

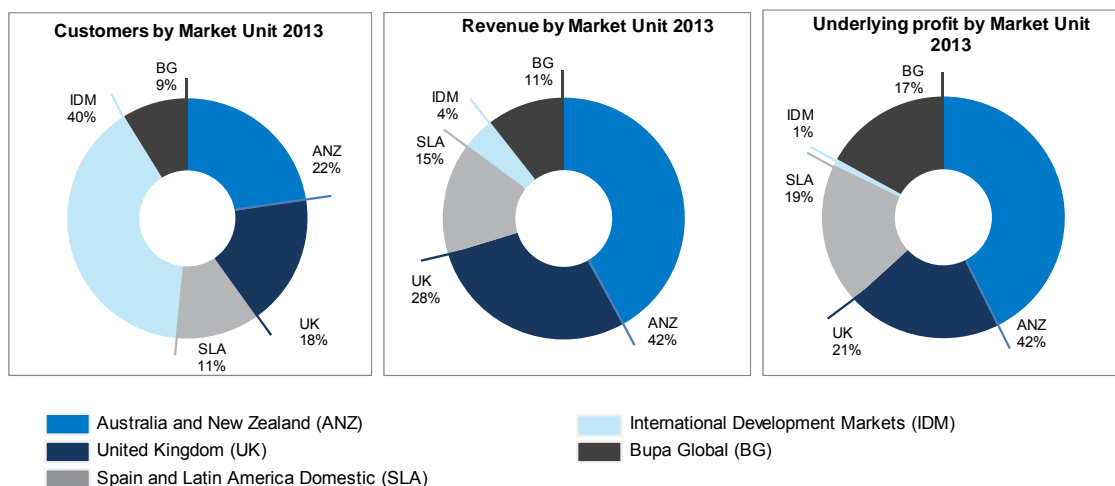
Bupa

Preliminary results announcement for the year ended 31 December 2013

ACCELERATED INVESTMENT DRIVES GLOBAL EXPANSION

HIGHLIGHTS

- Revenues up 8% to £9.1bn.
- Underlying profit before taxation up 5% to £638.5m[‡]; over ten years of unbroken growth.
- Statutory profit before taxation down 12% to £514.4m.
- Significant investment, £1.3bn[†] in acquisitions and £329.4m in other capital investment (2012: £265.8m).
- Customer numbers up 57% to 22m[‡], including 5.4m (39%) added through major acquisitions.
- Cash flow from operations at £467.6m (2012: £742.9m).[§]
- Leverage increased to 29% (2012: 19%) as we funded acquisitions.



- **Good growth in customers, revenue and underlying profit**

- Growth driven by expansion in existing and new geographies and segments, with all acquisitions having performed at or above business case in the year.
- Steady performance from private medical insurance (PMI) businesses in Spain and Australia.
- Significant management actions taken to mitigate the impact of a challenging external operating environment, including initiatives to tackle operating and healthcare costs in the UK, Spain and Australia.
- Continued strong demand for international private medical insurance.

^{*} See Financial Review (p18) for definition of underlying profit before taxation.

[†] Spend on acquisitions is equal to cash paid, including settlement of third party loans. It does not include deferred consideration.

[‡] We have changed our definition of customers to be an individual or party from whom Bupa derives revenue and who can elect to use our services. 2012 comparatives have also been restated. This includes joint ventures and associates. In 2013, customers increased by 5.4m (39%) as a result of acquisitions, and 1.2m (9%) as a result of growth in our Indian micro insurance scheme customers.

[§] 2012 cash flow included impact of one-off regulatory changes in Australia.

- **Major investment in acquisitions creating platform for future growth**
 - M&A investment totalling £1.3bn including execution of six major acquisitions.
 - Increased presence in healthcare provision with market entry into primary care clinics in Poland. Expansion in dental, primary care, aged care and insurance across Australia and New Zealand, Hong Kong, the UK and the US.
 - Significant progress in successfully embedding and integrating acquisitions throughout the year.

- **Strong financial position and confidence in future direction**
 - Reaffirmation of A- senior debt rating from Fitch, and Moody's rating at Baa2.
 - Successful £500m subordinated bond issue in April, secured with a coupon of 5% and was ten times oversubscribed.
 - Strengthened risk management function and governance capabilities, with continued focus on organisational capability, information systems and talent management.

- **Driving quality, affordable healthcare for our customers**
 - Addressing medical inflation across all our established businesses. In the UK improved commissioning capability, enabling us to manage healthcare spend whilst providing customers access to the most appropriate treatment and care.
 - Introduction of customer-focused initiatives to deliver the right advice for our customers, including providing GPs in Australian care homes and expansion of our industry-leading Hospital Quality Programme in Bupa Global.
 - New Market Unit operating model embedded including enhanced clinical leadership resources, now beginning to deliver synergies and benefits.

Stuart Fletcher, CEO of Bupa, commented:

“In 2013 we accelerated the execution of our Bupa 2020 strategic vision set out in 2012, expanding our global presence. We are building a strong base to enable us to fulfil our purpose of longer, healthier, happier lives. We saw strong growth in customers, up 57%, and our revenues exceeded £9bn for the first time. Underlying profit has increased every year for the last ten years, and increased by 5% this year, driven by the impact of both organic performance and acquisitions.

“We focused on delivering growth in both existing and new markets, and completing and integrating a series of strategic acquisitions. These newly acquired businesses, alongside our existing operations, have significantly strengthened our foothold in healthcare around the world. Our PMI businesses in Spain and Australia performed steadily despite facing strong headwinds caused by the regulatory and macroeconomic environment in those countries. Management took decisive steps to mitigate these challenges with good cost control and product and service innovation. We saw a much needed improvement in profitability in the UK, as operating cost-saving programmes as well as initiatives to improve healthcare commissioning began to deliver results. We began investing to improve our efficiency, embed our new operating model and strengthen our organisational capabilities. During the year we also built important strategic partnerships with international NGOs to help tackle the toughest healthcare challenges together.

“The strength of Bupa’s business model, our international experience and our sole focus on health, provide real value for our customers and strong foundations for future growth.”

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CEO's Review

2013 was a year of building momentum at Bupa. The business delivered good results, with strong customer numbers and 8% revenue growth, exceeding £9bn for the first time. Underlying profit increased by 5% to £638.5m, continuing over ten years of unbroken growth. Statutory profit before tax declined owing to the impact of planned investment in acquisitions and growth opportunities, reduced financial income, and an impairment charge for our home healthcare business in the UK. Net financial income reduced as a result of lower gains on bond investments and higher borrowing costs as we funded our acquisitions.

We invested significantly to expand in our existing markets. In Australia and New Zealand we became the leading private aged care provider and in the UK we now operate care villages as well as care homes. We continued to invest in growing our dental businesses in Spain and the UK, and also acquired Australia and New Zealand's largest dental business, Dental Corporation.

In Hong Kong, our health insurance business, which has operated for over 30 years, is now complemented by Hong Kong's largest private healthcare clinic network, following the acquisition of Quality HealthCare. In the US, we announced a new strategic partnership through a trademark licence with the Blue Cross and Blue Shield system, via our acquisition of 49% of Highway to Health, Inc (HTH). The partnership will enable our international PMI customers to access the biggest global network of hospitals and medical professionals.

We entered new geographic markets in 2013 with the acquisition of LUX MED, Poland's largest private medical healthcare provider, further deepening our integrated healthcare offer. In February 2014 we acquired a majority stake in Chile's leading healthcare funding and provision group, Cruz Blanca, having agreed to tender in December 2013.

Our acquisitions meet rigorous strategic and financial criteria, selected to leverage and develop our expertise and knowledge across markets and healthcare systems and generate economic value. We have been thoughtful and measured in the integration of these new businesses, taking time for both parties to learn from each other and ensure that we maximise the benefits of working together. Teams and resources have been shared to ensure that management is focused on successful delivery of our purpose and commercial objectives. This approach has proved successful. All investments in 2012 and 2013 performed at or above business case expectations.

Our bond issue in April was ten times oversubscribed and alongside the reaffirmation of our senior debt rating indicated a vote of confidence in our financial strength and strategy.

In the UK, we continued to work for more affordable healthcare for our customers, reducing our operating expenditure and engaging with the Competition Commission in its investigation into private healthcare. We welcomed the Commission's findings and subsequent provisional remedies published in 2014. The remedies propose significant reform to change how private hospitals and consultants work, to address behaviour that has led to higher prices, inadequate competition and inefficiency. The Commission acknowledged that amid an uncompetitive market, insurers like Bupa are doing "exactly what their customers would expect" by introducing initiatives to tackle rising healthcare costs and keep premiums down. The remedies offer an opportunity to keep private healthcare affordable and help return the industry to growth.

As announced in 2012, we reorganised our business into Market Units to bring closer alignment between our operations and customers. In 2013 we also introduced Bupa Global, a rebrand of the International PMI Market Unit. Bupa Global reflects a renewed customer and market orientation, working in partnership with other Bupa businesses to unlock greater capabilities and growth potential for Bupa.

Our strategic partnerships with global NGOs create opportunities to magnify the impact we can have on millions of lives. For example, Ground Miles, our global movement for walking, was launched in partnership with the World Heart Federation in September 2013. Collectively our people walked over 450,000 miles in the last four months of 2013, and together with friends, family, and wider society, contributed to a total of 4.8m miles globally.

As part of our brand development programme, we engaged with over 8,500 individuals in five geographies to gather insights about how we can best serve their healthcare needs. The results of this significant piece of work are proving invaluable and we are currently working on our brand and business development plans to leverage these insights. In 2013 we redefined the way we count our customers. Previously, a person was counted as a customer if they had an active relationship with Bupa at the end of the year. This measurement did not take into consideration the many customers we serve throughout the whole year, nor the wider breadth of health expertise and services that we now deliver. The new definition counts any person who can elect to use our services, and better reflects the number of people who access our services across the globe. As a result the 2012 customers have been restated by 2.2m to 14m. The 57% year-on-year growth in our customers in 2013 is primarily due to our newly acquired businesses which added 5.4m customers (39%), as well as growth of 1.2m (9%) in our Indian micro insurance scheme customers.

Outlook

2012 was a year of setting our vision and course, agreeing our operating model and business development priorities. 2013 saw us execute against our development plans, including a substantial number of acquisitions, and start to address our cost base and operational effectiveness. 2014 is about making our business even more customer-centred, establishing our global brand direction, and integrating and driving growth from our newly acquired businesses. Whilst trading conditions in some key markets are expected to remain tough, our teams are focused on delivering sustained growth and continuing to drive operational efficiencies.

2014 looks set to be another significant year for Bupa, building on our diversified international platform to deliver on our purpose of longer, healthier, happier lives.

Australia and New Zealand

	Customers	Revenues	Underlying Profit
2013	4.9m	£3,791.8m	£284.1m
2012	4.1m	£3,554.0m	£274.6m
Percentage growth	19% ↑	7% ↑	3% ↑

The Australia and New Zealand Market Unit comprises four business units:

- Bupa Health Insurance, the largest privately owned health insurance provider in Australia, which also offers health related services and international health cover;
- Bupa Health Services, which comprises Dental Corporation, Australia and New Zealand's largest dental provider, Bupa Optical and Bupa Health Dialog;
- Bupa Aged Care Australia, the largest privately owned residential aged care provider in Australia, caring for nearly 5,400 residents in 61 homes; and
- Bupa Care Services New Zealand, New Zealand's largest aged care provider, which cares for over 4,200 people in 56 homes, 25 retirement villages and 7 rehabilitation sites. It also provides support via a personal medical alarm network to nearly 11,000 people.

The Market Unit delivered good growth in revenue and underlying profit against a backdrop of competitive market conditions and a challenging economic and political landscape. Revenue is up 7%, driven by strong customer growth of 19%, and underlying profit has increased 3%, primarily reflecting the expansion of our presence in dental and aged care. Excluding the impact of foreign exchange movements, underlying profit grew by 9%.

Although the Australian health insurance sector remains strong, it was a difficult year in this marketplace as we saw an industry-wide trend towards downgrades and discontinuances in response to regulatory change initiated by the previous Federal Government. During 2013 this trend continued as a consequence of further changes to the Private Health Insurance rebate and the removal of the rebate on Lifetime Health Cover loading for some people.

Throughout the year, management has taken actions to mitigate these trends, by actively seeking and taking opportunities to expand the diversity of the health and care services we offer to improve affordability, accessibility, quality and connectivity of care to our customers and residents.

We have continued to focus on our customers, in line with our commitment to be Australia and New Zealand's most trusted health and care company. The introduction of Net Promoter Score is helping the health insurance business better understand and consistently meet customer expectations. In the first year of measurement our score increased by around four percentage points. This increase has been underpinned by a number of initiatives such as 'Find a Provider' and 'Effective Payment Options', which have improved the customer experience, made claiming simpler and enabled customers to make more informed choices in health service providers.

The Australian economy has been stable but consumers remain cautious, reducing consumption spending and increasing household savings, while tight budgetary and fiscal conditions at the national level continue to present challenges for the business environment. In New Zealand, the economy has strengthened, with a favourable trend in consumer spending.

The integration of the Bupa Australia and New Zealand businesses has gathered pace and is beginning to deliver commercial and customer benefits. In Australia, the consolidation of our businesses has created opportunities to offer dental and optical services to our aged care residents. The centralisation of shared services will continue to drive synergies and improve efficiency across the Market Unit.

In April 2013, Bupa Aged Care Australia launched its 'Integrated Healthcare Programme'. By employing GPs in our homes, we have changed our model of care to improve quality of life for residents. These improvements include reduced use of multiple medications, fewer falls and a reduction in hospital admissions. By the end of 2013, there were GPs working in ten Bupa homes, with 500 residents benefiting from person-centred medical care. The Integrated Healthcare model represents a significant innovation for the aged care industry. The roll-out of the programme is ongoing, with 18 Bupa homes expected to offer the service by mid 2014.

We actively participate in community activity through continued support of the Bupa Challenge Tour, Bupa Mini Kids Tour and Bupa Around the Bay in a Day cycling events. We also engage young Australians in their health through our support of the Kids TRYathlon series and the Bupa Kid-fit triathlon. We established new partnerships this year with Diabetes Australia and the McGrath Foundation, and are working with these leading NGOs to raise awareness in the areas of cancer and diabetes.

Looking forward, the Australian economy is expected to be stable for the first half of the year, with a potential improvement towards the end of 2014. The challenges around affordability and consumer sentiment will remain and we will continue to mitigate these factors.

In New Zealand, the overall macroeconomic and fiscal outlook remains strong, however the business environment is set to face some challenges, with government spending capped to deliver a balanced budget in 2015.

The 'Living Longer, Living Better' reform bills were passed in June 2013, affecting aged care in Australia. Some changes were effective from July 2013, and we have been proactive in complying with the new requirements. More significant changes will be effective from July 2014. These changes are intended to bring greater choice and flexibility in how residents pay for their care. We are continuing to work with the Government and other stakeholders to plan for these changes, as details become more clearly defined. The reforms apply only to new residents entering care and so the effects will not become evident until 2015.

Health Insurance

Revenue in the health insurance business was flat, despite solid growth in customers. This result was largely driven by foreign exchange, but was also impacted by an increasing number of downgrades across the membership base. These downgrades are mainly responses to regulatory changes that have resulted in increased premiums for some customers. To address this trend, the business has developed a number of new, more affordable, tailored products and services, such as *Live Well*, a new product for the over 55 age group that provides specific cover for cataract operations, hip and knee replacements, as well as health aids and home care.

Health Services

Health Services performed strongly with revenue growth in Bupa Optical, driven by an increase in customer numbers following its rebrand in July. Bupa Health Dialog delivered increased profits compared to 2012. The acquisition of Dental Corporation has been very well received by practices and customers and there are many opportunities for growth.

Dental Corporation has contributed significant revenue and profit since its acquisition at the end of May. Excluding Dental Corporation, Health Services achieved a double digit increase in revenue while profit grew strongly.

Care Services

The Australian aged care business performed strongly with double digit profit growth driven by solid revenue growth despite the Federal Government's care contribution increasing at 1% below the consumer price index. We maintained a relentless focus on delivering great quality care whilst improving efficiency in our homes. The acquisition of Innovative Care's ten care homes contributed additional revenue growth as well as valuable cross-learning and established Bupa as the largest private aged care provider in Australia. The integration of the homes is well underway.

Occupancy levels remained high at 92.2% despite available beds increasing by 36% due to organic development activity and acquisition.

In New Zealand, Bupa Care Services has established itself as the largest provider of aged care services with an 11% market share. We also retained our position as the most respected aged care provider with the best quality results in the industry. The acquisition of a number of new homes throughout 2013 has contributed additional revenue. We have also added 183 retirement village units to take our portfolio to over 1,000 village units and are the fifth largest retirement village operator, with a 4.1% market share.

Our new greenfield development in Invercargill is proving extremely popular and unit sales are ahead of expectations. Occupancy in the retirement villages, care homes and rehabilitation services has remained strong at 91.1%, a direct result of high customer recommendation and satisfaction rates. We continue to take a leading role in shaping dementia services in New Zealand and now provide 33% of New Zealand's specialist dementia care beds.

UK

	Customers	Revenues	Underlying Profit
2013	3.9m	£2,573.5m	£139.5m
2012	3.9m	£2,528.8m	£110.9m
Percentage growth	-	2% ↑	26%↑

The UK Market Unit comprises five business units:

- Bupa Health Funding, offering health insurance and health funding products;
- Bupa Care Services, providing care to nearly 18,000 residents in 298 homes;
- Bupa Health Clinics, which runs Wellness Centres, Clinics, Occupational Health Services and Dental Clinics;
- Bupa Home Healthcare, providing out of hospital healthcare services to over 28,000 patients; and
- Bupa Cromwell Hospital, Bupa's acute care hospital based in London, providing care for insured, self-pay and international patients.

The Market Unit performed well despite a challenging trading environment with constraints on both public and private spending and a flat private health insurance market. Revenue increased 2% year-on-year, while customer numbers were also stable, reflecting new contracts and expansion in Bupa Home Healthcare and Bupa Health Clinics but a health insurance market that remains static. Underlying profits increased overall, with a much needed improvement for our health insurance business partly offset by continued public funding pressure on our care homes.

We acted on behalf of our customers to address longstanding issues around the sustainability of the private health and care markets. We welcomed the provisional findings published by the Competition Commission in August. The findings showed that patients have been bearing the cost of a lack of competition among private hospitals, particularly in London. The Commission's provisional remedies represent the most significant potential reform to the private hospital market in decades. The Competition Commission's final report is due in April 2014.

The Care Bill, affecting care provision and funding for the frail and elderly, is currently passing through the House of Commons, after successfully being passed through the House of Lords. The purpose of the legislation is to provide protection and support to the elderly. We participated in consultation on these proposals, and while welcoming the principles, highlighted serious concerns about the downward pressure of these reforms on local authority funding and long-term market sustainability. We also urged the Government to prioritise the integration of health and social care, given that older, vulnerable people are most likely to benefit from a properly integrated system.

Following the announcement of our organisation restructure at the end of 2012, good progress has been made in integrating and streamlining teams to deliver centralised services across the businesses. The Market Unit has realised significant benefits through the reduction of operating cost and duplication which has been a contributing factor in improved profit performance. We also launched a successful new advertising campaign, highlighting the benefits such as *Bupa on Demand*, which are available to people whether or not they are Bupa customers.

As part of our commitment to engage millions more people in their health and wellbeing, we have two charity partnerships with Diabetes UK and Youth Sport Trust. We support

programmes which offer type 2 diabetes risk assessments and advice on healthy lifestyle and enable teachers to encourage greater student participation in physical activity.

Our plans for 2014 include continued expansion in the dental market, in line with our intention to open at least 50 centres by 2015. Our ambition is to broaden our offer to consumers and to partner with employers and public sector commissioners to drive greater access to high quality healthcare. We expect to continue to make significant cost savings in the UK as a consequence of an ongoing efficiency programme.

Health Insurance

Bupa Health Funding delivered good, and much needed, growth in profit year-on-year. This growth was driven by reduced operating costs and more effective management of healthcare costs, as we continued to implement initiatives to tackle unsustainable medical inflation. Market conditions remained challenging given constrained consumer spending and falling income in real terms. The market as a whole was flat year-on-year and aggressive price-led competition ensued.

We are innovating to meet customer needs, introducing a new cancer survivorship programme, including an e-book to support members living through and beyond cancer. The launch of our online knee clinic and mental health support services underpinned our commitment to ensuring access to the right advice and care for customers. We also launched 'Bupa Member Offers', providing discounts on products and services that help our members be proactive about staying fit and healthy for life.

We believe the actions we have taken to improve operating margins in the health insurance business, allowing us to cover our cost of capital, are the first important steps to putting the business back on a sustainable footing for the long-term. Reforms recommended by the Competition Commission also signal a positive step that, if implemented, would aid sustainability of the market.

Care Services

Revenue and occupancy remained flat in a competitive trading environment. While the overall number of residents remained stable, we saw an increase in the number of residents funded by local authorities and the NHS, in particular more short stay placements. Profitability declined significantly as margins were eroded by a combination of below inflation fee increases from local authorities and rising running costs including staffing, utilities and food.

Strong competition for self-pay customers also added pressure. However we maintained good resident satisfaction, with 94% of residents rating our quality of care as excellent or very good. We invested in training and measures to improve quality, including the delivery of half a million learning events in a five month period for all our care home employees. We also launched a new helpline and support services which are accessible to our residents, their families, and the general public.

As noted, pressure on local authority fee rates for care home places continued to impact results in Bupa Care Services. We have long believed that the current model results in real and pressing needs going unmet, pressure on the NHS and under-investment in social care. This is ultimately an unsustainable situation.

We invested £59m in our care home portfolio, opening new homes in Glasgow, Brighton and Farnham. The acquisition of Richmond Care Villages marked an expansion in our aged care offering. With more than 660 residents in total, the transaction added five operating care villages and enables us to play a broader role in healthcare.

Health Clinics

Customers and revenue increased year-on-year, driven by the expansion of our dental centre network and the introduction of new services in existing health clinics. We invested nearly £5m opening three new dental centres in Leeds, Canary Wharf and Sheffield. We also acquired a dental chain with six practices in supermarkets across Manchester and London.

These acquisitions mean Bupa now provides over 27,000 customers with easily accessible, high quality dental treatment across the UK. In July we opened a new health clinic located in the heart of the City of London. The purpose-built clinic offers a wider range of treatment options including MRI and diagnostics for musculo-skeletal conditions and specialist cardiac technology.

Home Healthcare and Hospital Services

Revenue increased significantly year-on-year with a number of key contract wins in the medicines management services. However pricing pressure from public sector commissioners and increasing competition caused margins to be eroded such that the business made a loss in 2013.

The trading environment and outlook is expected to remain challenging with margins remaining pressured. As a result, there has been a full impairment of the goodwill and intangible assets relating to the home healthcare business. The business is focused on developing new services and building capability to bid for new and profitable contracts going forward.

The Bupa Cromwell Hospital delivered increases in patient numbers and revenue, as treatment of international patients grew. Coupled with good cost control, profit also increased. We invested £7.1m in hospital infrastructure, including a full refurbishment of the paediatric theatre and enhanced cardiac scanning.

Spain and Latin America Domestic

	Customers	Revenues	Underlying Profit
2013	2.4m	£1,363.5m	£126.5m
2012	2.3m	£1,190.8m	£113.4m
Percentage growth	8% ↑	15% ↑	12% ↑

The Spain and Latin America Domestic Market Unit comprises five business units:

- Sanitas Seguros, providing health insurance services;
- Sanitas Hospitales and New Services provision, operating three private hospitals, 21 private medical clinics, health and wellbeing services through 18 centres and two public-private partnerships (PPP);
- Sanitas Dental, providing dental insurance services through 148 centres (87 owned and 61 franchises) and third-party networks;
- Sanitas Residencial, caring for over 4,400 residents in 40 care homes; and
- Latin America Domestic, a new business established in October 2012 to provide domestic health and care services.

Spain and Latin America Domestic has delivered good growth with revenue increasing by 15% to £1.4bn and customer numbers growing by 8% to 2.4m, against the backdrop of a continued tough economy with high unemployment rates and constant pressures on disposable income. Underlying profit increased by 12% to £126.5m, mainly driven by expansion in our hospitals and provision business, and management action in our insurance business. Excluding the impact of foreign exchange movements, underlying profit grew by 6%.

We have responded to mitigate the market pressures and effects of the challenging external operating environment. The actions we have taken include continuous innovation in products and services, ongoing enhancement of our multi-channel sales model through the signing of new agreements with strategic partners, developing tailored incentives schemes and strong cost control. We maintained high quality standards for customers in our hospitals, medical and dental centres, care homes and call centres.

Our hospitals and provision business delivered strong revenue and profit growth driven by a 10% increase in the volume of services compared to last year. This was coupled with a higher volume of self-pay treatments in our hospitals and medical centres. The recently acquired Torrejón Hospital and Clínica Londres, also performed strongly. We continued to expand our branded dental centres, reaching 148 centres in 2013, increasing our network by 36. The integration of our newly acquired businesses is well underway to ensure a smooth transition.

This year Hospital de Manises introduced a prevention plan for the population it serves, with over 6,500 people taking part in the programme designed to address common causes of long-term conditions, such as poor nutrition, smoking and lack of exercise. We also joined with partners in Morocco to give 24 children life-changing cardiac surgery in our Spanish hospitals, and to treat more than 3,000 people locally in Hassani Hospital.

Health Insurance

Revenues increased year-on-year driven by good growth in customers. Growth was driven by the launch of new products, combined with an increased focus on intermediated channels such as brokers, and strategic partnerships as a complement to our own sales force.

The insurance business was impacted by a deteriorating perception of the national, publicly-funded health services as waiting times grew longer for treatments. This deterioration in the state sector caused an increase in claims per customer, as customers moved more of their treatment to the private sector.

To mitigate the increase in incidence and cost of claims, several measures were put in place such as renegotiations of contracts with providers and a focus on prevention.

Hospitals and new services provision

Our public-private partnership (PPP) in Manises, together with the acquisition of 50% of the public Torrejón Hospital in December 2012, helped drive double digit revenue and profit growth in our hospitals and provision business. Torrejón Hospital is a recently opened PPP in Madrid with 250 beds providing services to 137,000 people.

Although we successfully tendered a bid to run a third PPP, Hospital del Henares, the Madrid Government has since suspended the process for any further partnerships. However our existing PPPs in Torrejón and Manises are unaffected and continue to perform well, despite our third opportunity not progressing.

Capacity and activity in our privately owned hospitals and clinics continued to grow, with the opening of two new centres in La Coruña and Zaragoza, as well as the expansion of our centre in Seville.

Our new services business increased its revenues due to the acquisition of Clínica Londres, one of the best regarded businesses in the Spanish wellbeing market, as well as organic growth in the existing business. We continue to develop the business and improve operational efficiency.

Dental

Sale of dental products increased significantly, with 80,000 new customers, independent of PMI policies in 2013. This is almost double the number achieved in 2012. Our low-cost product *Dental XXI*, launched in early 2012, and a new product for exclusive use in our owned centres were fundamental to driving sales to new customers who do not have health insurance. The opening of new dental centres also helped drive new sales.

Care Services

Sanitas Residencial has seen growth in residents and occupancy resulting from a strong focus on sales efforts in the private market. Average occupancy increased from 82.8% to 88.0%. This increase in residents partially offset the impact of lower fees due to reductions in public expenditure.

The business was affected by consumers' lower disposable income and the constraints on public sector spending which is pushing average fees down.

Latin America Domestic

In December 2013 we signed an agreement to tender for the acquisition of Cruz Blanca, one of Chile's leading healthcare groups. In February 2014 we successfully acquired a 56% stake. Like Sanitas, it participates as both an insurer and healthcare provider, offering integrated, high quality healthcare at affordable prices.

This acquisition marks Bupa's entry into Chile, one of the most attractive markets in Latin America due to the profile of its population, rising levels of disposable income, economic stability and long-term growth potential.

Cruz Blanca has 640,000 health insurance customers, equivalent to a 21% market share. The company, which has over 7,000 employees and 2,000 affiliated doctors, is also Chile's leading provider of private outpatient services, with 27 clinics, three hospitals and a fourth being built in Santiago. It also has Chile's largest clinical laboratory.

We intend that our proven international experience and expertise in integrated healthcare will benefit existing and new customers as well as the wider Chilean health system. As ever, we expect there will be learnings from Cruz Blanca which will benefit other Bupa operations around the world.

International Development Markets

	Customers	Revenues**	Underlying Profit
2013	8.7m	£377.3m	£5.9m
2012	2.8m	£227.3m	£4.7m ^{††}
Percentage growth	216% ↑	66% ↑	26% ↑

International Development Markets (IDM) comprises a number of businesses in a range of different markets around the world. The Market Unit is focused on delivering strong near-term performance in existing businesses and contributing to Bupa's international expansion through investing in markets and businesses that offer significant future growth potential.

IDM comprises:

- Domestic health insurance businesses in Hong Kong, Thailand, India and Saudi Arabia, as well as a representative office in China;
- LUX MED, the leading provider of private medical subscriptions, diagnostic and treatment clinics in Poland;
- Quality HealthCare, the largest private clinic network in Hong Kong; and
- Health Dialog, a health analytics business in the USA.

In its first full year as a Market Unit, IDM delivered good overall performance. There was strong growth in key markets, with revenue increasing by 66% to £377.3m, driven primarily by recent acquisitions which are performing well, and customer growth in Hong Kong and Thailand. Underlying profit grew by 26%.

We acquired LUX MED, a private health clinic and medical subscriptions business in Poland, making Bupa the leader in integrated private healthcare delivery in that market. We also acquired Quality HealthCare, a clinic network in Hong Kong, to complement our existing funding business. The acquisitions provide a strong platform for future growth through greater participation in the local healthcare systems.

The two new businesses added over 9,000 people to the Bupa team, including over 4,000 clinical staff. Following completion of the acquisition of LUX MED in April 2013, we have invested to consolidate the market-leading position of the business through the opening of new clinics and targeted acquisitions of local healthcare facilities that expand Bupa's reach and scale in Poland.

Health Insurance

Each of our wholly-owned insurance businesses has delivered strong growth in competitive marketplaces by providing access to high quality and affordable healthcare to customers. Bupa Hong Kong and Bupa Thailand have made major gains in customer numbers delivering good growth to exceed 300,000 customers each. Key corporate account wins and improved distribution has driven revenue and profit growth for Bupa Thailand. In Thailand we also continued our retail expansion plan, opening two new branches. Bupa Hong Kong increased profit, driven by new corporate client wins and good customer retention.

Bupa's associate company in Saudi Arabia, Bupa Arabia, capitalised on a strengthened proposition and exceptional customer service to add over 427,000 customers, up 26% on 2012, and driving profit growth. The business has also invested in its capability in healthcare provider management in the face of significant price increases from hospitals, helping to keep healthcare more affordable for its 2.1m customers. Bupa Arabia won the award for

** The revenues of equity accounted joint ventures and associates are not included in segmental revenue figures quoted in the table above.

†† 2012 restated to exclude £4.0m of transaction costs.

'Best working environment for women' for the third consecutive year in Saudi Arabia. As part of its commitment to wider society, the company provides free health insurance to all government-registered orphanages in Saudi Arabia, covering over 3,000 children.

In India, Max Bupa, our joint venture with partner Max India, has also continued to grow customer numbers, with the addition of 1.2m new Rastriya Swasthya Bima Yogna (RSBY) customers bringing the total served to over 2m. It has expanded into the corporate health insurance market and successfully entered new bancassurance partnerships to considerably extend its sales reach. The business won the 'All India Management Association Breakthrough Innovation in Marketing' award for its Walk for Health initiative, which succeeded in getting over 20,000 people walking in Delhi and Mumbai and reached millions of people through a TV and social media awareness-raising campaign.

Subscription and Provision

The acquisition of LUX MED, Poland's largest private healthcare provider, added over 8,000 people and 3m customers to Bupa. Since then, Bupa has consolidated LUX MED's market-leading position through targeted acquisitions, including a diagnostics business in September and a specialist orthopaedic hospital in Warsaw in December. LUX MED has performed strongly driven by sales of the core business-to-business subscription product and new growth in direct consumer business. The business has performed in line with investment case.

In Hong Kong, Bupa completed the acquisition in October of Quality HealthCare, the leading private clinic network in the market. Since then, we have worked to integrate Quality HealthCare into Bupa in terms of systems, policies and business processes, while ensuring its independent operation in the local market is maintained. The business employs 1,000 people and has 820,000 customers. Quality HealthCare performed in line with expectations in 2013.

Health Analytics

The Health Dialog business in the USA still faces a number of commercial and operational challenges in areas including the external policy environment. There is uncertainty in the buying environment, driven, in large part, by the Government's ongoing health reforms, which have continued to impact revenue.

Bupa Global (formerly International Private Medical Insurance)

	Customers	Revenues	Underlying Profit
2013	1.9m	£953.0m	£114.0m
2012	0.9m	£872.0m	£100.7m
Percentage growth	117% ↑	9% ↑	13% ↑

The Bupa Global Market Unit is the worldwide Bupa business that provides products and services to people who require healthcare cover as they study, live, travel or work abroad. The Market Unit provides international health insurance, travel insurance and medical assistance to individuals, small businesses and global corporate customers in over 190 countries.

The Market Unit delivered good performance, with revenues up 9% and continued underlying profit growth of 13%. The performance was driven by several large corporate contract wins reflecting the increasing need for global health cover as employees are more frequently required to travel and work abroad for short or long-term assignments.

International migration has increased dramatically in recent years and assignments abroad are expected to double over this decade^{††} which will further accelerate individual and corporate segment growth. Customer numbers grew overall for the Market Unit, driven by new strategic partnerships and a particularly strong corporate client base which delivered double digit growth.

In 2013, Bupa Global won a number of significant diplomatic contracts, driving increased customer numbers, revenue and profit. Bupa Global worked with Bupa Arabia to win the contract for the Saudi Ministry of Foreign Affairs (MOFA), who were seeking a single health insurance provider for domestic employees and those stationed abroad. MOFA accounts were also won in Mexico and Peru, expanding our presence in Latin America, supported by the opening of two new offices in the Dominican Republic and Ecuador. The Market Unit will continue to seek other MOFA contracts and similar opportunities in partnership with other parts of Bupa through 2014.

Bupa Global continued to perform well across our key markets, particularly in the United Arab Emirates, Singapore and Hong Kong. Despite political and economic challenges in a number of other important markets, including Egypt, customer numbers continued to grow. For example, in Egypt, Bupa became the market leader with a 46% market share.

We have invested in the creation of the Market Unit, including the development of a new, global customer-focused strategy. This new approach is starting to result in increased collaboration and co-propositions with other Bupa businesses as well as in new product development and partnerships to meet customers' needs. We will continue to invest in building an improved platform for growth to support our new global customer strategy.

We also focused on improving digital capability, both to strengthen sales channels and to improve the customer journey. Our online portal for agents and brokers was redesigned to allow better access to our digital tools and information on the policies we offer.

In Sub-Saharan Africa, Bupa Global became the first international insurer to use cloud technology to provide highly secure, real-time data exchange of membership, claims and approval information. This development enables our healthcare partners to efficiently complete pre-authorisation and claims, meaning customers can access treatment and have

^{††} PricewaterhouseCoopers' Talent Mobility 2020 report spanning 2010 to 2020.

claims settled more quickly. There has been continued improvement in customer satisfaction scores, which are up 10% in 2013.

In December, we acquired 49% of Highway to Health, Inc. (HTH), a US company that specialises in providing international health insurance for US residents planning to live or work abroad.

As a consequence of our investment in HTH, Bupa has formed a strategic partnership through a trademark licence with the Blue Cross and Blue Shield system, America's largest health insurance group and co-shareholders in HTH. The partnership will create the largest global healthcare provider network, totalling over 11,500 hospitals and around 750,000 medical professionals giving Bupa Global customers better access to healthcare around the world than ever before. Following the US partnership announcement, a new business unit called Bupa Global North America has been established.

FINANCIAL REVIEW

Summary of results

The Group's profit before taxation expense was £514.4m (2012: £585.1m), with underlying profit before taxation of £638.5m (2012: £609.5m).

	2013	2012 (Restated ¹)
	£m	£m
Total Revenues	9,058.7	8,373.9
Underlying profit before taxation	638.5	609.5
Non-underlying items	(124.1)	(24.4)
Profit before taxation expense	514.4	585.1
Taxation	(103.0)	(134.9)
Profit for the financial year	411.4	450.2

Non-underlying profit items

To reflect the trading performance of the business in a consistent manner, we adjust profit before taxation expense for amortisation and impairment of intangible assets arising on business combinations, impairment of goodwill, net property revaluation gains and losses, realised and unrealised foreign exchange gains and losses, gains or losses on return seeking assets, profit or loss on sale of businesses and fixed assets, restructuring costs and transaction costs on acquisitions and disposals as follows:

	2013	2012 (Restated ²)
	£m	£m
Amortisation of intangible assets arising on business combinations	37.3	26.8
Impairment of goodwill and intangible assets	33.5	-
Restructuring costs	21.7	17.9
Transaction costs on acquisitions and disposals	28.6	4.0
Realised and unrealised foreign exchange gains and losses	16.1	4.4
Net property revaluation (gain)/loss	(6.4)	4.5
Gains on return seeking assets, net of hedging	-	(26.1)
Net loss on disposal of fixed assets	2.3	0.2
Other	(9.0)	(7.3)
Total non-underlying profit items	124.1	24.4

In 2013 goodwill and intangibles associated with the Bupa Home Healthcare business were fully impaired (£32.8m) as decreased margins lowered the overall valuation of the business.

¹ 2012 restated to include the impact of IAS19R and, for underlying profit, to exclude £4.0m of transaction costs.

² 2012 restated to include £4.0m of transaction costs.

Financial income and expenses

Net financial expense increased to £5.9m (2012: net income of £54.8m), primarily as a result of higher borrowing costs to fund the acquisitions made during the year combined with nil gains or losses on our return seeking asset portfolio (2012: £26.1m gain), in line with the general decline in the credit market during 2013.

Taxation

Bupa's taxation expense represents a headline rate of 20.0%, which is lower than the UK corporation tax rate as a result of prior period tax credits.

The Finance Act in July 2013 reduced the UK corporation tax rate from 23% to 21% from 1 April 2014 and 20% from 1 April 2015.

Balance Sheet and Solvency

We seek to manage our business within financial ratios that support a solid investment grade credit rating, providing a secure platform for our sustainable growth ambitions.

We hold cash and other financial assets principally to meet the liabilities and solvency requirements of our regulated insurance entities. Cash and other financial investments decreased to £3,053.8m at 31 December 2013 (2012: £3,559.9m) as we have invested a portion of our portfolio on acquisitions.

In April, against a strong market backdrop, we issued a 10 year 5% subordinated bond, generating £500m of Tier 2 capital, which has been utilised to finance the Group's recent acquisitions. The success of this transaction demonstrates confidence in the Group's finances and strategy. In addition the Group has access to a £800m revolving credit facility maturing October 2017 and a £300m acquisition financing facility maturing in 2014, of which £150m and £225m have been drawn down respectively at the year end. As a result of these debt issues, our leverage has increased to 29% (2012: 19%).

Foreign exchange

Approximately 82% (2012: 65%) of net assets are denominated in foreign currencies, primarily Australian Dollars, Euros, Polish Zloty, New Zealand and Hong Kong Dollars. Excluding goodwill and intangible assets denominated in foreign currencies, the proportion reduces to approximately 34% (2012: 31%). In 2013, approximately 40% of the Group's foreign currency net asset exposure, excluding goodwill and intangible assets, was hedged using foreign currency borrowings and currency forward contracts.

The net decrease in the foreign exchange translation reserve was £407.3m which represents the decrease in the value of the underlying net assets of the Group's overseas subsidiaries, net of hedging. This reflects the appreciation, within the year, of Sterling against the Australian Dollar, the New Zealand Dollar and the Polish Zloty.

Solvency

We monitor the Group's solvency on an ongoing basis and continued to maintain a strong solvency headroom throughout 2013. At 31 December 2013, the estimated EU Insurance Groups Directive (IGD) surplus was £1.7bn (2012: £2.1bn), representing a solvency coverage ratio of 309% (2012: 367%).

The reduction in the solvency coverage for 2013 is primarily as a result of the acquisitions completed during the period.

Solvency II

Solvency II is expected to come into force on 1 January 2016, with preparatory reporting to the Prudential Regulatory Authority from 2015 onwards. Our preparations for meeting the new and interim requirements are reviewed by our Solvency II oversight committee. Our business decision-making entails assessing the impacts on solvency capital under both the Solvency I and Solvency II regimes.

Cash Flow and Financing

Operating cash flows are £467.6m, down 37%, as 2012 benefited from one-time cash in-flows from Bupa Australia. As disclosed last year, these were due to changes in government legislation in Australia which came into effect on 1 July 2012 and resulted in a significant number of our customers paying their premiums in advance of this date. Notwithstanding that, we are pleased with our operating cashflows which, once adjusted for income tax paid, exceed 90% of our underlying profit.

Business risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in the Risks and Uncertainties section of the Bupa Annual Report and Accounts 2013.

Bupa maintains a well established process for identifying and managing business risks. This includes effective oversight of the risks associated with the change programmes underpinning Bupa's strategy.

Our principal risks and uncertainties are set out below:

- Bupa's responsibilities as a provider of healthcare services mean that management of risks relating to customer wellbeing are central to how we operate. To mitigate risks in this area, all Market Units have a Medical Director responsible for ensuring clinical quality and governance. This is further overseen by our structure of clinical risk committees.
- Bupa's growth agenda brings with it the increased risk of failure to manage the overall volume and pace of organisational change. Management of transformational change is a key leadership accountability and our leaders are supported in this with specific change management resources.
- Changes to government and regulatory policy in one or more of the key geographies in which we operate may damage the viability or profitability of our business model. Bupa maintains a diversified business model to lessen the potential impact of changes affecting one product or service in one geography. We seek to maintain competitive positions to enable us to respond to government and regulatory policy change from a position of relative strength.
- Failures of our systems and processes are key risks. Such failures could cause unanticipated financial loss, customer detriment, reputational damage and failure to meet regulatory expectations. To mitigate this, Bupa's global framework of risk policies and policy owners ensure that principles for management of key risks are clear and consistent across the Group. Key operational risks are overseen by Market Unit Risk Committees and the Bupa Enterprise Risk Committee.

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

Bupa Group

**Preliminary Announcement
Financial Information**

Year ended 31 December 2013

BUPA
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2013

	2013	2012
	£m	(Restated ¹) £m
Notes		
Revenues		
Gross insurance premiums	6,895.8	6,692.8
Premiums ceded to reinsurers	(37.1)	(29.2)
Net insurance premiums earned	6,858.7	6,663.6
Revenues from insurance service contracts	13.5	11.4
Care, health and other revenues	2,186.5	1,698.9
Total revenues	9,058.7	8,373.9
Claims and expenses		
Insurance claims incurred	(5,312.1)	(5,187.9)
Reinsurers' share of claims incurred	27.7	15.5
Net insurance claims incurred	(5,284.4)	(5,172.4)
Share of post-taxation results of equity accounted investments	5.0	2.9
Other operating expenses	(3,218.4)	(2,670.9)
Impairment of goodwill	(20.7)	-
Impairment of intangible assets arising on business combinations	(12.8)	-
Other income and charges	(7.1)	(3.2)
Total claims and expenses	(8,538.4)	(7,843.6)
Profit before financial income and expenses	520.3	530.3
Financial income and expenses		
Financial income	3	124.6
Financial expenses	4	(69.8)
	(5.9)	54.8
Profit before taxation expense	514.4	585.1
Taxation expense	(103.0)	(134.9)
Profit for the financial year	411.4	450.2
Attributable to:		
Bupa	405.6	439.7
Non-controlling interests	5.8	10.5
Profit for the financial year	411.4	450.2

¹The Consolidated Income Statement has been restated for IAS19 Employee Benefits, see Note 1 for further details.

BUPA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	2013	2012
	£m	(Restated ¹) £m
Profit for the financial year	411.4	450.2
Other comprehensive income / (expense)		
Items that will not be reclassified to the income statement		
Actuarial (losses) / gains on pension schemes ¹	(10.3)	17.0
Taxation on actuarial (loss) / gain on pension schemes	(0.1)	(1.0)
Unrealised gain / (loss) on revaluation of property	94.3	(17.0)
Items that may be reclassified subsequently to the income statement		
Foreign exchange translation differences on goodwill	(257.7)	(40.7)
Other foreign exchange translation differences	(152.9)	(39.4)
Net gain on hedge of net investment in overseas subsidiary companies	0.1	5.3
Change in fair value of underlying derivative of cash flow hedge	1.2	(0.8)
Cash flow hedge on acquisition of subsidiary companies	(1.0)	(2.2)
Taxation (expense) / credit on income and expenses recognised directly in other comprehensive income	(22.3)	9.2
Other comprehensive expense for the year, net of taxation²	(348.7)	(69.6)
Total comprehensive income for the year	62.7	380.6
Attributable to:		
Bupa	56.6	371.1
Non-controlling interests	6.1	9.5
Total comprehensive income for the year	62.7	380.6

¹ The Consolidated Statement of Comprehensive Income has been restated for IAS19 Employee Benefits, see Note 1 for further details.

² In accordance with IAS1, transactions relating to acquisitions totalling £0.9m loss (2012: £0.5m gain) have been removed from other comprehensive income and included directly within equity.

BUPA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Intangible assets		2,779.4	2,146.1
Property, plant and equipment		2,697.1	2,323.4
Investment property		184.2	159.9
Equity accounted investments		212.8	34.2
Financial investments		755.5	1,086.1
Derivative assets		50.0	84.0
Assets arising from insurance business		0.6	0.6
Deferred taxation asset		0.9	2.6
Trade and other receivables		134.9	121.9
Restricted assets		39.3	44.0
Post employment benefit net assets		130.5	104.9
		6,985.2	6,107.7
Current assets			
Financial investments		1,305.8	1,165.4
Derivative assets		12.9	1.6
Inventories		52.8	19.9
Assets arising from insurance business		942.6	870.4
Trade and other receivables		505.5	404.7
Restricted assets		13.4	8.7
Cash and cash equivalents		939.8	1,255.7
		3,772.8	3,726.4
Total assets		10,758.0	9,834.1
Non-current liabilities			
Subordinated liabilities	5	(907.4)	(451.2)
Other interest bearing liabilities	6	(766.4)	(667.3)
Derivative liabilities		(3.6)	(4.5)
Provisions under insurance contracts issued		(24.4)	(24.8)
Post employment benefit net liabilities		(58.0)	(62.5)
Provisions for liabilities and charges		(31.1)	(26.3)
Deferred taxation liabilities		(190.2)	(158.3)
Other payables		(17.9)	(19.9)
		(1,999.0)	(1,414.8)
Current liabilities			
Subordinated liabilities	5	(9.9)	(6.0)
Other interest bearing liabilities	6	(298.8)	(21.4)
Derivative liabilities		(1.2)	(3.7)
Provisions under insurance contracts issued		(2,171.6)	(2,355.2)
Other liabilities under insurance contracts issued		(17.2)	(16.8)
Provisions for liabilities and charges		(119.4)	(58.5)
Current taxation liabilities		(157.8)	(157.4)
Trade and other payables		(1,112.3)	(982.4)
		(3,888.2)	(3,601.4)
Total liabilities		(5,887.2)	(5,016.2)
Net assets		4,870.8	4,817.9
Equity			
Property revaluation reserve		700.2	631.9
Income and expenditure reserve		3,940.6	3,544.9
Cash flow hedge reserve		25.0	25.1
Foreign exchange translation reserve		182.8	590.1
Equity attributable to Bupa		4,848.6	4,792.0
Equity attributable to non-controlling interests		22.2	25.9
Total equity		4,870.8	4,817.9

BUPA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	2013	2012
	£m	(Restated ¹) £m
Operating activities		
Profit before taxation expense	514.4	585.1
<i>Adjustments for:</i>		
Net financial expense / (income)	5.9	(54.8)
Depreciation, amortisation and impairment	259.6	196.8
Other non-cash items	18.6	1.2
<i>Changes in working capital and provisions:</i>		
(Decrease) / increase in provisions and other liabilities under insurance contracts issued	(84.2)	260.3
Increase in assets arising from insurance business	(93.1)	(47.3)
Change in net pension asset / liability	(40.7)	(22.4)
Increase in trade and other receivables, and other assets	(92.7)	(74.1)
Increase in trade and other payables, and other liabilities	95.1	26.6
Cash generated from operations	582.9	871.4
Income taxation paid	(115.3)	(121.1)
Increase in cash held in restricted assets	-	(7.4)
Net cash generated from operating activities	467.6	742.9
Cash flows from investing activities		
Acquisition of subsidiary companies, net of cash acquired	(808.7)	(21.6)
Acquisition of equity accounted investments	(168.4)	(3.7)
Acquisition of non-controlling interest in subsidiary company	-	(3.9)
Dividends received from associates	1.8	-
Disposal of equity accounted investments	0.5	25.1
Purchase of intangible assets	(68.9)	(67.6)
Purchase of property, plant and equipment	(241.8)	(178.0)
Proceeds from sale of property, plant and equipment	1.2	4.2
Purchase of investment property	(20.2)	(19.3)
Net (purchase) / proceeds from sale of financial investments, excluding deposits with credit institutions	(29.8)	72.6
Net withdrawal from / (investment into) deposits with credit institutions	88.1	(425.0)
Interest received	79.0	58.8
Net cash used in investing activities	(1,167.2)	(558.4)
Cash flow from financing activities		
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings	868.5	-
Repayment of interest bearing liabilities	(334.5)	(26.7)
Interest paid	(81.4)	(65.8)
(Payments for) / receipts from hedging instruments	(11.7)	10.6
Dividends paid to non-controlling interests	(8.9)	(7.1)
Net cash generated from / (used in) financing activities	432.0	(89.0)
Net (decrease) / increase in cash and cash equivalents	(267.6)	95.5
Cash and cash equivalents at beginning of year	1,253.4	1,183.0
Effect of exchange rate changes	(46.1)	(25.1)
Cash and cash equivalents at end of year	939.7	1,253.4

¹The Consolidated Statement of Cash Flows has been restated, please see Note 1 for further details.

BUPA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Non- controlling interests £m	Total equity £m
2013							
At beginning of year	631.9	3,544.9	25.1	590.1	4,792.0	25.9	4,817.9
Retained profit for the financial year	-	405.6	-	-	405.6	5.8	411.4
Other comprehensive income / (expense)							
Unrealised profit on revaluation of property	94.3	-	-	-	94.3	-	94.3
Realised revaluation profit on disposal of property	(0.5)	0.5	-	-	-	-	-
Actuarial loss on pension schemes	-	(10.3)	-	-	(10.3)	-	(10.3)
Foreign exchange translation differences on goodwill	-	-	-	(257.7)	(257.7)	-	(257.7)
Other foreign exchange translation differences	(4.0)	-	-	(149.2)	(153.2)	0.3	(152.9)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	0.1	0.1	-	0.1
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.0)	-	(1.0)	-	(1.0)
Change in fair value of underlying derivative of cash flow hedge	-	-	1.2	-	1.2	-	1.2
Taxation expense on income and expenses recognised directly in other comprehensive income	(21.5)	(0.1)	(0.3)	(0.5)	(22.4)	-	(22.4)
Other comprehensive income / (expense) for the year, net of taxation	68.3	(9.9)	(0.1)	(407.3)	(349.0)	0.3	(348.7)
Total comprehensive income / (expense) for the year	68.3	395.7	(0.1)	(407.3)	56.6	6.1	62.7
Acquisition of subsidiary companies attributable to non-controlling interest ²	-	-	-	-	-	(0.9)	(0.9)
Dividends paid to non-controlling interests	-	-	-	-	-	(8.9)	(8.9)
At end of year	700.2	3,940.6	25.0	182.8	4,848.6	22.2	4,870.8
2012							
At beginning of year	642.7	3,075.9	29.0	662.7	4,410.3	33.6	4,443.9
Retained profit for the financial year ¹	-	439.7	-	-	439.7	10.5	450.2
Other comprehensive (expense) / income							
Unrealised loss on revaluation of property	(17.0)	-	-	-	(17.0)	-	(17.0)
Realised revaluation profit on disposal of property	(1.3)	1.3	-	-	-	-	-
Actuarial gains on pension schemes ¹	-	17.0	-	-	17.0	-	17.0
Foreign exchange translation differences on goodwill	-	-	-	(40.7)	(40.7)	-	(40.7)
Other foreign exchange translation differences	(1.6)	-	-	(37.0)	(38.6)	(0.8)	(39.4)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	5.3	5.3	-	5.3
Cash flow hedge on acquisition of subsidiary company	-	-	(2.2)	-	(2.2)	-	(2.2)
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.5)	-	(0.5)	(0.3)	(0.8)
Taxation credit / (expense) on income and expenses recognised directly in other comprehensive income	9.1	(1.0)	0.2	(0.2)	8.1	0.1	8.2
Other comprehensive (expense) / income for the year, net of taxation²	(10.8)	17.3	(2.5)	(72.6)	(68.6)	(1.0)	(69.6)
Total comprehensive (expense) / income for the year	(10.8)	457.0	(2.5)	(72.6)	371.1	9.5	380.6
Acquisition of subsidiary companies attributable to non-controlling interest ²	-	-	-	-	-	5.8	5.8
Acquisition of non controlling interest in subsidiary company ²	-	12.0	(1.4)	-	10.6	(15.9)	(5.3)
Dividends paid to non-controlling interests	-	-	-	-	-	(7.1)	(7.1)
At end of year	631.9	3,544.9	25.1	590.1	4,792.0	25.9	4,817.9

¹ The Consolidated Statement of Changes in Equity has been restated, please see Note 1 for further details.

² In accordance with IAS1, transactions relating to acquisitions totalling £0.9m loss (2012: £0.5m gain) have been removed from other comprehensive income and included directly within equity.

BUPA
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

1 Basis of preparation

1 (a) Financial information and basis of preparation

This preliminary results statement was approved by a duly appointed and authorised committee of the Board of Directors of The British United Provident Association Limited (Bupa) on 12 March 2014.

The financial information for the year ended 31 December 2013 and 31 December 2012 have been prepared under International Financial Reporting Standards as adopted by the EU ('IFRS').

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012 but is derived from those accounts. Statutory accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2013 will be delivered in due course. The auditors, KPMG Audit Plc, have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 31 December 2013 and 2012.

Restatement of 2012 financial information

a) IAS 19 Employee Benefits (Amendment)

Applicable for financial periods beginning on or after 1 January 2013 and retrospectively for the year ended 31 December 2012. The impact of application of this amendment to 31 December 2012 is a decrease of £1.5m within other operating expenses, with a corresponding decrease in other comprehensive income. There is no impact to Group net assets.

b) Underlying profit and segmental information

During the year, the profit measure for the segmental disclosure has been redefined to reflect the underlying profit by Market Unit (MU). Underlying profit represents profit before tax adjusted for amortisation and impairment of intangible assets arising on business combinations, impairment of goodwill, net property revaluation gains and losses, gains or losses on return seeking assets, realised and unrealised foreign exchange gains and losses, profit or loss on sale of businesses and fixed assets, restructuring costs and transaction costs on acquisitions and disposals. In addition to this re-presentation, the 2012 underlying profit has been restated to reflect £4.0m of acquisition transaction costs incurred during the period, within the International Development Markets MU.

BUPA
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

2 Operating segments

Reportable segments	Services and products
Australia and New Zealand	Health insurance, health assessments, health coaching and international health cover Dental provision in Australia and New Zealand, optical care within Australia Nursing, residential and respite care in Australia and New Zealand Retirement villages and telecare services within New Zealand
UK	Health insurance, dental services, health assessments and related products Nursing, residential, care villages and respite care Management and operation of a private hospital providing medical and ancillary services to patients Home healthcare products and services
Spain and Latin America Domestic	Health insurance and related products sold in Spain Management and operation of hospitals, clinics and dental centres in Spain providing medical and ancillary services to patients Provision of nursing, residential and respite care in Spain
International Development Markets	Domestic health insurance and related products within Hong Kong, Thailand, China, Saudi Arabia and India Care management and analytic services primarily in the US Medical subscription, health insurance, diagnostics and the operation of clinics and hospitals in Poland Diagnostics, primary healthcare and day care clinics in Hong Kong
Bupa Global	International health insurance to individuals, small businesses and corporate customers in over 190 countries

Segmental information

	Australia and New Zealand	UK	Spain and Latin America Domestic	International Development Markets	Bupa Global	Total
	£m	£m	£m	£m	£m	£m

For the year ended 31 December 2013

(i) Revenues

Total revenues for reportable segments	3,791.8	2,575.3	1,363.5	378.1	953.0	9,061.7
Inter segment income	-	(1.8)	-	(0.8)	-	(2.6)
External revenues for reportable segments	3,791.8	2,573.5	1,363.5	377.3	953.0	9,059.1

Net reclassifications to other expenses or financial income and expenses

(0.4)

Consolidated total revenues

9,058.7

(ii) Segment result

Underlying profit for reportable segments ¹	284.1	139.5	126.5	5.9	114.0	670.0
Central expenses and net interest margin	-	-	-	-	-	(31.5)
Consolidated underlying profit before taxation						638.5

Non-underlying items:

Amortisation of intangible assets	(15.8)	(4.0)	(2.1)	(10.4)	(5.0)	(37.3)
Impairment of goodwill arising on business combinations	-	(20.7)	-	-	-	(20.7)
Impairment of intangible assets arising on business combinations	-	(12.1)	(0.7)	-	-	(12.8)
Restructuring costs	-	(17.9)	-	(0.8)	(3.0)	(21.7)
Transaction costs on acquisitions and disposals	(11.4)	(2.2)	(1.7)	(11.9)	(1.4)	(28.6)
Realised and unrealised foreign exchange losses	-	(0.1)	-	-	(16.0)	(16.1)
Net property revaluation gain / (loss)	7.9	(3.6)	2.1	-	-	6.4
Net loss on disposal of fixed assets	-	-	-	-	-	(2.3)
Other ²	-	-	-	-	-	9.0
						(124.1)

Consolidated profit before taxation expense

514.4

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 31 December 2012 (Restated)

(i) Revenues

Total revenues for reportable segments	3,554.0	2,529.4	1,190.8	228.2	872.0	8,374.4
Inter segment elimination	-	(0.6)	-	(0.9)	-	(1.5)
External revenues for reportable segments	3,554.0	2,528.8	1,190.8	227.3	872.0	8,372.9
Net reclassifications to other expenses or financial income and expenses						0.9
Unallocated central revenues						0.1
Consolidated total revenues						8,373.9

(ii) Segment result

Underlying profit for reportable segments ¹	274.6	110.9	113.4	4.7	100.7	604.3
Central expenses and net interest margin						5.2
Consolidated underlying profit before taxation						609.5

Non-underlying items:

Amortisation of intangible assets	(16.8)	(2.7)	(2.3)		(5.0)	(26.8)
Restructuring costs	(4.3)	(1.3)	-	(12.3)	-	(17.9)
Transaction costs on acquisitions and disposals	-	-	-	(4.0)	-	(4.0)
Realised and unrealised foreign exchange gains / (losses)	-	0.1	-	-	(4.5)	(4.4)
Net property revaluation gain / (loss)	7.5	(8.0)	(4.0)	-	-	(4.5)
Gains on return seeking assets, net of hedging						26.1
Net loss on disposal of fixed assets						(0.2)
Other ²						7.3
						(24.4)

Consolidated profit before taxation expense						585.1
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¹ Underlying profit for reportable segments includes share of post taxation results of equity accounted investments.

² Includes Central non-underlying items, unrealised foreign exchange and profit on sale of equity accounted investments

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial income

	2013 £m	2012 £m
Interest income:		
Loans and receivables	64.1	84.4
Investments held to maturity	1.9	6.4
Investments designated at fair value through profit or loss	2.5	1.7
Net realised gains on financial investments designated at fair value through profit or loss	3.2	-
Net (decrease) / increase in fair value:		
Investments designated at fair value through profit or loss	(5.3)	27.1
Investment property	11.7	6.6
Net foreign exchange gain / (loss)	4.0	(1.6)
Total financial income	82.1	124.6

Included within financial income is a net gain, after hedging, on the Group's return seeking asset portfolio of £nil (2012: net gain of £26.1m). No financial investments designated at fair value through profit or loss are held for trading.

4 Financial expense

	2013 £m	2012 £m
Interest expense on financial liabilities at amortised cost	85.3	68.4
Finance charges in respect of finance leases	0.5	0.1
Other financial expenses	2.2	1.3
Total financial expense	88.0	69.8

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5 Subordinated liabilities

	2013 £m	2012 £m
Non-current		
Callable subordinated perpetual guaranteed bonds	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	50.0	84.0
Callable subordinated perpetual guaranteed bonds at carrying value	380.0	414.0
10.5% subordinated guaranteed bonds due 2018	-	3.9
Other subordinated debt due 2022	32.8	33.3
5.0% subordinated unguaranteed bonds due 2023	494.6	-
	907.4	451.2
Current		
Callable subordinated perpetual guaranteed bonds	5.9	6.0
5.0% subordinated unguaranteed bonds due 2023	4.0	-
	9.9	6.0
Total subordinated liabilities	917.3	457.2

6 Other interest bearing liabilities

	2013 £m	2012 £m
Non-current		
Bank loans	176.9	31.1
Senior unsecured bonds	349.3	348.7
Secured loans	234.0	233.8
Debenture stock	-	51.1
Finance lease liabilities	6.2	2.6
	766.4	667.3
Current		
Bank loans	225.3	0.3
Senior unsecured bonds	15.7	12.3
Secured loans	4.1	4.1
Debenture stock	51.3	2.1
Finance lease liabilities	1.6	0.2
Other loans	0.7	-
Bank overdrafts	0.1	2.4
	298.8	21.4
Total interest bearing liabilities	1,065.2	688.7