit and vegetables <b>3,000 products</b>		Nutrient	WHO dietary recommendations		Chicken, fish and meat alternatives <b>479 products</b>
Grains and cereals <b>1,425 products</b>		Saturated fat	10 en%		Vegetable oils and nuts <b>536 products</b>
Lentils and legumes <b>373 products</b>		Trans fat	1 en%		Milk and dairy products <b>217 products</b>
		Sodium	1.2mg/kcal		
		Added sugar	10 en%		
		Dietary fibre	1.3mg/kcal		

**61,000 products assessed; 6,000 classified as HealthyFood™**

# Mechanics of HealthyFood™ benefit



MINERAL WATER STILL	000			12.99
WHITE GRAPES BOX	000	#	VIT	24.99
F/F STRAWBERRY YOG	000		VIT	14.99
CHICKEN STIRFRY	000			10.09
LOW FAT CHEESE VP	000			25.99
BABY MARROWS	000	#	VIT	11.99
PRETZELS SESAME RING	000			18.39
CHIPS CARIB/ONION&B/	000			7.29
ITEMS	8	T O T A L		126.72
BANK CARDS				126.70
CARD-NO		*****3013		
Rounding				0.02

HealthyFood™ purchases marked on till slips

TAX EXEMPT INDICATOR \*  
 NON-TAXABLE INDICATOR #  
 DISCOVERY VITALITY VIT  
**TAX INVOICE**  
 VAT REG NO. 4390107474

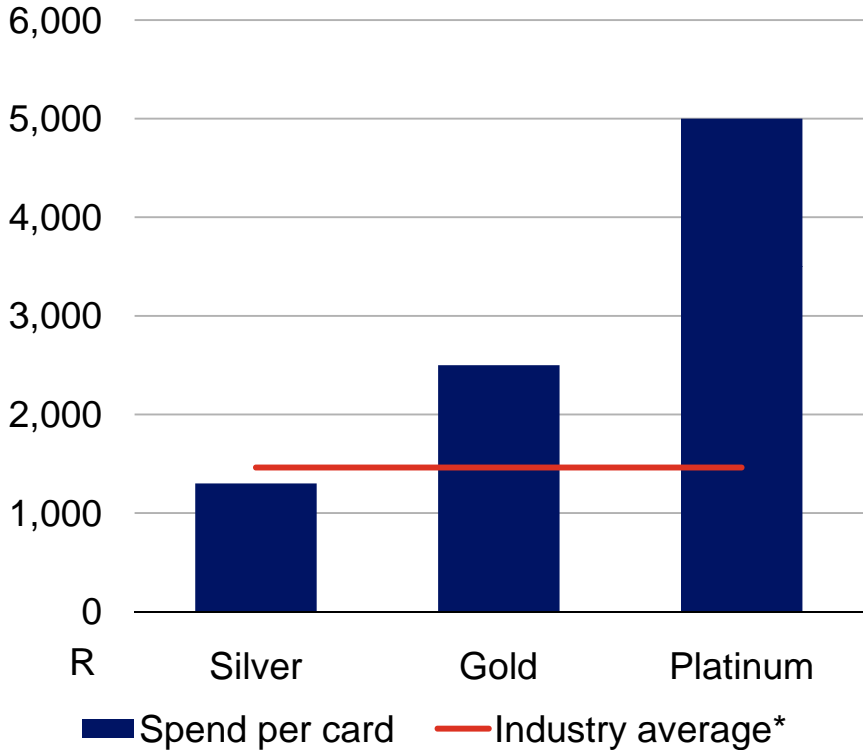
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 \*7576 2621/012/032 10.01.09 11:58 AC-00

Discovery Vitality members save up to 25% on HealthyFood™.  
 Visit [www.discovery.co.za](http://www.discovery.co.za)  
 Now more than ever it pays to be healthy!

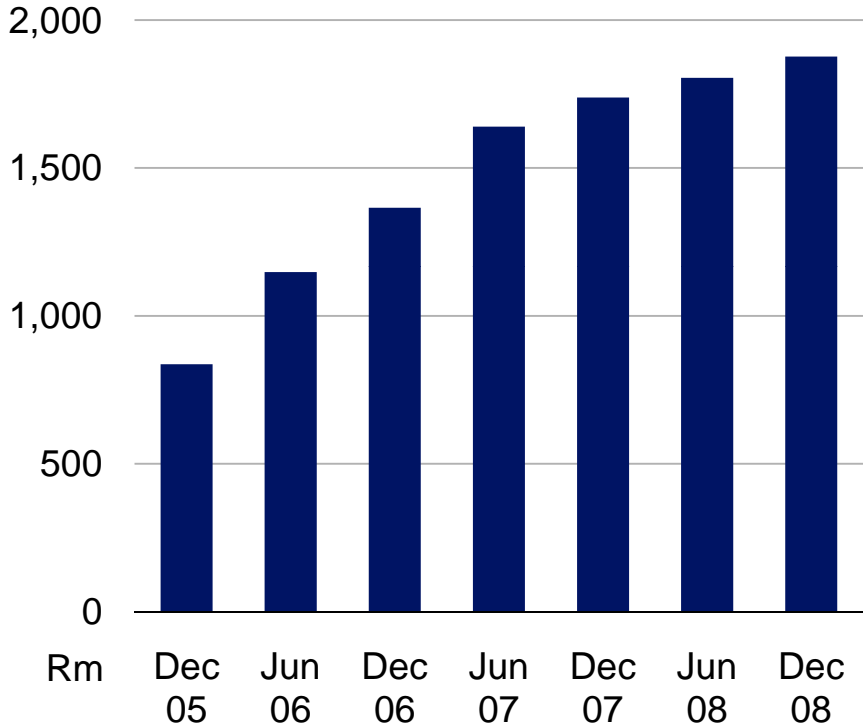


# Overview of DiscoveryCard

Spend per issued card



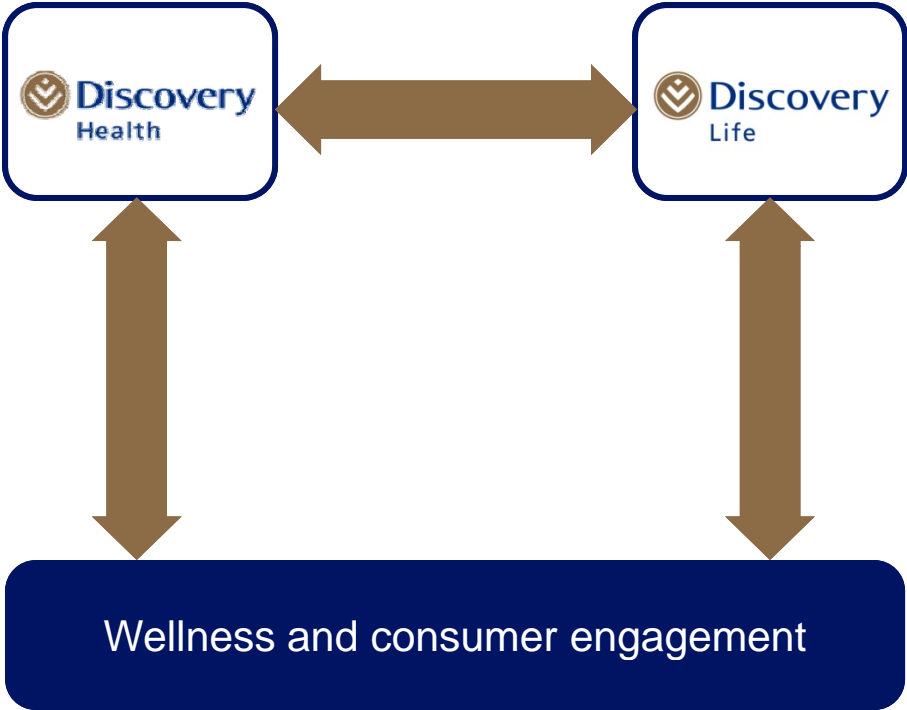
DiscoveryCard's advances book



**285,000 DiscoveryCards in issue**

\* Across all card types

# Vitality is foundational to all of Discovery's businesses





## Key financial metrics

	6 months to 31 Dec 2008	6 months to 31 Dec 2007	% change
New business	<b>R271m</b>	R248m	9%
Membership*	<b>193,547</b>	150,341	29%
Operating loss (£)	<b>(£4.3m)</b>	(£6.0m)	28%
Operating loss (Rands)	<b>(R64m)</b>	(R83m)	23%

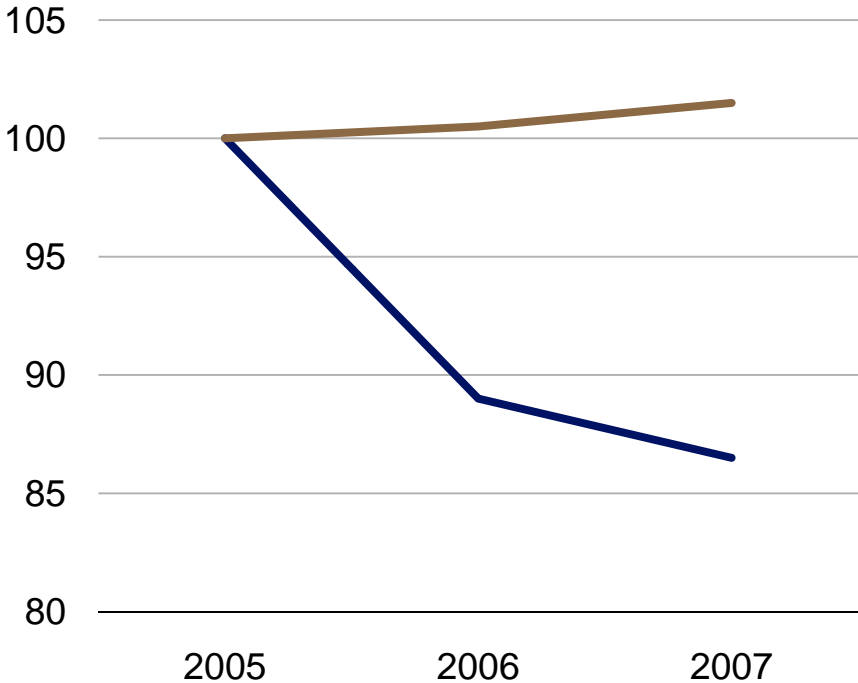
\* Membership as at 18 February 2009 and 21 February 2008

# Loss ratio trending towards long-term assumption

Rolling 12 month loss ratio (Jan 2007 = 1)

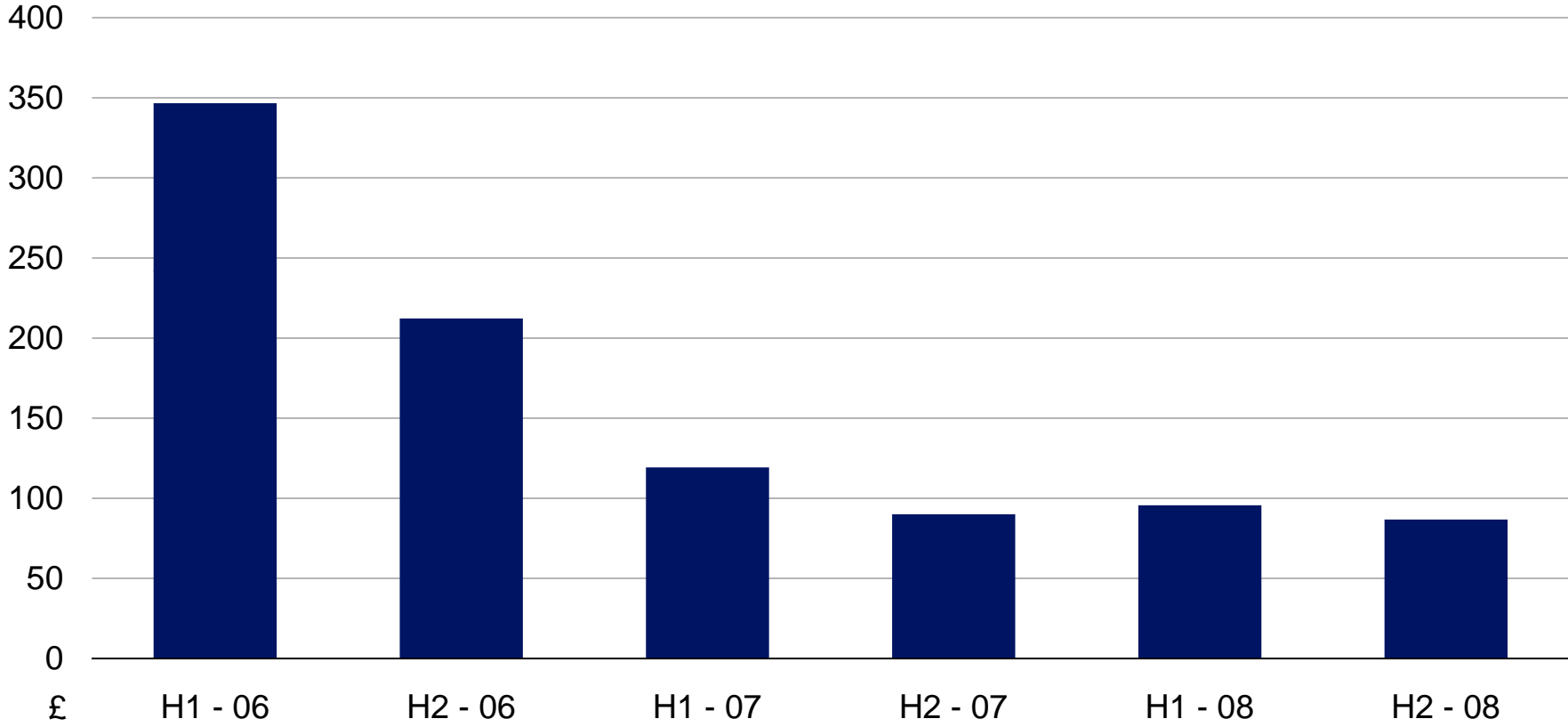


Loss ratio trend: PruHealth vs market



# Tight cost management driving operational efficiency


Annualised renewal unit costs (£)



# Thought leadership in health and wellness

**THE PRUHEALTH  
VITALITY INDEX**

Examining the nation's health and wellbeing



November 2008

**PRU HEALTH**  
It pays to be healthy

Step by step Tube map



# Industry recognition of product leadership position



Winner  
2008

Health Insurance Awards 2008  
Individual PMI Provider of the Year



Winner  
2008

Health Insurance Awards 2008  
Best Use of Marketing to Intermediaries



WINNER 2008  
WINNER 2008

Cover Excellence Awards 2008  
Individual PMI Provider of the Year

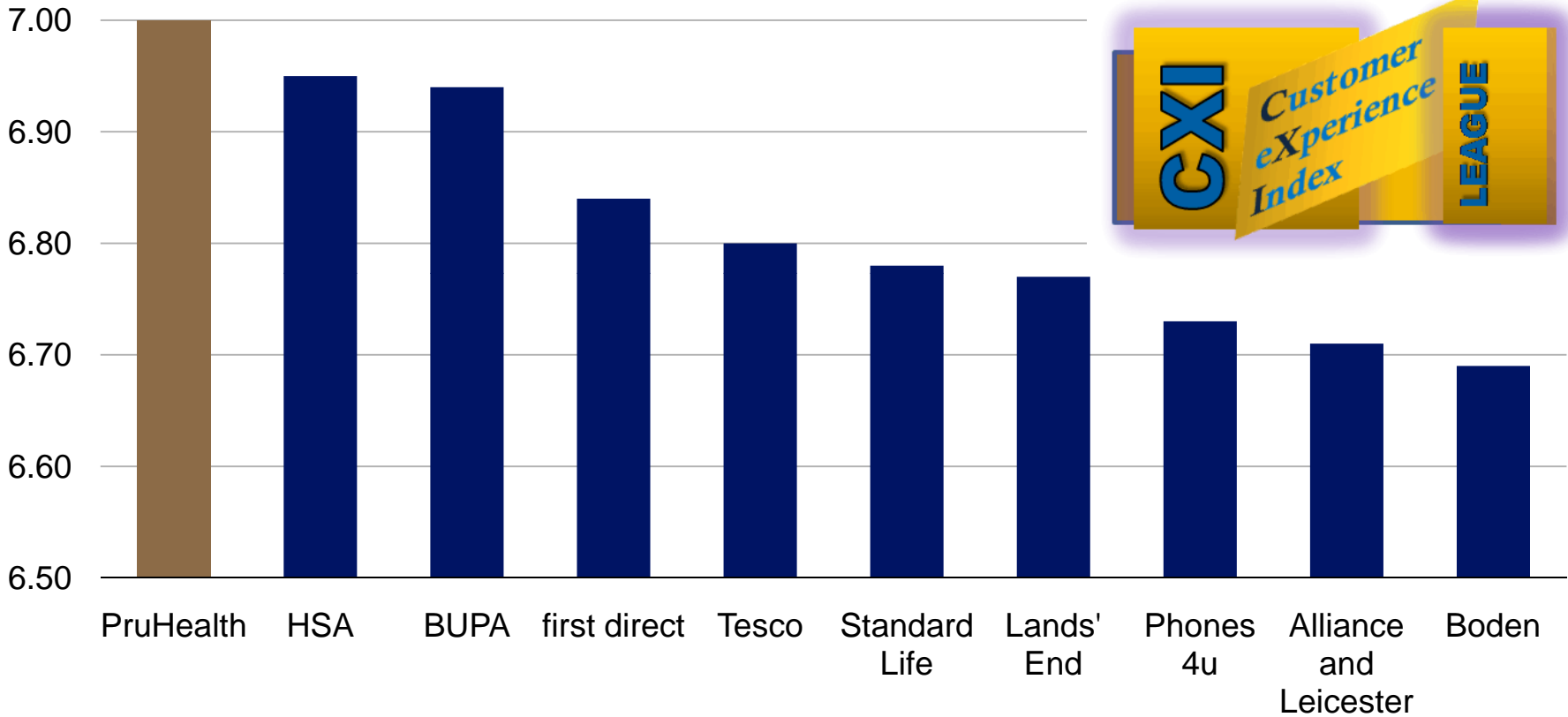


BEST PRIVATE MEDICAL INSURANCE PROVIDER

Investment Life & Pensions Moneyfacts Awards 2008  
Best PMI Provider





# Recognition of service excellence

Ranking of Top 10 customer experiences in the UK



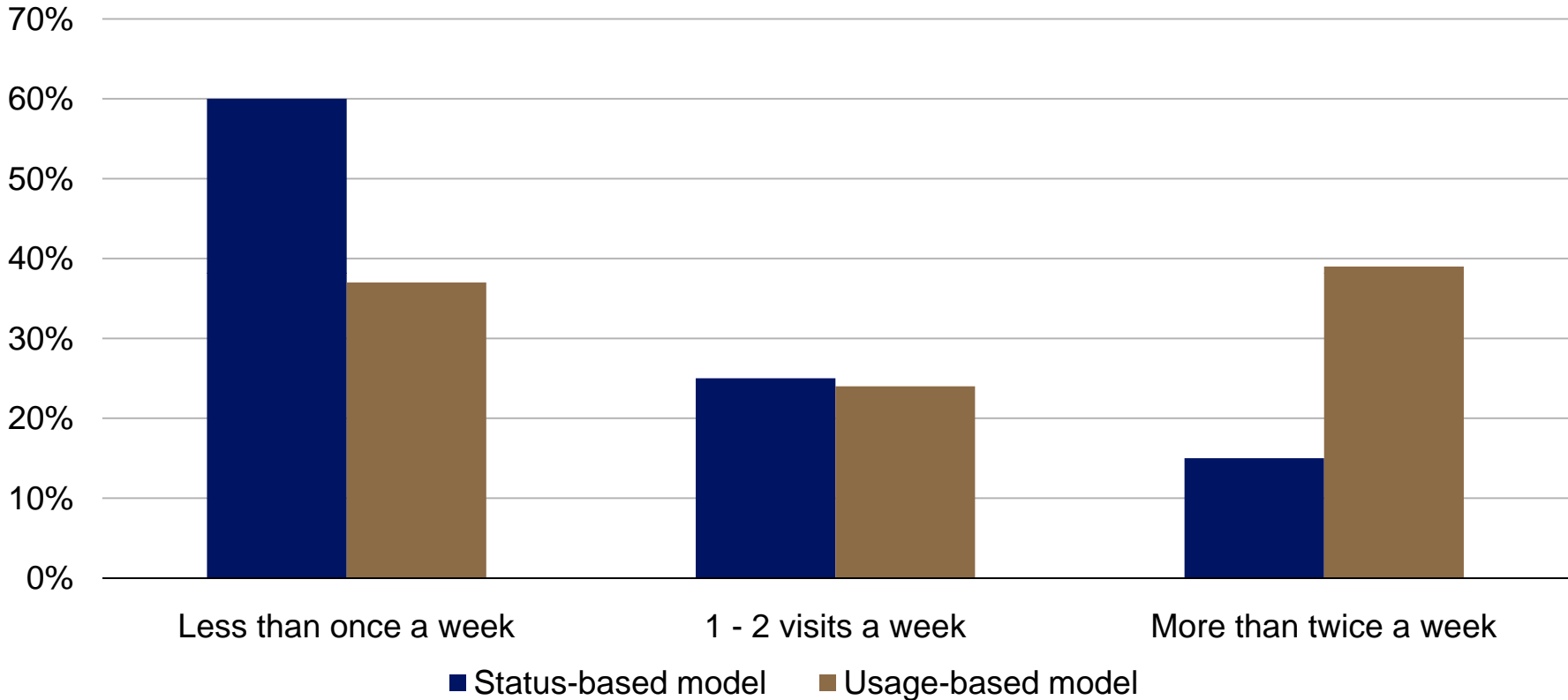
**PruHealth was the top-rated customer experience in the UK across all industries**

## Overview of the usage-based gym incentive structure

		REGULAR If you go on average twice or more a week	OCCASIONAL If you go on average between once and twice a week	INFREQUENT If you go on average less than once a week
	Standard club membership	£0	£25	£38
	Standard club membership	£0	£25	£38
	Standard Tier 1 club membership	£5	£30	£43
	Single club membership	£0	£25	£38

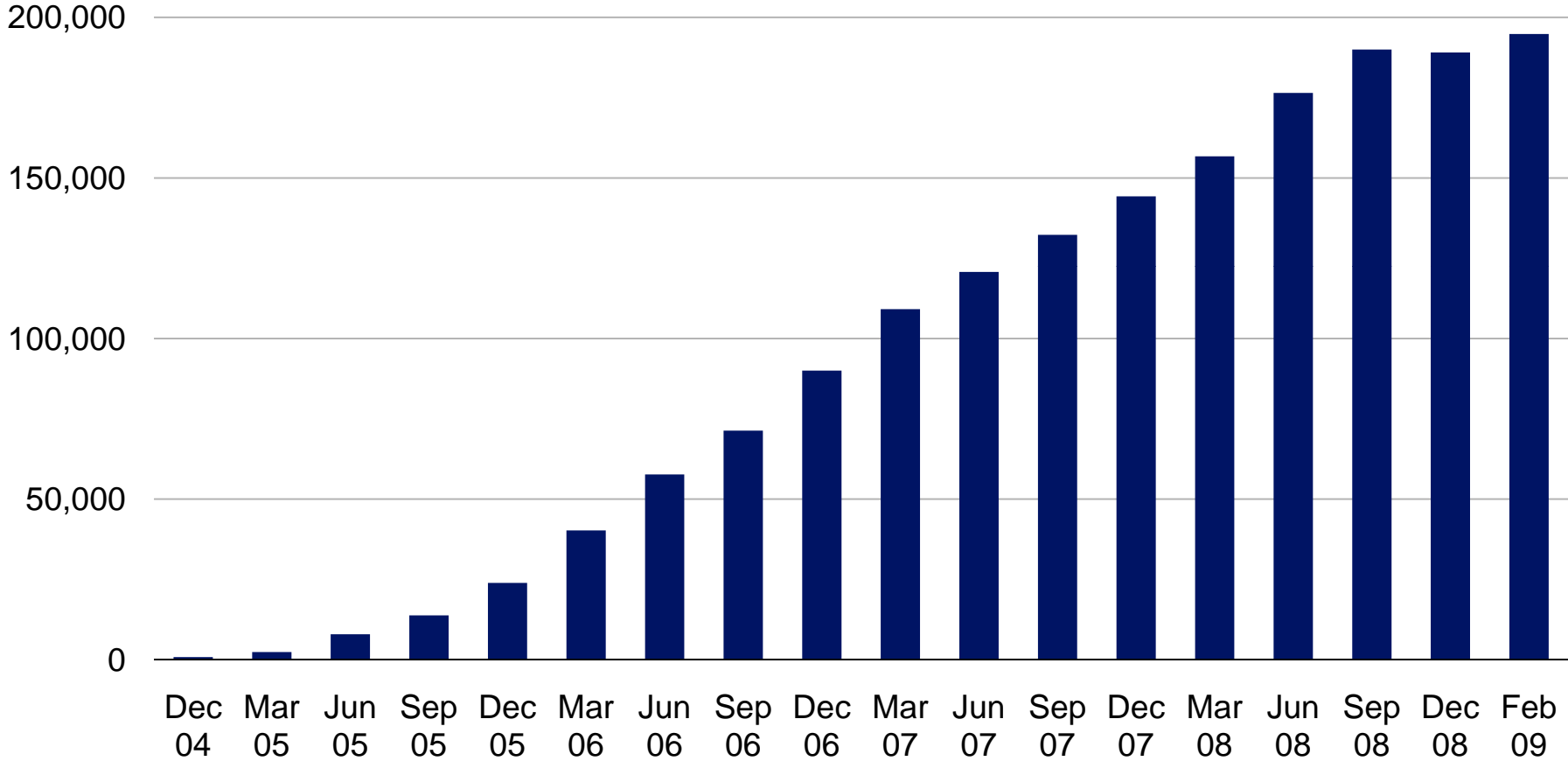
# Distribution of gym utilisation – evidence of adverse selection

Distribution of gym utilisation: Status- vs usage-based model



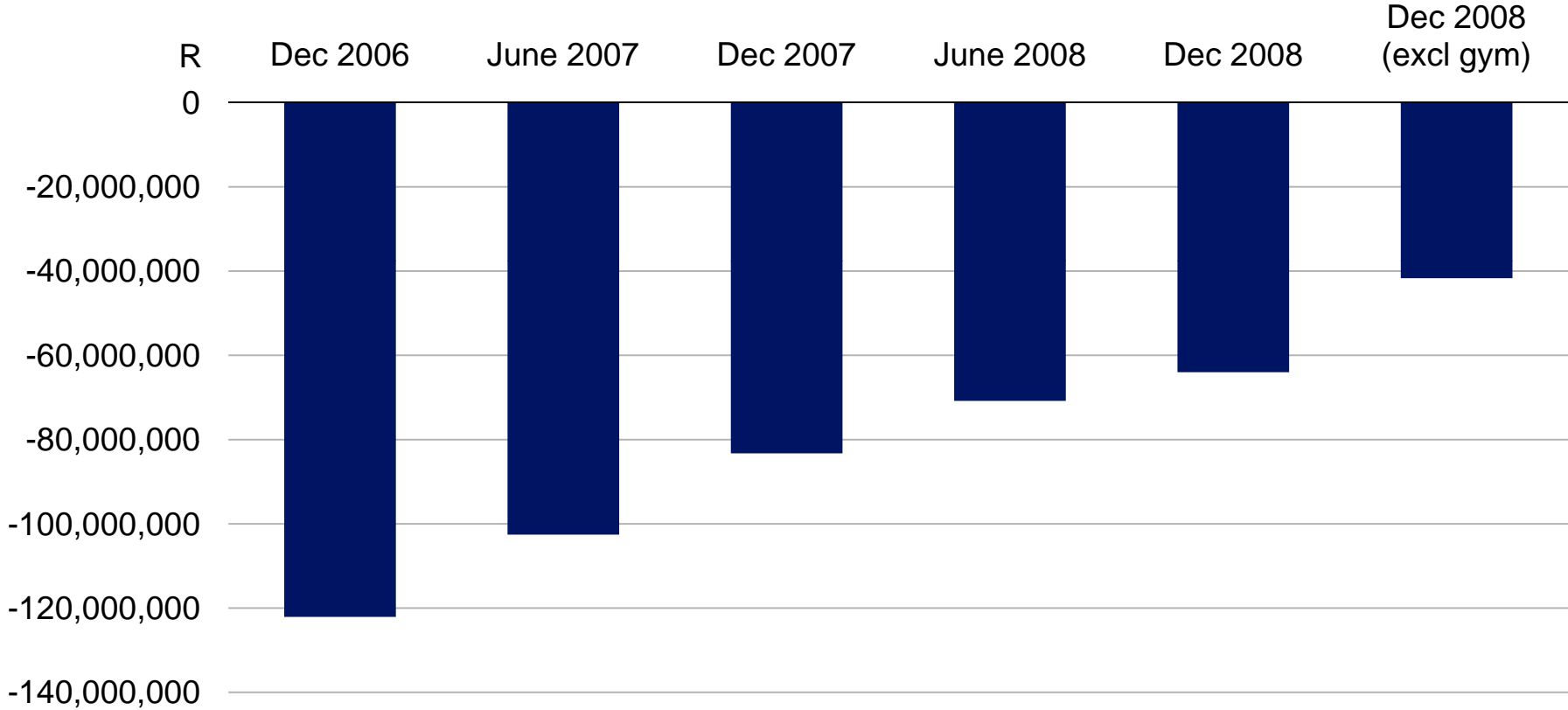
# Growth has slowed, but is reflective of strategic product revision

PruHealth lives per quarter



# Financial overview: Continued progress towards IFRS break even

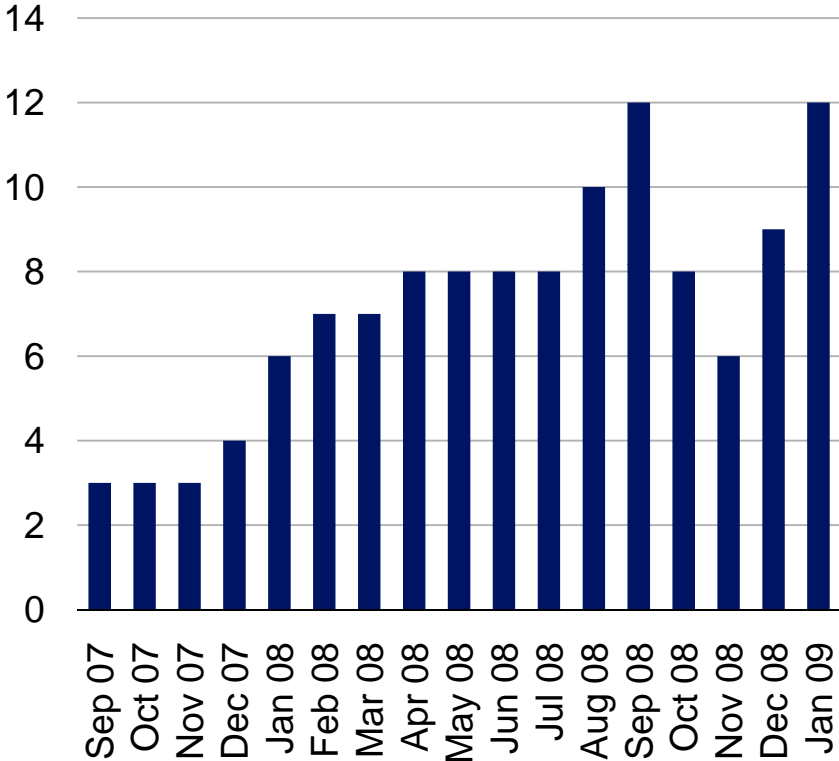
PruHealth IFRS loss (50%)



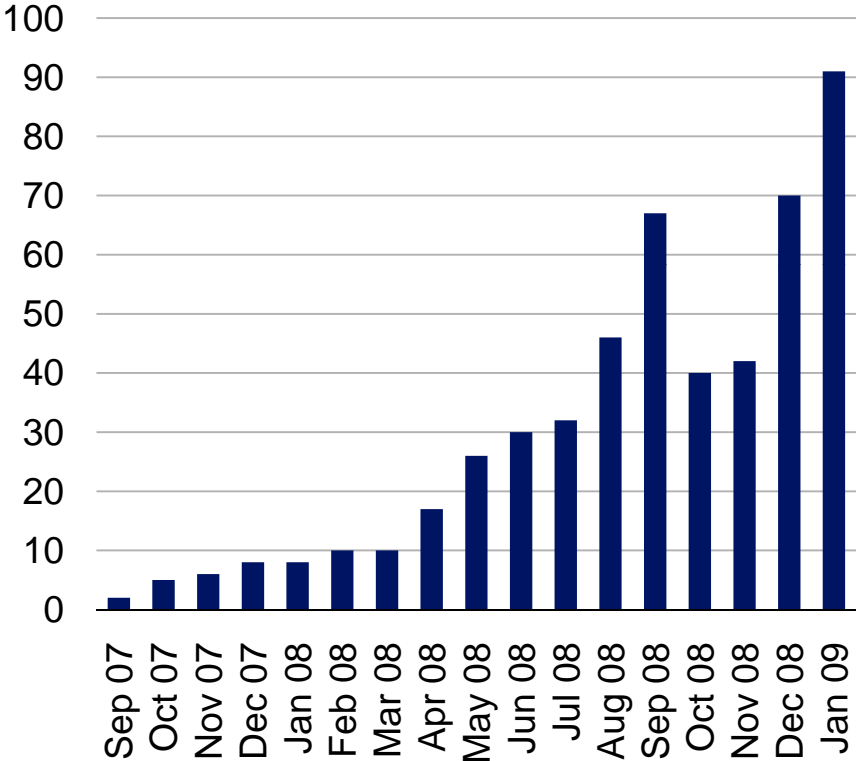


# Roll-out of the Franchise distribution channel

Franchise directors



Account managers



# Product enhancement and pricing refinement



An overview of PruProtect  
Comprehensive cover, plus membership to our  
Vitality programme with Lite Rewards

**PRU PROTECT**  
It pays to be healthy

Original premium impact	Vitality status	Revised premium impact
+2.25%	Bronze	0%
0%	Silver	-1.0%
-1.0%	Gold	-1.5%
-2.25%	Platinum	-2.0%



Introducing Vitality with Lite Rewards  
For members who switch from PruProtect Plans  
with full Vitality rewards.

**PRU PROTECT**  
It pays to be healthy

## Impact of product enhancements: Pricing competitiveness

Current premiums: Level Life + CI

Single		30	35	40	45
Male non-smoker	15	4	4	9	6
	20	7	7	9	7
	25	8	11	9	3
Male smoker	15	2	2	4	2
	20	4	1	3	2
	25	2	1	5	2
Female non-smoker	15	3	2	5	3
	20	3	1	4	6
	25	4	6	4	3
Female smoker	15	7	5	6	6
	20	7	5	6	6
	25	7	4	4	4

Premiums after reprice: Level life + CI

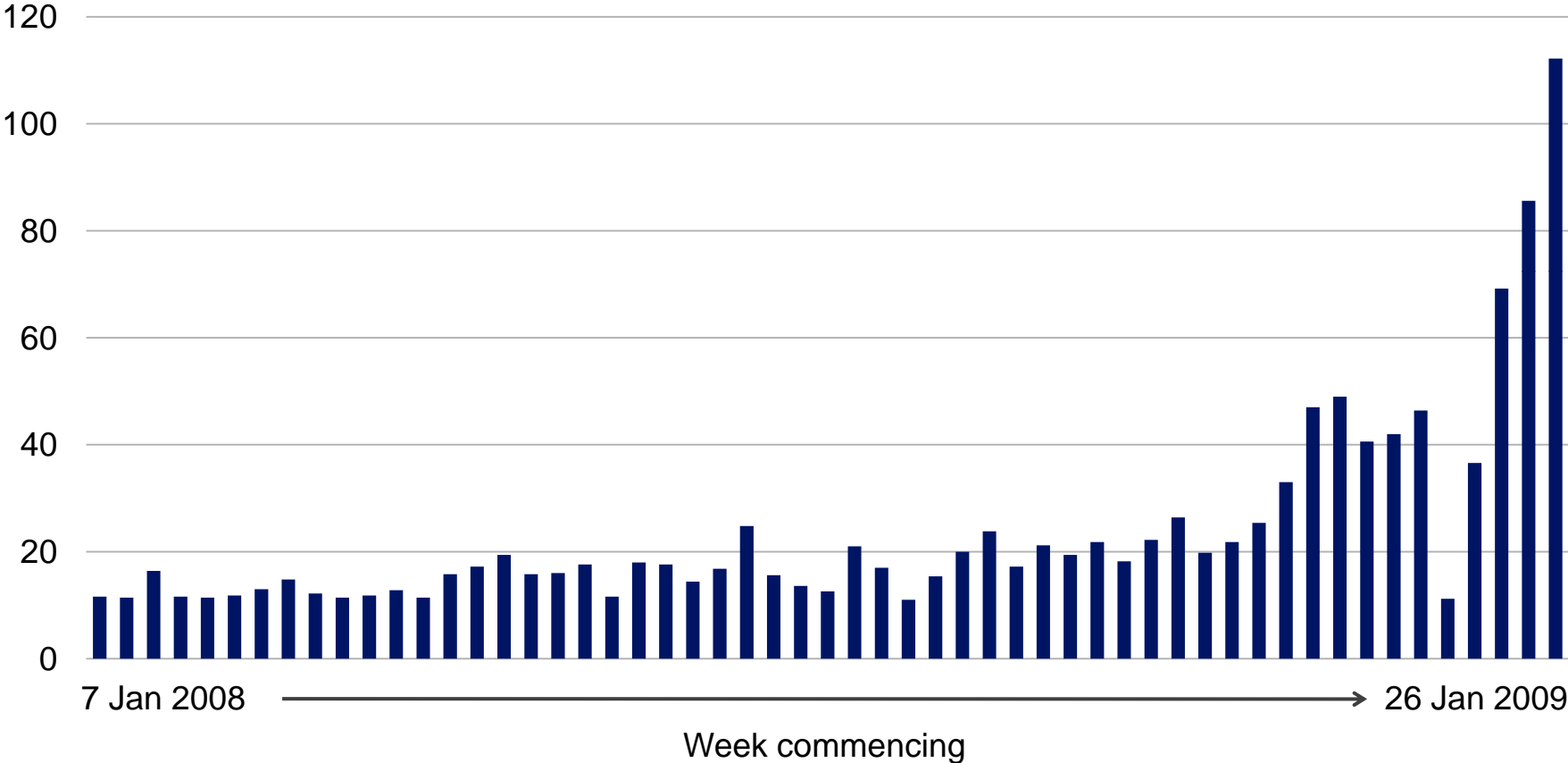
Single		30	35	40	45
Male non-smoker	15	1	1	3	2
	20	1	1	2	2
	25	2	2	2	3
Male smoker	15	2	1	1	1
	20	2	2	1	2
	25	2	4	4	2
Female non-smoker	15	1	1	3	1
	20	1	2	1	1
	25	1	2	1	3
Female smoker	15	3	2	2	2
	20	2	3	4	2
	25	3	3	4	2

Joint		30	35	40	45
Male non-smoker, female non-smoker	15	3	5	7	3
	20	4	5	7	2
	25	5	4	4	1
Male smoker, female smoker	15	1	5	5	6
	20	5	3	6	4
	25	2	1	1	2

Joint		30	35	40	45
Male non-smoker, female non-smoker	15	1	1	2	1
	20	1	3	1	1
	25	1	2	2	3
Male smoker, female smoker	15	1	2	1	4
	20	2	6	4	4
	25	2	4	4	1

# Step-change in application activity as distribution network is expanded

Average daily applications on a weekly basis

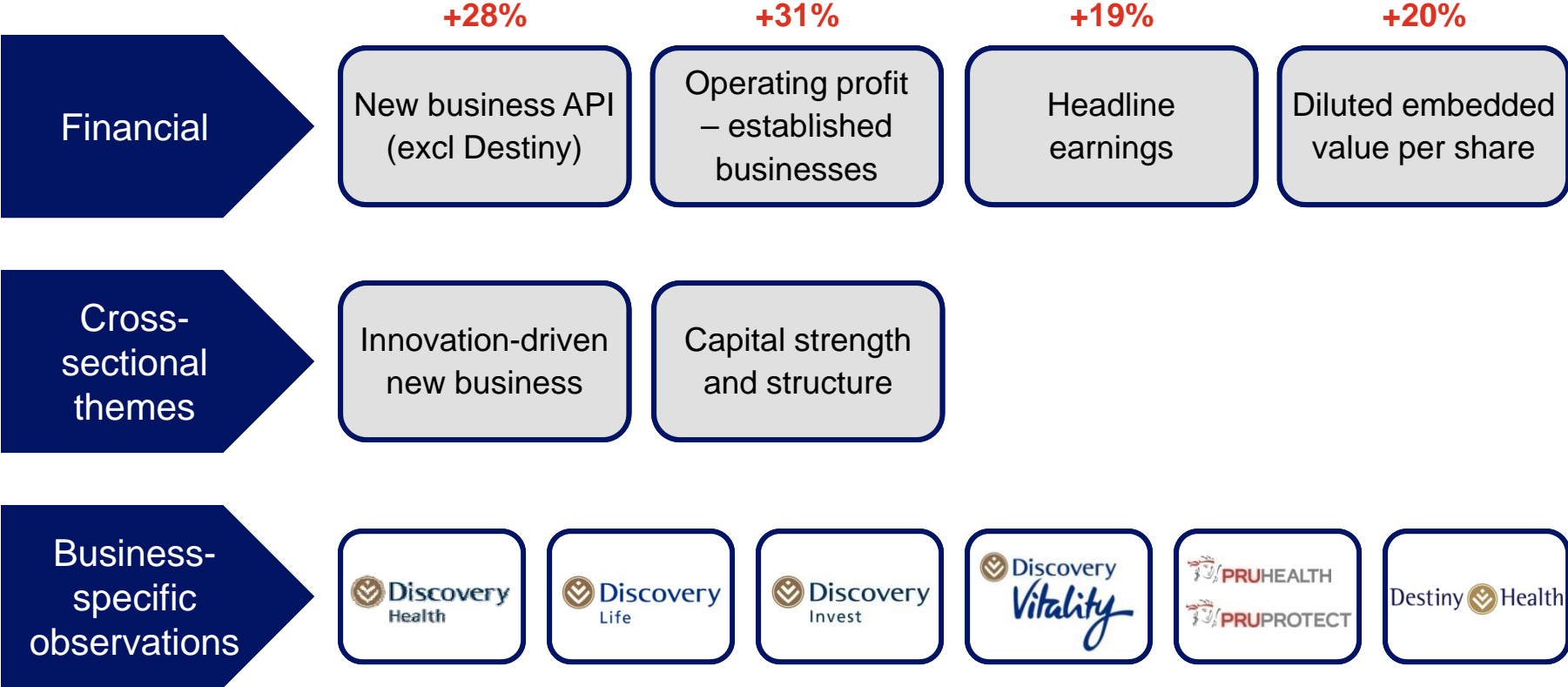




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## Key observations

# Key observations for the 6 months ending 31 December 2008





Interim financial results for the 6 months ended  
**31 December 2008**

Adrian Gore, Discovery