£140m investment

- We increased our stake in Bupa Arabia by a further 5% to 39.25%
- In January 2019, we entered the Turkish health insurance market through completion of the acquisition of Acıbadem Sigorta
- Roger Davis became Non-Executive Chairman from 1 January 2019 following the retirement of Lord Leitch. In May 2018, we appointed Clare Thompson as Senior Independent Director. We made other changes to the Board, as previously announced.
- Professor Sir John Tooke will be retiring from the Board on 15 May 2019 after nearly 10 years of service.

Financial position

- Net cash generated from operating activities was £808m, down £121m (13%) on prior year (FY 2017: £929m)
- Bupa Finance plc's senior debt rating upgraded to A3 (Moody's). Remained A- stable (Fitch)
- Leverage ratio lower at 23.5% (FY 2017: 25.3%)
- Our Solvency II capital coverage strengthened to 191% from 180% at December 2017 through profits generated during the year. On a pro-forma basis, the impact of IFRS 16 Leases, and the acquisition of Acıbadem Sigorta reduces our estimated solvency position to 169%, which is well within capital risk appetite.

Enquiries

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(Bupa 10252 LV)

About Bupa

Bupa's purpose is helping people live *longer, healthier, happier lives*.

With no shareholders, our customers are our focus. We reinvest profits into providing more and better healthcare for the benefit of current and future customers.

Health insurance accounts for the major part of our business with 15.7m customers and contributes over 70% of revenue. We operate clinics, dental centres, hospitals in some markets, with 15m customers. We care for around 23,000 residents in our aged care businesses in UK, Australia, New Zealand and Spain.

We directly employ around 80,000 people, principally in the UK, Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, the US, Brazil, the Middle East and Ireland. We also have associate businesses in Saudi Arabia and India.

For more information, visit www.bupa.com.

Group CEO's review
In 2018, revenue was flat at £11.9bn and underlying profit was down 12% year-on-year at CER. This was driven by the effect of our divestment of part of the UK aged care business, and challenges in our Australian aged care and health insurance businesses. These results were partially offset by good performance across a number of our businesses, including our health insurance businesses in the UK and Spain. The Group's Combined Operating Ratio[5] (COR) remained constant at 93%.

Underlying profit in our Australian aged care business fell significantly due to funding pressures, lower occupancy and higher costs. We are also addressing a number of compliance issues in our care homes in Australia.

The health insurance sector in Australia had a challenging year with affordability pressures impacting take-up and the Government restricting premium increases to a level lower than claims inflation. Our customer numbers decreased by 1.6% as a result of both cost of living pressures, and product changes in the first half of 2018 which were poorly received and which we have taken steps to address.

Our strategic framework places customers front and centre. We continued to invest in future growth by further improving our services to customers, especially in digital. We are innovating in health insurance to meet customers' evolving expectations, broadening the services we offer. In Australia, we progressed our health insurance transformation programme, which is delivering benefits for our customers, such as real-time claims payments and online benefit statements. Our Spanish health insurance business continued to enhance our *Blua* offering, which includes a range of both standalone digital health insurance products and digital enhancements to traditional products. In the UK, we launched *Business Mental Health Advantage* to corporate customers, meeting a growing customer need. We also strengthened our ongoing focus on privacy and information technology infrastructure, including preparing for the implementation of GDPR which came into effect in May.

We are investing in strength and depth within our existing markets and geographies, and selectively expanding into new markets to ensure strong and sustainable performance. For example, in Spain, we acquired digital health insurance provider, Néctar Seguros, as well as Ginemed, a leading provider of fertility services. In August, we increased our stake in Bupa Arabia by a further 5% to 39.25%. We entered the Turkish health insurance market through the acquisition of Acıbadem Sigorta in January 2019. We continue to invest in the dental sector, including acquiring 24 practices in the UK and Ireland. We now have over 900 dental centres across the UK, Ireland, Australia, Spain, Chile, New Zealand, Poland, Brazil and Hong Kong.

We have been preparing for Brexit scenarios, including a situation where the UK leaves the EU with no transition period or with no trade deal in place. We set up a new insurance entity in Ireland to maintain service for our international private medical insurance customers living in the EU (but outside the UK and Ireland), once the UK leaves the EU.

In December, we announced that Hisham El-Ansary, our current Bupa Australia and New Zealand (ANZ) Chief Financial and Strategy Officer, will become the new Chief Executive Officer (CEO) of that Market Unit in April 2019. Richard Bowden, current ANZ CEO, will be retiring as planned after over two decades with the company.

Outlook
Looking ahead, conditions in some of our key markets will continue to be challenging with a number of economic and political headwinds, particularly in Australian aged care and health insurance. Implementation of IFRS 16 Leases in 2019 will lower our solvency coverage by 16 percentage points and we expect an impact on our profits over the early years. However, Bupa's strong financial position means we are well placed to continue to invest to meet the needs of customers. This financial strength enables us to balance short term delivery with long term investment for sustainable growth, while maintaining a focus on cost efficiency.

[5] Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums. The Group Combined Operating Ratio is calculated based on the S.05.01 Prudential Regulation Authority (SII) form. Our Group COR is unaudited.

FINANCIAL REVIEW

Overview

The Group's results reflect the decision to divest part of our UK aged care business at the end of 2017 and early 2018 and the challenges in our Australian aged care and health insurance businesses. In 2018, our insurance businesses in the UK and Spain continued to perform well.

Revenue was £11.9bn, flat on prior year (2017: £11.9bn CER) while statutory profit decreased by 19% to £502m (2017: £620m AER). Underlying profit of £613m was down 12% (2017: £698m CER). When excluding the divestment of UK care homes, revenue grew 3% and underlying profit fell on prior year by 6%.

We generated cash from operating activities of £808m, down £121m on prior year. We strengthened our capital position[13], to 191% from 180% at December 2017 through profits generated during the year. On a pro-forma basis, the impact of IFRS 16 Leases, and the acquisition of Acıbadem Sigorta reduces our estimated solvency position to 169% and remains well within capital risk appetite. Bupa Finance plc's senior debt rating was upgraded by Moody's to A3 from Baa1 in May 2018.

Following an in-principle agreement reached with the Australian Taxation Office (ATO) to settle a number of disputed matters, including a transfer pricing issue relating to the funding of our Australian acquisitions in the 2007 and 2008 years, we will pay a total of £88m to the ATO. The settlement will provide certainty for Bupa and the ATO in relation to the taxation treatment of Bupa Australia's future cross border funding costs, which will be within the 'low risk' or 'green zone' rating in accordance with the risk framework set out in the ATO's Practice Compliance Guideline PCG 2017/4.

Revenue

We achieved insurance revenue growth of 2% across the Group. Our Spanish health insurance business grew by 2% through increased membership on 2017, including the acquisition of Néctar Seguros, a book of around 34,000 customers. The revenue in our Australian and UK health insurance businesses remained stable versus last year. International Markets insurance increased revenue by 4% largely due to Bupa Global and Bupa Hong Kong.

Our healthcare provision businesses grew revenue by 9%, reflecting an additional two months' trading following the acquisition of Oasis Dental Care in February 2017, strong performance in LUX MED's corporate subscription business, and the opening of the Clínica Bupa Santiago hospital in Chile.

In our aged care businesses, revenue declined by 1% on 2017, excluding the impact of the sale of a number of UK care homes in December 2017 and February 2018. In Australia, revenue fell following the effect of funding pressures along with lower average occupancy rate of 94%, (2017: 96%) and one-off provisions associated with refunds related to service discrepancies. Our average occupancy rate in New Zealand remained relatively stable at 91%. Good performance in our aged care business in Spain partially offset this as it maintained its high average occupancy rate of 95%. In the UK, our average occupancy rate remained relatively stable versus last year at 84.5%.

Underlying profit

The methodology for calculating underlying profit was refined from the half year to provide a better representation of underlying performance while reducing the number of items excluded from underlying profit. Comparators have been restated to reflect this updated methodology.

Group underlying profit decreased by 12% to £613m (2017: £698m at CER) as growth in our Market Units of Europe and Latin America and International Markets was more than offset by the decline in the aged care business in the UK following the divestments, and our Australian aged care and health insurance businesses. Excluding the impact of the UK care home divestments, underlying profit decreased by 6%.

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[13] The 2018 Solvency II capital position, SCR and coverage ratios are estimates and unaudited

Health insurance, our largest line of business, contributed around 80% of underlying profit for reportable segments; and year-on-year profit growth was broadly flat for the Group as a whole. Underlying profit in our Spanish and UK insurance businesses grew by 5% and 8%, respectively, with the former driven by customer growth and the latter through improved claims performance.

Our insurance business in Chile was marginally up on last year which included reserve strengthening of £8m in 2018. Our health insurance profit in Australia declined by 3% on 2017 as the government limited the annual premium rate increase to a level lower than claims inflation. International Markets insurance profit declined 4% on last year reflecting the divestment of Bupa Thailand in 2017, as well as an increase in central costs in support of future growth. We have seen underlying growth in Bupa Hong Kong and stabilisation of our Bupa Global portfolio. In August 2018, we increased our stake in Bupa Arabia by 5% to 39.25%, thus increasing our share of Bupa Arabia's profit.

The Combined Operating Ratio[14] (COR) for the Group remained constant at 93%. The Australian health insurance entity's COR remained unchanged compared to last year at 92%. Our Spanish health insurance business, Sanitas Seguros, maintained a COR of 88% (2017: 88%). Bupa Insurance Limited, our UK insurance entity, underwrites both domestic and international private medical insurance, covering the business written by both the UK and parts of Bupa Global. The COR improved on prior year to 93% (2017: 94%) as a result of the UK claims performance. Bupa Global stabilised after the repositioning activity of prior periods, whilst there has been a significant focus on preparing for post-Brexit trading.

Underlying profit in our healthcare provision businesses fell by around 20%. In the UK, despite twelve months of trading from the former Oasis Dental Care business, now Bupa Dental Care (2017: ten months), performance declined predominantly due to our health services business unit. In Europe and Latin America Market Unit, growth was achieved in all business units other than Bupa Chile.

In our aged care businesses, underlying profit declined by around 20%, when adjusting for the sale of UK care homes as mentioned above. This is largely due to funding pressures, lower occupancy and a number of compliance issues in Australia, which included one-off provisions associated with refunds related to service discrepancies. The aged care business in Spain showed year-on-year growth, partly reflecting the opening of the Cornellà care home in Barcelona in December 2017.

Central expenses and net interest margin increased on prior year by £13m which includes a one-off interest charge of £7m relating to the in-principle agreement with the Australian Taxation Office. This compares to a one-off interest income benefit arising from the agreement reached with the Danish tax authorities in 2017 of £14m. In addition, following our review of our Group consolidated insurance reserves methodology, a release of £12m has been recognised in the year.

[14] Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums. Combined operating ratios are calculated based on local reporting requirements:
- Group: S.05.01 Prudential Regulation Authority (SII) form (unaudited).
- BUPA HI Pty Ltd (Australia): HRF 602 Australian Prudential Regulation Authority quarterly returns (unaudited).
- Sanitas S.A. de Seguros (Spain): Annual Report and Accounts.
- Bupa Insurance Limited (UK): Annual Report and Accounts.

Statutory Profit
Statutory profit before taxation was £502m (2017: £620m) representing a decline of 19% at AER. This reflects the reduced trading profitability on prior year, with the quantum of non-underlying items comparable, but slightly higher than 2017.

Non-underlying items:	**2018**	**2017**
	£m	**£m**
Impairments of intangible assets and goodwill arising on business combinations	-36	-16
Net (losses)/gains on disposal of businesses and transaction costs on business combinations	-36	+34
Net property revaluation gains/(losses)	-	-111
Realised and unrealised foreign exchange gains/(losses)	-8	-24
Other material non-underlying items	-30	-
(Losses)/gains on return-seeking assets, net of hedging	-1	+18
Total non-underlying items	**-111**	**-99**

Impairment of intangibles and goodwill of £36m (2017: £16m) was higher than prior year mainly due to an impairment in our aged care business in New Zealand. We incurred losses on disposals, net of transaction costs, of £36m, primarily relating to the sale of the UK care homes in December 2017 and February 2018, as well as a loss arising from the sale of our interest in Torrejón Salud, a public hospital that we ran under the Public-Private Partnership model in Spain. This compares to £34m of gains in 2017, primarily associated with the divestment of Bupa Thailand, partly offset by the Oasis Dental Care acquisition costs.

There were no material property revaluations this year compared to £111m of losses in 2017. The period saw lower realised and unrealised foreign exchange losses of £8m (2017: loss of £24m). Other Market Unit non-underlying items reflect provisions for penalties and associated costs of £21m relating to the in-principle agreement with the Australian Taxation Office and £9m of costs in Bupa Global to set up a new Irish insurance entity in preparation for post-Brexit trading.

The return-seeking asset portfolio showed marginal losses in 2018 of £1m, a reversal of £19m on the £18m gain shown in the prior year period.

Taxation
Bupa’s effective tax rate for the period was 38% (2017: 22%), which is higher than the UK corporation tax rate of 19%. This is mainly due to profits arising in jurisdictions with a higher rate of corporate income tax and the in-principle agreement with the Australian Taxation Office for matters relating to prior years.

Cashflow
Net cash generated from operating activities fell by £121m (13%) to £808m (2017: £929m) and is broadly in line with the reduction in operating profit. In addition, net cashflows from refundable accommodation bonds in our Australian aged care business are lower than last year.

Net cash used in investing activities reduced by £452m to £543m in 2018 (2017: £995m). In 2018, we acquired Néctar Seguros and Ginemed in Spain and purchased an additional 5% shareholding in Bupa Arabia. We continued to invest in growth and development, finalising the construction of the Clínica Bupa Santiago hospital, opening our new UK office in Salford Quays, constructing seven new care villages in New Zealand, along with maintaining our care home portfolios. We increased our holdings in financial investments and long-term deposits following a number of divestments, including 22 care homes in the UK in February 2018, 12 care homes and four villages in New Zealand in the second quarter of 2018 and our interest in Torrejón Salud, in December 2018.

Cashflows from financing activities fell by £350m compared to last year. In the prior year, we engaged in significant financing activity, including entering a £650m facility and issuing a £300m senior unsecured bond, to fund the acquisition of Oasis Dental Care and the additional stake in Bupa Arabia in 2017.

Funding

We manage our funding prudently to ensure a sustainable platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa's debt.

Our Bupa Finance plc senior debt rating was upgraded by Moody's to A3 from Baa1 in May 2018. The upgrade follows Moody's new cross sector methodology for assigning instrument ratings for insurers. Moody's modified its guidance for rating certain insurance holding company instruments, and now applies narrower notching where there is enhanced regulatory supervision at a group-wide level. Solvency II is one of the regulatory regimes that Moody's considers as providing enhanced group supervision. The Fitch rating was unchanged at A- (stable).

At 31 December 2018, we had drawn £170m under our £800m revolving credit facility, which is due to mature in August 2022. We focus on managing our leverage in line with our credit rating targets. Leverage at 31 December 2018 was 23.5% (2017: 25.3%). Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency

The Group holds capital to cover its Solvency Capital Requirement (SCR), calculated on a Standard Formula Basis, considering all our risks, including those related to non-insurance businesses. The estimated SCR as at 31 December 2018 was stable compared to 31 December 2017 at £2.1bn and Own Funds were £3.9bn, £0.2bn higher than at 31 December 2017.

Our surplus capital was estimated to be £1.8bn, compared to £1.6bn at 31 December 2017, representing a solvency coverage ratio of 191% (2017: 180%).

Our business is strongly capital generative due to our profitability. This underlying capital generation was partly offset by investment both through acquisitions and capital expenditure.

IFRS 16 Leases will apply from 1 January 2019. While this accounting change does not change our risk profile, it requires all our operating lease assets and liabilities to be capitalised on the IFRS and Solvency II balance sheet. The estimated value of both lease assets and liabilities at 1 January 2019 on the Solvency II balance sheet is £1.0bn. The lease assets attract a property risk charge under the Solvency II Standard Formula. This, together with interest rate risk on the liability, is estimated to increase the SCR charge by £0.2bn. The impact on the solvency coverage ratio on transition is estimated to have reduced our coverage ratio by 16 percentage points.

On 18 January 2019, we completed the acquisition of Acıbadem Sigorta. This transaction is estimated to reduce our coverage ratio by 6 percentage points. After the inclusion of lease assets and liabilities and this acquisition, our solvency coverage ratio is estimated to be 169%, which is well within capital risk appetite.

We perform an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own continues to be the most sensitive item, with a 10% decrease having an 11 percentage point reduction to the solvency coverage ratio.

Our capital position is resilient in the face of the individual risks, illustrating the strength of our balance sheet.

Group-Risk Sensitivities	SII Coverage Ratio
Solvency Coverage Ratio	191%
Interest rate +100bps	190%
Credit spreads +100bps (assuming no credit transition)	190%
Equity markets -20%	191%
Property values -10%	180%
GBP appreciates by 10%	187%
Pension risk +10%	190%
GSP[15] +0.2%	188%
Loss Ratio worsening by 2%	182%

Forthcoming changes to accounting standards
On transition to IFRS 16 Leases, the Group expects to recognise lease liabilities and corresponding right-of-use assets on the IFRS balance sheet of c.£1.1bn mainly within our provision and aged care businesses. Compared to the existing IAS 17 approach of recognising operating lease costs on a smoothed basis through operating expenses, the IFRS 16 approach results in lower operating expenses and higher finance costs. Overall profit is also lower in the early years of the lease and higher in the later years of the lease, compared to the existing approach, due to the timing of the recognition of the implicit finance costs on the outstanding liability.

IFRS 17 Insurance Contracts will apply from 1 January 2022. The impact on the financial statements is currently being evaluated by the Group, but it is anticipated that the simplified premium allocation approach option will be available for the majority of the Group's insurance contracts.

Business risks
The main risks we face at Bupa will be described in the Risks section of the Bupa Annual Report and Accounts 2018, which will be published in March 2019 and made available on Bupa.com. We have a well-established process for identifying and managing all business risks, including all types of operational risk such as information security and privacy, conduct, and clinical risk.

Changing economic and political conditions in our markets could affect our business. This might include structural shifts (such as political changes, price restrictions, high medical inflation, minimum wage increases) and economic volatility. In Australia, our largest health insurance market, we expect governments to continue to restrict premium increases to levels below medical inflation. The Australian aged care sector is facing significant challenges, which the Royal Commission into Aged Care Quality and Safety is considering. We keep our strategy and processes under review to ensure that they are flexible enough to deal with changing external conditions.

We are continuing to work through the operational, commercial and legal implications of an exit from the EU under different scenarios, including a situation where the UK leaves the EU with no transition period or with no trade deal in place. We are examining an extensive list of issues and working through steps to protect Bupa's position in these areas. In particular, we are closely monitoring:

- Financial market volatility in the short term;
- The approach to regulation of cross-border financial services;
- The UK's future EU immigration system, including the impact of Brexit on our ability to attract and retain clinical staff;

[15] Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

- The impact of Brexit on the clinical supply chain in the UK; and
- The impact of Brexit on the UK economy.

More generally, the political uncertainty relating to Brexit (including the lack of clarity of the UK's future relationship with the EU, and timing) and related uncertainty on market access, trade, free movement of people and the UK's economic outlook could affect financial and operating results.

We have hedging programmes in place to mitigate the risk of potential FX volatility and liquidity. To mitigate the risk of a loss of EU passporting rights, we obtained authorisation from the Irish regulator to set up a new insurance entity in Dublin. This will enable us to continue to service our international private medical insurance customers living in the EU (but outside the UK and Ireland), once the UK leaves the EU. We do not expect immediate interruption in workforce supply but do expect an impact in the medium-term, particularly on availability of clinical staff. Our UK provision businesses have strategies for the attraction and retention of key clinical skills. There is a lack of clarity on how clinical supply chains might be impacted and we continue to monitor government guidance whilst identifying the key risks within our own supply chain, such as access to isotopes and pharmaceuticals with short shelf lives.

The impact of Brexit on the UK economy, and in turn our UK-based business, has been considered as part of our planning and forecasting activities and UK stress tests. For all other issues under review, we have monitoring and risk management plans in place to protect Bupa's position from a customer, people and performance perspective, whilst recognising that the impacts of Brexit are likely to crystallise over time at an operational level and will be dependent on a range of political and economic factors.

Like most companies, Bupa faces strong competition in our insurance and healthcare provision businesses, which can affect customer acquisition and retention, and affect profitability. A lack of competition between hospitals and other suppliers can also lead to higher claims costs for insurance businesses. There is also increasing regulatory focus across our sectors.

Contagion risk remains prominent in our operational and reputational risk management agenda, with a focus on resolving and mitigating issues in one business or Market Unit to ensure they do not spread and impact trust in the brand in other areas.

By monitoring and managing our risks, we seek to ensure that we are meeting the changing expectations of our customers, bondholders and regulators. We continue to strengthen our risk management approach and capability, responding to growth in our business. Internal controls, particularly regarding customer conduct and information security and privacy, continue to be key areas of focus given ever-increasing customer expectations and cyber threats.

BUPA AROUND THE WORLD

Bupa is organised in four Market Units:

Australia and New Zealand

- *Bupa Health Insurance*, with four million customers, is a leading health insurance provider in Australia and also offers health insurance for overseas workers and visitors.
- *Bupa Health Services* is a health provision business, comprising dental, optical, audiology, medical assessment services and therapy.
- *Bupa Villages and Aged Care Australia and New Zealand* cares for around 6,700 residents across 72 homes in Australia, and for around 3,500 residents in 49 homes and 7 rehabilitation centres and provide independent living in over 30 retirement villages in New Zealand.

Europe and Latin America

- *Sanitas Seguros* is the second largest health insurance provider in Spain, with 1.7 million customers.
- *Sanitas Hospitales and New Services* comprises four private hospitals, 35 private medical clinics, 18 fertility clinics (in Spain and Portugal) and one public-private partnership in Spain.
- *Sanitas Dental* provides dental services through 179 centres and third-party networks in Spain.
- *Sanitas Mayores* cares for around 6,000 people in 46 care homes and operates five day care centres in Spain.
- *LUX MED* is the largest private healthcare business in Poland, operating in health funding and provision through seven hospitals and 201 private clinics.
- *Bupa Chile* is a leading health insurer and provider with four hospitals and 39 medical clinics.

UK

- *Bupa UK Insurance* is the UK's leading health insurer, offering health insurance to 2.2 million people.
- *Bupa Dental Care* is the leading provider of private dentistry in the UK, with around 2.4 million patients. Bupa has 477 dental practices across the UK and Ireland.
- *Bupa Care Services* has around 6,800 residents in 138 care homes, and seven Richmond care villages.
- *Bupa Health Services* comprises 49 health clinics, and the Bupa Cromwell Hospital.

International Markets

- *Bupa Global* serves around 900,000 international private medical health insurance (IPMI) customers and administers travel insurance and medical assistance for individuals, small businesses and corporate customers. This includes *Care Plus,* the leading premium health insurance company in Brazil.
- *Bupa Arabia*, in which Bupa has a 39.25% stake, is the largest health insurance business in Saudi Arabia
- *Acıbadem Sigorta*, acquired in January 2019, Turkey's second largest health insurer, with products for both corporate and individual customers, and over 550,000 lives covered.
- *Bupa Hong Kong* is a health insurance specialist in Hong Kong, with over 400,000 customers, *and Quality HealthCare* is Hong Kong's leading private clinic network in the territory.
- *Max Bupa*, covering 2.3 million customers, is a private health insurer in India in which Bupa holds a 49% stake.
- Bupa China is our Representative Office in Beijing and operates a medical centre in Guangzhou.

BUPA GROUP

Preliminary Announcement
Financial Information

Year ended 31 December 2018

Consolidated Income Statement
for the year ended 31 December 2018

	2018	2017
	£m	£m
Revenues		
Gross insurance premiums	**8,791**	8,920
Premiums ceded to reinsurers	**(63)**	(63)
Net insurance premiums earned	**8,728**	8,857
Care, health and other customer contract revenue	**3,117**	3,370
Other revenue	**14**	22
Total revenues	**11,859**	12,249
Claims and expenses		
Insurance claims incurred	**(6,912)**	(7,112)
Reinsurers' share of claims incurred	**44**	46
Net insurance claims incurred	**(6,868)**	(7,066)
Share of post-taxation results of equity accounted investments	**33**	29
Other operating expenses	**(4,428)**	(4,485)
Other income and charges	**(53)**	(99)
Total claims and expenses	**(11,316)**	(11,621)
Profit before financial income and expense	**543**	628
Financial income and expense		
Financial income	**70**	90
Financial expense	**(103)**	(98)
Net impairment loss on financial assets	**(8)**	-
Net financial expense	**(41)**	(8)
Profit before taxation expense	**502**	620
Taxation expense	**(190)**	(134)
Profit for the financial year	**312**	486
Attributable to:		
Bupa	**306**	482
Non-controlling interests	**6**	4
Profit for the financial year	**312**	486

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 £m	2017 £m
Profit for the financial year	**312**	486
Other comprehensive income/(expense)		
Items that will not be reclassified to the Income Statement		
Remeasurement gains on pension schemes	**21**	94
Unrealised gains on revaluation of property	**23**	233
Taxation charge on income and expenses recognised directly in other comprehensive income	**(12)**	(65)
Items that may be reclassified subsequently to the Income Statement		
Foreign exchange translation differences on goodwill	**(73)**	(14)
Other foreign exchange translation differences	**(11)**	(10)
Net gain/(loss) on hedge of net investment in overseas subsidiary companies	**1**	(7)
Change in fair value of underlying derivative of cash flow hedge	**-**	5
Reclassification of foreign exchange translation differences to profit or loss on disposal of subsidiary	**-**	(4)
Unrealised gains on available-for-sale assets	**-**	1
Taxation charge on income and expenses recognised directly in other comprehensive income	**(10)**	(3)
Total other comprehensive income	**(61)**	230
Comprehensive income for the year	**251**	716
Attributable to:		
Bupa	**247**	713
Non-controlling interests	**4**	3
Comprehensive income for the year	**251**	716

Consolidated Statement of Financial Position
for the year ended 31 December 2018

	2018 £m	2017 £m
Goodwill and intangible assets	**4,263**	4,288
Property, plant and equipment	**3,200**	3,203
Investment property	**454**	399
Equity accounted investments	**690**	553
Post-employment benefit net assets	**602**	577
Restricted assets	**107**	76
Financial investments	**2,350**	2,227
Derivative assets	**28**	47
Deferred taxation assets	**52**	6
Current taxation assets	**9**	-
Assets arising from insurance business	**1,348**	1,230
Inventories	**109**	104
Trade and other receivables	**577**	738
Cash and cash equivalents	**1,608**	1,521
Assets held for sale	**7**	89
Total assets	**15,404**	15,058
Subordinated liabilities	**(1,255)**	(1,303)
Other interest bearing liabilities	**(1,055)**	(1,170)
Post-employment benefit net liabilities	**(62)**	(68)
Provisions under insurance contracts issued	**(2,753)**	(2,637)
Derivative liabilities	**(47)**	(19)
Provisions for liabilities and charges	**(178)**	(132)
Deferred taxation liabilities	**(355)**	(310)
Trade and other payables	**(1,923)**	(1,930)
Other liabilities under insurance contracts issued	**(144)**	(117)
Current taxation liabilities	**(122)**	(73)
Liabilities directly associated with assets held for sale	**-**	(11)
Total liabilities	**(7,894)**	(7,770)
Net assets	**7,510**	7,288
Equity		
Property revaluation reserve	**700**	796
Income and expenditure reserve	**6,306**	5,882
Cash flow hedge reserve	**20**	22
Foreign exchange translation reserve	**464**	558
Equity attributable to Bupa	**7,490**	7,258
Equity attributable to non-controlling interests	**20**	30
Total equity	**7,510**	7,288

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	2018 £m	2017 £m
Operating activities		
Profit before taxation expense	**502**	620
Adjustments for:		
Net financial expense	**41**	8
Depreciation, amortisation and impairment	**367**	432
Other non-cash items	**20**	(37)
Changes in working capital and provisions:		
Increase in provisions and other liabilities under insurance contracts issued	**156**	61
Increase in assets under insurance business	**(104)**	(57)
Funded pension scheme employer contributions	**(9)**	(9)
Increase in trade and other receivables, and other assets	**(14)**	(137)
Increase in trade and other payables, and other liabilities	**53**	222
Cash generated from operations	**1,012**	1,103
Income taxation paid	**(173)**	(158)
Increase in cash held in restricted assets	**(31)**	(16)
Net cash generated from operating activities	**808**	929
Cash flow from investing activities		
Acquisition of subsidiary companies, net of cash acquired	**(146)**	(668)
Increase in equity accounted investments	**(81)**	(197)
Dividends received from associates	**12**	6
Disposal of subsidiary companies and other businesses, net of cash disposed	**57**	23
Decrease in equity accounted investments	**7**	-
Purchase of intangible assets	**(100)**	(114)
Purchase of property, plant and equipment	**(265)**	(356)
Proceeds from sale of property, plant and equipment	**84**	374
Purchase of investment property	**(27)**	(28)
Disposal of investment property	**19**	2
Purchase of financial investments, excluding deposits with credit institutions	**(232)**	(252)
Net withdrawal from deposits with credit institutions	**61**	155
Interest received	**68**	60
Net cash used in investing activities	**(543)**	(995)
Cash flow from financing activities		
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings	**103**	1,327
Repayment of interest bearing liabilities and other borrowings	**(190)**	(1,040)
Interest paid[1]	**(87)**	(95)
Receipts from/(payments for) hedging instruments	**18**	(3)
Acquisition of non-controlling interests in subsidiary company	**(8)**	-
Dividends paid to non-controlling interests	**(1)**	(4)
Net cash (used in)/generated from financing activities	**(165)**	185
Net increase in cash and cash equivalents	**100**	119
Cash and cash equivalents at beginning of year	**1,520**	1,413
Effect of exchange rate changes	**(13)**	(12)
Cash and cash equivalents at end of year	**1,607**	1,520

1. Includes other bank fees and charges of £3m (2017: £11m)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Property revaluation reserve	Income and expenditure reserve	Cash flow hedge reserve	Foreign exchange translation reserve	**Equity attributable to Bupa**	Equity attributable to non-controlling interest	**Total equity**
	£m	£m	£m	£m	£m	£m	£m
2018							
At beginning of year	796	5,882	22	558	**7,258**	30	**7,288**
Opening balance adjustments	-	(8)	-	-	**(8)**	-	**(8)**
Retained profit for the financial year	-	306	-	-	**306**	6	**312**
Other comprehensive income/(expense)							
Unrealised gain on revaluation of property	23	-	-	-	**23**	-	**23**
Realised revaluation profit on disposal of property	(101)	101	-	-	**-**	-	**-**
Remeasurement gain on pension schemes	-	21	-	-	**21**	-	**21**
Foreign exchange translation differences on goodwill	-	-	-	(73)	**(73)**	-	**(73)**
Other foreign exchange translation differences	(9)	14	(2)	(12)	**(9)**	(2)	**(11)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	1	**1**	-	**1**
Taxation charge on income and expense recognised directly in other comprehensive income	(9)	(3)	-	(10)	**(22)**	-	**(22)**
Other comprehensive income/(expense) for the year, net of taxation	**(96)**	**133**	**(2)**	**(94)**	**(59)**	**(2)**	**(61)**
Total comprehensive income/(expense) for the year	**(96)**	**439**	**(2)**	**(94)**	**247**	**4**	**251**
Acquisition of subsidiary companies attributable to non-controlling interests	-	(7)	-	-	**(7)**	(4)	**(11)**
Elimination of non-controlling interest on disposal of subsidiary	-	-	-	-	**-**	(9)	**(9)**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(1)	**(1)**
At end of year	**700**	**6,306**	**20**	**464**	**7,490**	**20**	**7,510**
2017							
At beginning of year	706	5,230	15	595	6,546	31	6,577
Retained profit for the financial year	-	482	-	-	482	4	486
Other comprehensive income/(expense)							
Unrealised gain on revaluation of property	233	-	-	-	233	-	233
Realised revaluation profit on disposal of property	(95)	95	-	-	-	-	-
Remeasurement gain on pension schemes	-	94	-	-	94	-	94
Unrealised gain on available-for-sale assets	-	1	-	-	1	-	1
Foreign exchange translation differences on goodwill	-	-	-	(14)	(14)	-	(14)
Other foreign exchange translation differences	1	-	2	(12)	(9)	(1)	(10)
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(7)	(7)	-	(7)
Change in fair value of underlying derivative of cash flow hedge	-	-	5	-	5	-	5
Reclassification of foreign exchange translation differences to profit or loss on disposal of subsidiary	-	-	-	(4)	(4)	-	(4)
Taxation charge on income and expense recognised directly in other comprehensive income	(49)	(19)	-	-	(68)	-	(68)
Other comprehensive income/(expense) for the year, net of taxation	90	171	7	(37)	231	(1)	230
Total comprehensive income/(expense) for the year	90	653	7	(37)	713	3	716
Acquisition of subsidiary companies attributable to non-controlling interests	-	(1)	-	-	(1)	-	(1)
Dividends paid to non-controlling interests	-	-	-	-	-	(4)	(4)
At end of year	796	5,882	22	558	7,258	30	7,288

Segmental information

The Group is managed through four Market Units based on geographic locations and customers. Management monitors the operating results of the Market Units separately to assess performance and make decisions about the allocation of resources. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Reportable Segments	Service and Products
Australia and New Zealand	Bupa Health Insurance: Health insurance and international health cover in Australia.
	Bupa Health Services: Health provision services relating to dental, optical, audiology and medical assessments and therapy.
	Bupa Villages and Aged Care Australia and New Zealand: Nursing, residential and respite care in Australia and New Zealand. Retirement villages in New Zealand.
Europe and Latin America	Sanitas Seguros (Sanitas PMI): Health insurance and related products in Spain.
	Sanitas Dental: Dental services through clinics and third-party networks in Spain.
	Sanitas Hospitales & New Services: Management and operation of hospitals and health clinics in Spain.
	Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain.
	LUX MED: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland.
	Bupa Chile: Health insurance and the management and operation of health clinics and hospitals in Chile.
United Kingdom	Bupa UK Insurance: Health insurance, and administration services for Bupa health trusts.
	Bupa Dental Care: Dental services and related products.
	Bupa Health Services: Clinical services, health assessment related products and management and operation of a private hospital.
	Bupa Care Services: Nursing, residential, respite care and care villages.
International Markets	Bupa Global: International health insurance to individuals, small businesses and corporate customers and health insurance in Latin America, mainly Brazil and Mexico.
	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.
	Bupa China: Clinical services.
	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Max Bupa (India): Health insurance.

(i) Revenues

	Australia and New Zealand		Europe and Latin America		United Kingdom		International Markets		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Gross insurance premiums	**3,829**	4,031	**1,908**	1,811	**1,556**	1,557	**1,498**	1,521	**8,791**	8,920
Premiums ceded to reinsurers	**-**	-	**(9)**	(8)	**(22)**	(22)	**(32)**	(33)	**(63)**	(63)
Internal reinsurance	**-**	-	**(3)**	(5)	**-**	-	**3**	5	**-**	-
Net insurance premiums earned	**3,829**	4,031	**1,896**	1,798	**1,534**	1,535	**1,469**	1,493	**8,728**	8,857
Care, health and other customer contract revenues	**824**	888	**1,141**	1,069	**1,004**	1,266	**154**	150	**3,123**	3,373
Other revenues	**3**	8	**4**	2	**4**	8	**3**	4	**14**	22
Intersegment revenues	**-**	-	**-**	-	**(5)**	(2)	**-**	-	**(5)**	(2)
Total revenue for reportable segments	**4,656**	4,927	**3,041**	2,869	**2,537**	2,807	**1,626**	1,647	**11,860**	12,250
Net reclassifications to other expenses or financial income and expense									**(1)**	**(1)**
Consolidated total revenues									**11,859**	**12,249**

(ii) Segmental result

	Australia and New Zealand		Europe and Latin America		United Kingdom		International Markets		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Underlying profit for reportable segments[1]	**313**	368	**182**	177	**156**	199	**36**	39	**687**	783
Central expenses and net interest margin									**(74)**	(64)
Consolidated underlying profit before taxation									**613**	719
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations	**(36)**	-	**-**	(16)	**-**	-	**-**	-	**(36)**	(16)
Net (losses)/gains on disposal of businesses and transaction costs on business combinations[2]	**-**	-	**(23)**	-	**(18)**	(2)	**5**	36	**(36)**	34
Net property revaluation gains/(losses)[3]	**17**	(18)	**(4)**	3	**(13)**	(96)	**-**	-	**-**	(111)
Realised and unrealised foreign exchange losses[4]	**-**	(1)	**(6)**	(5)	**-**	-	**(2)**	(18)	**(8)**	(24)
Other material non-underlying items[5]	**(21)**	-	-	-	-	-	**(9)**	-	**(30)**	-
(Losses)/gains on return-seeking assets, net of hedging									**(1)**	18
Total non-underlying items									**(111)**	(99)
Consolidated profit before taxation expense									**502**	620

1. Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. International Markets includes Bupa Arabia, Max Bupa and Highway to Health.
2. Includes £22m loss on disposal of interest in Torrejón Salud and £18m mainly relating to the on-going completion costs relating to the disposal of a number of UK care homes in December 2017 and February 2018. 2017 includes profit on disposal of Bupa Thailand in July 2017 and transaction costs in relation to the acquisition of Oasis Dental Care in February 2017.
3. 2017 includes £97m of write downs on items previously held for sale.
4. Includes the FX impact of treating unearned premiums and deferred acquisition costs as a monetary item.
5. 2018 includes penalties and associated consultancy costs relating to the in-principle agreement with the Australian Taxation Office (£21m) and costs associated with setting up the Irish insurance entity as part of our Brexit strategy (£9m).