

GOOD GROWTH IN REVENUE AND PROFIT

HIGHLIGHTS

- Revenue¹ £12.2bn, up 5% at Constant Exchange Rates (CER)² (2016 FY: £11.7bn); up 11% at Actual Exchange Rates (AER) (2016 FY: £11.0bn)
- Underlying profit³ before taxation £805.3m, up 10% at CER and 15% at AER (2016 FY: £700.7m)
- Statutory profit before taxation £620.3m, up 19% at AER (2016 FY: £522.9m)
- Net cash generated from operating activities £929.4m, up 4% at AER (2016 FY: £891.0m)
- Solvency II capital coverage ratio⁴ of 180% (2016 FY: 204%)

Evelyn Bourke, Group CEO of Bupa, commented:

“Last year, we grew Group revenue by 5% and underlying profit by 10%, with good growth in our largest Market Units – Australia and New Zealand, the UK, and Europe and Latin America. I’m very pleased with these results.

“We focused on improving and extending our services for customers. In Australia, despite an increasingly competitive environment, our private health insurance customer numbers grew, fuelled by strong growth in international insurance sales. In the UK, we became the leading private dental provider following the acquisition of Oasis Dental Care. We significantly reshaped our UK aged care business, selling a number of homes while investing in the quality of our retained care home and village portfolio. We increased our stake in our Bupa Arabia associate business (3.3 million customers), and sold Bupa Thailand.

“Looking ahead, we expect slower growth in health insurance in our key markets. Economic and political conditions will remain testing. Internal controls, particularly information security, continue to be high on our agenda. We’re confident that focusing on our customers’ needs, and delivering high-quality services through our great people, will help us grow in a sustainable way.”

Market Unit performance

- Australia and New Zealand: revenue up 4%; underlying profit up 3%.
- UK: revenue up 1%; underlying profit up 19%.
- Europe and Latin America: revenue up 7%; underlying profit up 10%.
- International Markets: revenue up 11%; underlying profit down 18%, driven by Bupa Global.

Operational highlights

- Integration of Oasis Dental Care going well, with the majority of practices now rebranded as Bupa Dental Care.
- Significantly reshaped our aged care business in the UK with the sale of a number of care homes, while investing in the quality of our retained care home and village portfolio.
- Continued investment in customer experience through digital technology and improving service, value-for-money and standards across the Group.
- In Australia, the Government extended our Medical Visa Services contract for a further two years.
- Increased our stake in our associate business in Saudi Arabia to 34.25%, and sold our business in Thailand.
- Continued to invest in our people, and our eNPS (Employee Net Promoter Score) increased to +38 (+8pp since 2016).
- Uncertainty is ongoing around the UK leaving the EU. This includes the regulation of financial services (passporting rights), the wider impact on the UK economy, and the UK’s future immigration rules for EU nationals.

¹ While revenues from our associate and joint venture businesses are excluded from our reported figures, customer numbers and the appropriate share of profit from these businesses are included in our reported numbers

² All figures presented are at Constant Exchange Rates (CER) unless otherwise stated. We use CER to compare trading performance in a consistent manner to the prior year. We have therefore retranslated our 2016 results using 2017 average exchange rates

³ To derive underlying profit, profit before taxation is adjusted for amortisation and impairment of intangible assets and goodwill arising on business combinations, net property revaluation gains or losses, realised and unrealised foreign exchange gains and losses, gains or losses on return seeking assets, profits or losses on the sale of businesses and fixed assets, transaction costs on acquisitions and disposals, restructuring costs and other one-off items. Total Group underlying profit includes central expenses and net interest margin not allocated to Market Units

⁴ The 2017 Solvency II capital coverage ratio is an estimated value

Financial position

- Net cash generated from operating activities up 4%, reflects increased profitability, and favourable foreign exchange movements, offset by changes in receivables as a result of acquisitions and divestments.
- Bupa Finance plc's senior debt ratings remain A- stable (Fitch) and Baa1 stable (Moody's).
- Leverage ratio 25.3% (HY 2017 30.2%) following receipt of disposal proceeds and good cash repatriations.
- Solvency II capital coverage is 180% at year-end 2017 (HY 2017 160%).

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About Bupa

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

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

We have 15.5 million health insurance customers, provide healthcare to around 14.5 million people in our clinics and hospitals, and look after over 23,300 aged care residents.

We employ over 78,000 people, principally in the UK, Australia, Spain, Poland, Chile, New Zealand, Hong Kong, the USA, Brazil, the Middle East and Ireland, and many more through our associate businesses in Saudi Arabia and India.

Health insurance is around 70% of our business. In a number of countries, we also run clinics, dental centres, hospitals and care homes and villages.

For more information, visit www.bupa.com.

Group CEO's review

Last year, we grew Group revenue by 5% and underlying profit by 10%, with good growth in our largest Market Units – Australia and New Zealand, the UK, and Europe and Latin America. I'm very pleased with these results.

In 2017, we focused on improving and extending our services for customers, and investing in digital technologies keeping our customers front and centre.

Health insurance remains the largest business line for Bupa, with around 70% of our revenue and profit coming from this part of the business.

Despite the challenging economic conditions in Australia and New Zealand, we delivered solid performance. Revenue grew 4% and underlying profit increased by 3%. Although the overall number of Australian residents covered by private health insurance fell, we grew customer numbers by 1%, fuelled by strong growth in international insurance sales. We supported the Australian Federal Government's health reform measures to help address health insurance affordability and have introduced initiatives to improve value for money for our customers. The Australian Government extended our Medical Visa Services contract for a further two years, recognising our strong record of delivering quality care to customers. In the second half of the year, we announced the integration of our aged care and retirement village businesses in Australia and New Zealand into a single business unit. Following an extensive review of our New Zealand operations, in December we announced the sale of 12 care homes.

Our UK business performed well. Revenue is up 1% year-on-year, factoring in sales from the acquisition of Oasis Dental Care in February 2017 and the 2016 sale of Bupa Home Healthcare. Underlying profit increased by 19%. Our acquisition of Oasis Dental Care makes us the leading provider of private dentistry in the UK with over 470 practices and a strong high street presence. The integration is progressing well, with the majority of practices now rebranded as Bupa Dental Care. We've significantly reshaped our UK aged care business, selling a number of homes while investing in the quality of our retained care home and village portfolio. In health insurance, our enhanced care pathways and better health care cost management have improved customer experience and claims performance. We launched our Cancer Direct Access self-referral service, which gives access to diagnosis and treatment without a GP referral.

We delivered good growth in Europe and Latin America, with revenue up 7% and underlying profit rose 10%. In Spain, where we operate under the Sanitas brand, we increased the number of insurance customers through our strong partnerships. We also achieved excellent profit growth at Sanitas Dental. We maintained our focus on improving customer experience through technology, and this has driven the good performance of Blua, Spain's first digital health insurance product. We expanded our aged care business with the acquisition of five care homes in Madrid and opened a new home in Barcelona. In Poland, we opened an oncology hospital in Warsaw. In Chile, growth was driven by higher activity in both the inpatient and outpatient businesses.

Revenue in International Markets grew 11%, but underlying profit decreased 18%, mainly due to a fall in profit in Bupa Global. We have refined Bupa Global's market strategy and started a programme to strengthen our distribution, improve customer engagement, and review the products and service offering to our customers. We made progress in customer service metrics and retention levels. As widely reported, in July, we acted swiftly after discovering an employee had inappropriately copied customer information relating to around 100,000 International Private Medical Insurance policy holders. We informed affected customers, introduced additional security checks, and are tightening information security and data protection controls across our business. We increased our stake in our associate business in Saudi Arabia (3.3 million customers) by 8% to 34.25% and sold our business in Thailand. Care Plus, the business we acquired in Brazil in late 2016, is performing well with integration on track.

We continue to prioritise investment in customer experience across service, value and standards. Digital technology is key: we're improving systems and developing new products and services for our customers. Examples include the launch of the myBupa app in Australia and MiBupa app in Chile. These enable

customers to make claims and view their status, access medical records, and book appointments through their mobile devices. In the UK, Bupa Connect allows intermediaries to quote and buy directly with us online. In Spain, we've introduced services such as video consultations, online appointments and digital membership cards. We launched Blue Table, a global programme in which start-ups partner with us to explore new ways of delivering high-quality health and care services, and we entered into a number of arrangements to accelerate bringing new digital health and care services to our customers.

The UK's decision to leave the EU has led to uncertainty for Bupa. We are putting contingency plans in place to address a range of Brexit scenarios, including changes to cross-border financial services regulation.

I made two new appointments to the Bupa Executive Team. In June, Nigel Sullivan, former Group HR Director for TalkTalk, joined us as our Chief People Officer. In October, Simeon Preston, former Group Chief Operations Officer at AIA, became CEO of our International Markets business.

Outlook

Looking ahead, we expect slower growth in health insurance in our key markets. Economic and political conditions will remain testing. Internal controls, particularly information security, continue to be high on our agenda. We're confident that focusing on our customers' needs, and delivering high-quality services, through our great people, will help us grow in a sustainable way.

MARKET UNIT PERFORMANCE

Australia and New Zealand

| | Revenue | Underlying profit |
|-----------------------|-----------|-------------------|
| FY 2017 | £4,926.6m | £384.7m |
| FY 2016 (CER) | £4,730.0m | £375.1m |
| % growth (CER) | 4% | 3% |

Australia and New Zealand delivered solid performance in 2017 despite the challenging economy. Revenue grew 4% and underlying profit increased by 3%.

Despite an overall decline in the number of Australian residents covered by private health insurance, we grew customer numbers by 1%, fuelled by strong growth in international insurance sales.

We are responding to continuing pressure on household budgets through our lowest premium increase in more than a decade. We are cutting indirect costs and working with the Australian Government to support broader health reform. For example, we have committed to pass on savings made on the Government's Protheses List to customers in full. We are also offering better value to customers by expanding gap-free services (no out-of pocket medical expenses) for children, which now include dentistry, optometry, physiotherapy, chiropractics and podiatry at any provider in the Bupa network.

In our Health Services business, we drove growth through Bupa Medical Visa Services (BMVS), dental acquisitions and rebrands. The Australian Government extended our BMVS contract for the provision of medical assessments to visa applicants for a further two years, recognising our strong record of delivering quality care to customers. We expanded our hearing business, introducing the services within a number of optical stores, and launched our first therapy clinic, serving customers with disabilities.

The opening or extension of four care homes boosted performance in Aged Care Australia, along with a renewed focus on costs in response to reductions in the Government's funding of aged care. We made good progress in talks with unions in Victoria, finalising negotiations for a new Enterprise Bargaining Agreement.

Our business in New Zealand continued to deliver revenue growth, largely thanks to improved returns from our care village investments. Government funding helped cover additional staff costs arising from an equal pay case that concluded during the year. We worked with Rotorua Lakes Council and other local bodies to actively help make Rotorua the region's first dementia-friendly community in New Zealand, increasing awareness and improving participation in society for people living with dementia. Following an extensive review of our New Zealand operations, in December we announced the sale of 12 of our care homes and four care villages. The occupancy rate for Australia and New Zealand is 93.7%.

The integration of our Australian and New Zealand aged care and retirement businesses will strengthen our position, with a shared vision and an improved operating model.

Our Australian health insurance transformation programme continued as we improved our systems and our customers' digital experience. This has resulted in better real-time claims payment systems and complaint visibility, digitised benefit statements and more streamlined customer application processes.

UK

| | Revenue | Underlying profit |
|-----------------------|----------------|--------------------------|
| FY 2017 | £2,807.2m | £231.1m |
| FY 2016 (CER) | £2,785.9m | £194.9m |
| % growth (CER) | 1% | 19% |

Our UK business performed well. Revenue is up 1% year-on-year, factoring in sales from the acquisition of Oasis Dental Care in February 2017 and the 2016 sale of Bupa Home Healthcare. Underlying profit increased by 19% with health insurance and the acquisition of Oasis Dental Care key to this good performance.

In February, we completed our acquisition of Oasis Dental Care. This important milestone enabled us to transform our market position and has made Bupa the leading provider of private dentistry in the UK and a major provider to the NHS. We now provide high-quality dental care for over two million patients across 470 practices. Integration is going well, with the majority of practices now rebranded as Bupa Dental Care.

Performance in our health insurance business was strong. Through our enhanced care pathways and better healthcare cost management we have improved customer experience and claims performance. In November, we launched our Cancer Direct Access self-referral service, which gives access to diagnosis and treatment without needing to see their GP first. We are the first healthcare organisation in the UK to offer such a comprehensive service.

More customers are using our online site to book GP, musculoskeletal and dermatology appointments as well as health assessments in our clinics. Overall, customers rate our services highly with Net Promoter Score (NPS) for clinics attendance of +65. At Bupa Cromwell Hospital, we are investing in both medical technology and facilities, and are developing new clinical pathways. In May, we opened the Kensington Diagnostic Centre, a new heart, lung and neurology hub within the hospital site. This means we can offer tests and follow-up appointments at a single location.

In our Care Services business, we are focusing investment on continuing to provide high-quality care for our residents, and have made important progress in this area. We significantly reshaped our UK aged care business, selling 110 care homes to HC-One, a leading provider of health and social care, and agreed the sale of a further 22 to Advinia Health Care, which was completed in February 2018. We remain one of the largest providers of residential care in the UK and continue to invest strongly in the sector. We invested £110m in refurbishing 15 existing homes and opening a further retirement village. Another village and four new care homes are under construction. Within Care Services, our occupancy rate is currently 84.7%.

We launched our 'For Living' brand campaign which focuses on helping people get the most out of their everyday lives. The lead advert, 'For owning the dance floor', won 11 industry awards including Cannes Lion and British Arrows.

Europe and Latin America

| | Revenue | Underlying profit |
|-----------------------|-----------|-------------------|
| FY 2017 | £2,869.0m | £197.1m |
| FY 2016 (CER) | £2,679.6m | £179.4m |
| % growth (CER) | 7% | 10% |

We delivered good growth in Europe and Latin America, with revenue up 7% and underlying profit rising 10%. All of our business units delivered good performance, with excellent profit growth in our Spanish dental business. Bupa Chile is benefiting from the early stages of recovery in the local economy.

In Spain, where we operate under the Sanitas brand, we grew our insurance membership through our successful partnerships with BBVA and SantaLucia, and continuing focus on containing lapse rates. We are on track with our digital transformation agenda to improve customer experience. We have implemented new services such as video consultations, online appointments and digital membership cards. This has driven the good performance of Blua, Spain's first digital health insurance product, and of Sanitas Pro Pymes digital, specially designed for small companies.

Sanitas Dental is growing across dental centres and dental insurance, and is benefiting from digital innovations such as our online emergency video consultation service.

In Sanitas Hospitales, we are proud of our high standards of care across our hospitals and centres. This year our Manises hospital (a public-private partnership) gained the +500 EFQM Global Excellence certificate. Meanwhile, Hospital Sanitas CIMA in Barcelona obtained the Joint Commission International certification. This is our third hospital to receive this recognition.

Sanitas Mayores, our aged care business, grew with the acquisition of five Valdeluz Group care homes in Madrid and the opening of a new home in Barcelona. We now care for over 5,700 residents across 46 homes and three day centres in Spain. We introduced the Sanitas Mayores app, which offers the families of care home residents day-to-day contact with their loved ones and carers. Our occupancy rate is high at 95%.

Our Polish business, LUX MED, delivered strong growth, especially in its ambulatory and inpatient businesses. We opened an oncology hospital in Warsaw and were acknowledged by consumers as delivering the highest standards of medical care.

Bupa Chile delivered year-on-year growth in revenue and profit despite market and regulatory changes. This was mainly driven by higher activity in both inpatient and outpatient businesses. We launched the MiBupa app, giving customers access to their medical records and allowing them to make appointments with a doctor of their choice via their mobile device. Construction of Clinica Bupa Santiago is well underway. This will be Bupa's largest hospital with 17 diagnostic rooms, 122 ambulatory care rooms, 36 emergency rooms, and over 460 beds. The first phase of the hospital will offer 100 beds. It is expected to be operational in 2018.

International Markets

| | Revenue | Underlying profit |
|-----------------------|-----------|-------------------|
| FY 2017 | £1,647.1m | £56.6m |
| FY 2016 (CER) | £1,487.1m | £69.2m |
| % growth (CER) | 11% | 18% decline |

Revenue in International Markets grew 11% in 2017 but underlying profit declined 18%, mainly due to a fall in profit in Bupa Global, our international health insurance business. As noted in our half year results in August, Bupa Global's performance is affected, in part, by our exit from a number of non-strategic markets. There was also a shift in customer mix towards corporate customers, which resulted in higher loss ratios. Throughout 2017, we refined Bupa Global's market strategy and started a programme to strengthen our distribution, improve customer engagement, and review the products and service offering to our customers. We made progress in customer service metrics and retention levels. Bupa Global will continue to be an area of focus.

As we reported in our half year statement, we acted quickly to manage an incident in which a portion of Bupa Global customer data was inappropriately copied and removed from the company. We have brought in additional security checks and are tightening information security and data protection controls across our business. Following Bupa Global's acquisition of Care Plus in Brazil in late 2016, integration is on track.

In June, we increased our stake in Bupa Arabia, our associate business in Saudi Arabia, from 26.25% to 34.25%. Bupa Arabia now has 3.3 million customers. It continued to roll out its insurance point-of-care service in clinics in 2017. This supports our customers with administrative tasks, pre-authorisation and clinical matters, and the customer experience has improved dramatically.

In Hong Kong, Quality HealthCare, our private clinic network business, opened one integrated centre in a residential area, and upgraded two major centres in business districts. In early 2018, we rolled out a new digital platform that offers customers e-ticketing for GP appointments, e-booking for specialty and vaccination services, and access to a personal e-health record. Our domestic health insurance business has invested heavily in its operations and in improvements to customer experience. We are in active discussions on the Government's Voluntary Health Insurance Scheme, which aims to create a new type of individual health insurance product. In China, we opened our first integrated medical centre in Guangzhou. This means we offer high quality, digitally-enabled care to customers in the Pearl River Delta region.

We completed the sale of Bupa Thailand in July as part of our strategy to focus on key markets where we have scale.

In India, Max Bupa launched a point-of-care service as a pilot in May, with plans to extend it across the country in 2018. Max Bupa has also introduced innovative 'Health ATMs' in Bank of Baroda branches across India. These offer customers a basic health check-up and the chance to buy tailor-made insurance products with no clinical checks needed.

FINANCIAL REVIEW

| | | | |
|----------------------------------|--|---|------------------------------------|
| Revenue ¹ | | Net cash generated from operating activities | |
| £12.2bn | + 5% CER² (2016: £11.7bn) | £929.4m | + 4% AER (2016: £891.0m) |
| | + 11% AER (2016: £11.0bn) | | |
| Underlying profit ³ | | Solvency II capital coverage ratio ⁴ | |
| £805.3m | + 10% CER (2016: £732.7m) | 180% | 2016: 204% |
| | + 15% AER (2016: £700.7m) | | |
| Statutory profit before taxation | | Bupa Finance plc senior debt rating | |
| £620.3m | + 19% AER (2016: £522.9m) | Fitch | A- (stable outlook) |
| | | Moody's | Baa1 (stable outlook) |

I am pleased to report a strong set of results for Bupa in 2017. Our revenue was £12.2bn, up 5% (2016: £11.7bn) and our underlying profit, our most useful measure for comparisons with previous years, grew by 10% to £805.3m (2016: £732.7m) at Constant Exchange Rates (CER). This in turn led to an increase in statutory profit of 19% to £620.3m (2016: £522.9m) at Actual Exchange Rates (AER).

We generated cash from operating activities of £929.4m, up £38.4m on 2016, and strengthened our capital position from the 160% reported at the half year to 180% as at 31 December 2017 (2016: 204%).

This performance is the result of successfully putting our strategic framework into practice. We have concentrated on delivering an exceptional experience for our customers, growing in carefully chosen areas that are complementary to our business, and selling operations that are no longer a good strategic fit. As a result, we made a number of acquisitions and disposals during the year.

In February, we completed the purchase of Oasis Dental Care in the UK. This means a significant expansion of our presence in the UK dental market. We also increased our shareholding in Bupa Arabia by 8% to 34.25% in June.

We continued to actively manage our UK Care Services portfolio, resulting in the sale of a number of homes in December 2017 and an additional transaction finalised in February 2018, the homes for which were held for sale as at 31 December 2017. In July, we completed the sale of Bupa Thailand as part of our strategy to focus on key markets, where we have scale.

¹ While revenues from our associate and joint venture businesses are excluded from our reported figures, customer numbers and the appropriate share of profit from these businesses are included in our reported numbers

² All figures presented are at Constant Exchange Rates (CER) unless otherwise stated. We use CER to compare trading performance in a consistent manner to the prior year. We have therefore retranslated our 2016 results using 2017 average exchange rates

³ To derive underlying profit, profit before taxation is adjusted for amortisation and impairment of intangible assets and goodwill arising on business combinations, net property revaluation gains or losses, realised and unrealised foreign exchange gains and losses, gains or losses on return-seeking assets, profits or losses on the sale of businesses and fixed assets, transaction costs on acquisitions and disposals, restructuring costs and other one-off items. Total Group underlying profit includes central expenses and net interest margin not allocated to Market Units

⁴ The 2017 Solvency II capital position, SCR and coverage ratio are estimates

Revenue

Our revenue grew by 5% to £12.2bn (2016: £11.7bn) at CER and 3% on a like for like basis, which excludes the recent acquisitions of Oasis Dental Care in the UK and Care Plus in Brazil as well as the sale of Bupa Thailand in July 2017 and Bupa Home Healthcare in July 2016.

| Revenue by Market Unit (AER) | 2017 | 2016 |
|-------------------------------------|-------------|-------------|
| Australia and New Zealand | 40% | 40% |
| United Kingdom | 24% | 25% |
| Europe and Latin America | 23% | 22% |
| International Markets | 13% | 13% |

| | Revenue | | |
|---------------------------|----------------|-------------|-------------|
| | 2017 | 2016 | 2016 |
| | AER | AER | CER |
| | £m | £m | £m |
| Australia and New Zealand | 4,926.6 | 4,360.6 | 4,730.0 |
| United Kingdom | 2,807.2 | 2,785.9 | 2,785.9 |
| Europe and Latin America | 2,869.0 | 2,474.7 | 2,679.6 |
| International Markets | 1,647.1 | 1,427.8 | 1,487.1 |

Revenue grew in all our Market Units. Around 70% of our total revenue was generated in our insurance businesses. In Australia and New Zealand, insurance made up around 80% of the total Market Unit revenue, in the UK, 55%, in Europe and Latin America, 60%, and in International Markets, 90%. Overall insurance customer numbers fell by 0.2 million to 15.5 million, mainly due to the sale of Bupa Thailand.

Our provision and aged care businesses contributed 16% and 12% of total revenue respectively, while our dental businesses represented around a third of our provision revenues. Overall customer numbers for our provision businesses rose by 16% to 14.5 million, mainly due to the acquisition of Oasis Dental Care in the UK. Our aged care customers reduced by 29% compared to the same period last year due to the disposal of a number of care homes in the UK.

Underlying profit

Underlying profit reflects our trading performance and excludes a number of items included in statutory profit, to facilitate year-on-year comparison. These relate to amortisation and impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other one-off items.

Our underlying profit increased by 10% to £805.3m (2016: £732.7m CER) and by 7% when excluding our recent acquisitions and divestments. This growth occurred in our major Market Units of Australia and New Zealand, 3%, the UK, 19% and Europe and Latin America, 10%. Underlying profit in International Markets fell by 18% as we continued to experience difficult trading conditions in our Bupa Global business.

**Underlying profit by Market Unit
(AER)**

| | 2017 | 2016 |
|---------------------------|-------------|-------------|
| Australia and New Zealand | 44% | 45% |
| United Kingdom | 26% | 25% |
| Europe and Latin America | 23% | 21% |
| International Markets | 7% | 9% |

Underlying Profit

| | 2017 | 2016 | 2016 |
|---------------------------|-------------|-------------|-------------|
| | AER | AER | CER |
| | £m | £m | £m |
| Australia and New Zealand | 384.7 | 344.4 | 375.1 |
| United Kingdom | 231.1 | 194.9 | 194.9 |
| Europe and Latin America | 197.1 | 165.6 | 179.4 |
| International Markets | 56.6 | 65.9 | 69.2 |

Health insurance is our largest line of business and continued to perform well despite difficult trading conditions. It represents around 70% of our total underlying profit. Most of our health insurance profits are generated in our three main insurance businesses in Australia, the UK and Spain, and these delivered around 65% of our total underlying profit.

In spite of macroeconomic pressures in Australia and New Zealand and an overall decline in the private health insurance market, our private health insurance business grew revenue, profitability and customer numbers, particularly in the overseas visitors sector. Our Australian insurance entity's combined operating ratio remained stable at 92%¹.

In Europe and Latin America, our Spanish private health insurance business, Sanitas Seguros, showed revenue and profit growth thanks to stronger partnership sales and growing member numbers. In 2017, our combined operating ratio marginally improved at 88%¹ (2016: 89%).

The UK private health insurance market remains difficult, with strong competitor activity and pressures on customer affordability. Even so, we were able to maintain our profitability, driven by favourable claims experience.

In International Markets, the international private medical insurance market remains competitive. Bupa Global's result was disappointing with a fall in underlying profit compared with 2016. We have refocused our efforts on an improvement programme that aims to provide excellent customer service, strengthen our distribution capabilities and enhance our product offerings.

Bupa Insurance Limited, our UK insurance entity, underwrites both domestic and international private medical insurance, the latter being written by Bupa Global. In 2017, its combined operating ratio improved slightly to 94%¹ (2016: 95%).

Combined with our other smaller health insurance businesses located in countries including the United States of America, Chile, Hong Kong and Brazil, our overall Group combined operating ratio was 93%¹, unchanged from the prior year.

The profitability of our aged care businesses has increased compared to 2016, benefiting from no depreciation on assets held for sale in our UK Care Services business. This was a one-off item in 2017. Our profitability was also supported by the larger portfolio in Sanitas Mayores following the acquisition of five care homes in the Madrid region. Operating costs rose in our Australian aged care business, although underlying profit remained stable year-on-year.

Total underlying profits grew in our provision businesses, largely thanks to the acquisition of Oasis Dental Care in the UK. Performance at Sanitas Dental was also strong as customer numbers grew by over 15%. This was partially offset by difficult trading conditions in Bupa Health Services in Australia.

Statutory profit

Statutory profit before taxation was £620.3m (2016: £522.9m) representing growth of 19% at Actual Exchange Rates. This was driven by trading performance, with non-underlying items broadly unchanged in magnitude compared to 2016, albeit driven by different factors.

In 2017, these items totalled £185.0m (2016: £177.8m). We recognised £111.1m of losses on property revaluations in 2017 (2016: £23.8m), primarily resulting from the sale of a number of our care homes in the UK. Our triennial external property valuation in Australia and New Zealand led to £36.7m charged to statutory profit and £220.2m credited to other comprehensive income.

The amortisation and impairment of intangibles and goodwill of £84.2m (2016: £70.7m) was higher due to the acquisition of Oasis Dental Care in early 2017 and an impairment of intangibles in Bupa Chile.

Realised and unrealised foreign exchange losses amounted to £24.5m (2016: gain of £19.4m). The movement of £43.9m compared to 2016 was primarily as a result of a one-off £63.5m gain in 2016 that arose from the devaluation of the Egyptian pound in November of that year as well as other offsetting operational currency movements.

The sale of Bupa Thailand resulted in a net gain of £36.4m. Transaction costs of £11.4m in 2017 were related to the acquisition of Oasis Dental Care and subsequent dental acquisitions during the year. In 2016, we recognised a one-off net loss of £112.3m on the redemption of secured loan notes (2017: £nil).

Taxation

Our effective tax rate for the year was 21.7% (2016: 26.0%), which is higher than the UK corporation tax rate for the period of 19.25%. This was mainly due to profits generated in jurisdictions with a higher rate of corporate income tax. Bupa operates in a number of markets with tax rates ranging from 16.5% to 35.0%.

The fall in the effective tax rate compared to 2016 was mainly the result of non-recurring items including the non-taxable gain on the disposal of Bupa Thailand and prior-year tax credits arising from the settlement of historic matters with tax authorities. These prior year credits included the benefit of a settlement with the Danish tax authority for which interest income of £14.3m is included in underlying profit.

Our Approach to Tax is available on Bupa.com.

Net cash generation

Net cash generated from operating activities remained solid, increasing by £38.4m (4%) in 2017 to £929.4m (2016: £891.0m). This reflected the year's increased profitability, supported by foreign exchange movements, and the £40m pension contribution in 2016 not recurring in 2017. This is offset predominantly by changes in our operating receivables following our acquisitions and divestments during the year.

Net cash used in investing activities increased by £685.5m to £995.5m, reflecting our significant investments made during 2017. The largest of these was the acquisition of shares in Oasis Dental Care for £575.4m (net of cash acquired). The purchase of five care homes in Spain and an additional 8% shareholding in Bupa Arabia, also contributed to net investments, as did our further spend on dental acquisitions in the UK throughout the year.

We invested £470.3m during the year (2016: £465.0m) in developing our existing businesses including construction and maintenance in our care home portfolio, development of our Santiago Hospital in Chile, new Richmond Villages in the UK, customer transformation programmes in Australia, the construction of our new office building, in Salford, and improving our IT infrastructure across the Group.

The proceeds from the sale of properties, plant and equipment during 2017 were £374.0m (2016: £19.1m) following the disposal of a number of care homes in the UK and the sale of our London office, in December.

Cash inflows from financial investments and deposits with credit institutions are down on prior year as 2016 included the redemption of a security relating to the early termination of the secured loans.

Cash inflows from financing activities in 2017 increased by £713.7m compared to 2016. This is a result of entering into a £650m acquisition financing facility and the issuance of a senior unsecured bond of £300m in 2017. This was offset by the repayment of borrowings outstanding in Oasis on acquisition, disposal proceeds received and repayment of listed debt in 2016 not recurring in 2017.

Overall cash and cash equivalents increased by 8% to £1,520m. These are managed conservatively and in line with our risk appetite. Cash is invested with counterparties rated A/A2 or higher, unless approved by the relevant Investment Committee.

Cash and Investments by Credit Rating

(%)

| | 2017 | 2016 |
|----------|------|------|
| AAA | 7% | 3% |
| AA | 40% | 39% |
| A | 38% | 44% |
| BBB | 7% | 6% |
| <BBB-/NR | 8% | 8% |

Funding

Bupa Finance plc senior debt rating

Fitch

A-

(Stable outlook)

Moody's

Baa1

(Stable outlook)

We manage our funding prudently to ensure a platform for our 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 debt. Our Bupa Finance plc senior debt rating with Fitch and Moody's rating agencies remains unchanged at A-(stable) and Baa1 (stable), respectively.

On 17 January 2017, Bupa Finance plc entered into a £650m financing facility to fund the purchase of Oasis Dental Care. Bond issue proceeds and disposal proceeds received during the year were used to part repay the facility. The amount outstanding on the facility at the end of 2017 was £48.6m. On 17 January 2018, the balance was fully repaid and the facility cancelled.

At 31 December 2017, we had drawn £226.0m under our £800m revolving credit facility, including outstanding letters of credit of £6.4m. During the year, this facility was extended by a further year and is

now due to mature in August 2022. Our only debt issuance in 2017 was a £300m senior bond issued in April.

We focus on managing our leverage in line with our credit rating targets. Leverage at 30 June 2017 was 30.2% but this has fallen to 25.3% due to the disposals in the second half of the year. Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency position¹

We hold sufficient capital to cover our Solvency Capital Requirement (SCR) which takes account of all of our risks, including those related to non-insurance businesses.

The Group SCR is calculated in accordance with the Standard Formula specified in the EU's Solvency II legislation. We have obtained approval from the Prudential Regulation Authority (PRA) to substitute the insurance premium risk parameter in the Standard Formula with an Undertaking Specific Parameter (USP) which reflects our own loss experience.

The Own Funds as at 31 December 2017 were £3.7bn, £0.5bn lower than at 31 December 2016 (2016: £4.2bn) primarily due to goodwill and other intangible assets arising on acquisition of Oasis Dental Care, which are not recognised in Own Funds. The SCR as at 31 December 2017 was stable when compared to the same period last year at £2.1bn. The Solvency II surplus capital as at 31 December 2017 was £1.6bn, compared to £2.1bn at 31 December 2016. This represents a solvency coverage ratio of 180% (2016: 204%).

In December 2016, we issued £400m tier 2 subordinated debt in preparation for the purchase of Oasis Dental Care in February 2017 and the additional shareholding in Bupa Arabia in June 2017. This increased our solvency coverage ratio at December 2016 to 204%. Following the acquisition of Oasis Dental Care, the coverage ratio fell to 160% as reported at half year. The coverage ratio of 180% as at 31 December 2017 primarily reflects the increase in available capital from profits in the year.

Reporting our financial position under Solvency II differs from the financial statements in this Annual Report. The key items of the reconciliation are:

- goodwill and intangibles in the IFRS statement of financial position are not recognised as available capital under Solvency II; and
- subordinated debt is treated as available capital under Solvency II but as a liability in the statement of financial position.

Reconciliation of IFRS equity to Solvency II Own Funds (£bn)

| | |
|----------------------------|------------|
| IFRS Equity | 7.3 |
| Goodwill and intangibles | (4.3) |
| Valuation differences | (0.2) |
| Pension surplus adjustment | (0.4) |
| Subordinated debt | <u>1.3</u> |
| Solvency II Own Funds | 3.7 |

Our capital comprises equity exclusive of any non-controlling interests, together with eligible subordinated debt. We have £330m of callable subordinated perpetual guaranteed bonds, a £500m dated hybrid bond which matures in 2023 and a £400m dated hybrid bond which matures in 2026. These bond issues are accounted for as liabilities in the statement of financial position, but are treated as solvency capital for regulatory and management reporting purposes.

¹The 2017 Solvency II capital position, SCR and coverage ratio are estimates

Solvency capital requirement

As previously mentioned, we have obtained approval from the PRA to replace the standard parameter for insurance premium risk with our own loss experience. This reflects the lower risk resulting from our size, expertise and geographic diversification.

| SCR | 2017 | 2016 |
|-----------------------------|-------------|-------------|
| Market Risk | 57% | 60% |
| Pension Scheme | 6% | 6% |
| Spread | 3% | 3% |
| Property | 33% | 34% |
| Equity | 2% | 2% |
| Currency | 13% | 15% |
| Counterparty Risk | 5% | 4% |
| Insurance Risk | 18% | 19% |
| Operational Risk | 12% | 11% |
| Participations (Associates) | <u>8%</u> | <u>6%</u> |
| Total | 100% | 100% |

We continue to be resilient in the face of the individual sensitivities, illustrating the stability of the solvency position and strength of our balance sheet.

Risk sensitivities

We have performed an analysis of the relative sensitivity of our estimated solvency coverage ratio (as at 31 December 2017) 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 property values continues to be the most sensitive item, with a 10% movement having an 11 percentage point impact on the solvency coverage ratio.

Outlook and upcoming changes to accounting standards

In 2017, we focused on investing in customer experience and in strengthening our portfolio in line with our strategic framework. We will continue to focus on our customers, internal controls and driving operational efficiencies across our businesses while maintaining a strong capital position under Solvency II and managing funding to ensure a sustainable platform for continued growth.

We expect growth to slow in health insurance in our key markets. Our largest businesses face continuing macroeconomic and political challenges, with Brexit, price and affordability pressures and rising inflation remaining key areas of concern. We will continue to assess the effects of Brexit on our business and have a number of initiatives to minimise disruption to our customers and our people.

We will see changes to a number of IFRSs over the next few years. We have assessed the effects of applying IFRS 9 (Financial Instruments) and IFRS 15 (Revenue Recognition), and we have concluded that there are no significant impacts for the Group. The impacts of IFRS 16 (Operating Leases) and IFRS 17 (Insurance Contracts) are currently being evaluated. IFRS 16 will primarily affect the accounting for operating leases. As at the reporting date, the amount of non-cancellable operating lease commitments is £1.2bn. In relation to IFRS 17, it is anticipated that the simplified premium allocation approach will be available for the majority of our insurance contracts.

Business risks

The main risks and uncertainties we face at Bupa are described in the Risks section of our Annual Report and Accounts 2016.

There are no significant changes to the nature of the risks we mitigate by holding economic capital. Property risk and insurance risk are still the most significant of the risks we can quantify. This is because of the large property portfolio – mainly care homes – that we own and the potential volatility of insurance claims. Our exposure to fluctuations in the investment market is relatively low as our bond portfolio is small in relation to our other financial assets, and is largely investment grade.

The most important risks we face have not changed significantly since December 2016. We have a well-established process for identifying and managing 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, medical inflation, minimum wage increases) and economic volatility. We keep our strategy and processes under review to ensure that they are flexible enough to deal with changing external conditions.

While the Brexit negotiations are ongoing there is still uncertainty surrounding the regulation of financial services (passporting rights), the wider impact on the UK economy and the UK's future immigration rules for EU nationals. We are continuing to work through the operational, commercial and legal implications of an exit from the EU. In Europe, our Bupa Global business relies on passporting rights to undertake cross-border activities between the UK and the rest of the EU for the sale of international private medical insurance and travel insurance. We are putting contingency plans in place to address a range of Brexit scenarios, including changes to cross-border financial services regulation.

Like most companies, Bupa faces 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. Regulators are increasingly focusing on Bupa and other companies operating within our markets.

By monitoring and managing our risks, we seek to ensure that we are meeting the changing expectations of our customers, investors and regulators.

BUPA AROUND THE WORLD

Bupa is organised across four Market Units:

Australia and New Zealand

- *Bupa Health Insurance*, with four million customers, is the 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, medical visa services, and therapy.
- *Bupa Villages and Aged Care Australia and New Zealand* is the largest privately-owned residential aged care provider in Australia, caring for around 6,900 residents across 72 homes. It is also a leading aged care provider in New Zealand, caring for around 4,100 people a year in 61 homes, 34 retirement villages and seven rehabilitation sites.

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 over two million patients and over 470 practices.
- *Bupa Care Services* cares for around 6,600 people each year in 137 homes, and seven Richmond villages and 20 Goldsborough Estates retirement and assisted-living properties.
- *Bupa Health Services* comprises 51 wellness centres and health clinics, and the Bupa Cromwell Hospital, a complex care hospital in London providing care for insured, self-pay, NHS and international patients.

Europe and Latin America

- *Sanitas Seguros* is the second largest health insurance provider in Spain.
- *Sanitas Hospitales and New Services* comprises four private hospitals, 34 private medical clinics and two public-private partnerships in Spain.
- *Sanitas Dental* provides dental insurance services through 183 centres and third-party networks in Spain.
- *Sanitas Mayores* cares for around 5,800 people every year in 46 care homes and three day care centres in Spain.
- *LUX MED* is the largest private healthcare business in Poland, with seven hospitals, 191 private clinics and one care home.
- *Bupa Chile* is a leading health insurer and provider with three hospitals and 39 medical clinics.

International Markets

- *Bupa Global* serves over 850,000 international health insurance (IPMI) customers and administers travel insurance and medical assistance for individuals, small businesses and corporate customers.
- *Bupa Arabia*, in which Bupa has a 34.25% stake, is the largest health insurance business in Saudi Arabia, with 3.3 million customers.
- *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*, with 1.5 million customers, is a leading private health insurer in India in which Bupa holds a 49% stake.
- *Bupa China* is our representative office in China.

BUPA GROUP

Preliminary Announcement Financial Information

Year ended 31 December 2017

Consolidated Income Statement
for the year ended 31 December 2017

| | 2017 £m | 2016 £m |
|--|-------------------|-------------------|
| Revenues | | |
| Gross insurance premiums | 8,920.0 | 8,044.3 |
| Premiums ceded to reinsurers | (63.4) | (53.9) |
| Net insurance premiums earned | 8,856.6 | 7,990.4 |
| Revenues from insurance service contracts | 22.2 | 18.7 |
| Care, health and other revenues | 3,370.0 | 3,038.8 |
| Total revenues | 12,248.8 | 11,047.9 |
| Claims and expenses | | |
| Insurance claims incurred | (7,111.5) | (6,332.9) |
| Reinsurers' share of claims incurred | 45.4 | 42.9 |
| Net insurance claims incurred | (7,066.1) | (6,290.0) |
| Share of post-taxation results of equity accounted investments | 29.1 | 30.3 |
| Other operating expenses | (4,484.1) | (4,197.3) |
| Impairment of goodwill | (0.5) | - |
| Other income and charges | (99.3) | (38.9) |
| Total claims and expenses | (11,620.9) | (10,495.9) |
| Profit before financial income and expense | 627.9 | 552.0 |
| Financial income and expense | | |
| Financial income | 90.3 | 212.1 |
| Financial expense | (97.9) | (241.2) |
| Net financial expense | (7.6) | (29.1) |
| Profit before taxation expense | 620.3 | 522.9 |
| Taxation expense | (134.4) | (136.1) |
| Profit for the financial year | 485.9 | 386.8 |
| Attributable to: | | |
| Bupa | 482.0 | 381.6 |
| Non-controlling interests | 3.9 | 5.2 |
| Profit for the financial year | 485.9 | 386.8 |

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

| | 2017 | 2016 |
|--|--------------|----------------|
| | £m | £m |
| Profit for the financial year | 485.9 | 386.8 |
| Other comprehensive income / (expense) | | |
| Items that will not be reclassified to the Income Statement | | |
| Remeasurement gains/(losses) on pension schemes | 94.1 | (14.6) |
| Unrealised gains on revaluation of property | 233.4 | 63.5 |
| Taxation (charge)/credit on income and expenses recognised directly in other comprehensive income | (64.7) | 13.3 |
| Items that may be reclassified subsequently to the Income Statement | | |
| Foreign exchange translation differences on goodwill | (13.9) | 335.5 |
| Other foreign exchange translation differences | (10.3) | 453.6 |
| Net gain on hedge of net investment in overseas subsidiary companies | (6.6) | (86.7) |
| Change in fair value of underlying derivative of cash flow hedge | 5.1 | 2.0 |
| Reclassification of foreign exchange translation differences to profit or loss on disposal of subsidiary | (4.3) | 2.0 |
| Unrealised gains/(losses) on available-for-sale assets | 0.9 | (0.2) |
| Taxation expense on income and expenses recognised directly in other comprehensive income | (3.3) | (0.2) |
| Total other comprehensive income | 230.4 | 768.2 |
| Comprehensive income for the year | 716.3 | 1,155.0 |
| Attributable to: | | |
| Bupa | 712.9 | 1,136.0 |
| Non-controlling interests | 3.4 | 19.0 |
| Comprehensive income for the year | 716.3 | 1,155.0 |

Consolidated Statement of Financial Position
as at 31 December 2017

| | 2017 £m | 2016 (restated ^{1,2}) £m |
|---|------------------|---------------------------------------|
| Goodwill and intangible assets | 4,287.7 | 3,392.2 |
| Property, plant and equipment | 3,203.1 | 2,851.6 |
| Investment property | 399.2 | 391.3 |
| Equity accounted investments | 552.7 | 302.9 |
| Post employment benefit net assets | 576.9 | 481.3 |
| Restricted assets | 76.3 | 60.0 |
| Financial investments | 2,227.0 | 2,172.6 |
| Derivative assets | 47.4 | 60.3 |
| Deferred taxation assets | 6.2 | 7.1 |
| Assets arising from insurance business | 1,230.2 | 1,166.9 |
| Inventories | 103.5 | 92.2 |
| Trade and other receivables | 737.4 | 614.1 |
| Cash and cash equivalents | 1,521.1 | 1,412.7 |
| Assets held for sale | 89.0 | 505.3 |
| Total assets | 15,057.7 | 13,510.5 |
| Subordinated liabilities | (1,303.2) | (1,316.7) |
| Other interest bearing liabilities | (1,170.1) | (604.9) |
| Post employment benefit net liabilities | (67.5) | (85.1) |
| Provisions under insurance contracts issued | (2,636.6) | (2,627.7) |
| Derivative liabilities | (19.2) | (22.0) |
| Provisions for liabilities and charges | (131.7) | (107.4) |
| Deferred taxation liabilities | (310.4) | (229.6) |
| Trade and other payables | (1,930.0) | (1,697.4) |
| Other liabilities under insurance contracts issued | (116.5) | (143.0) |
| Current taxation liabilities | (73.5) | (54.6) |
| Liabilities directly associated with assets held for sale | (10.7) | (45.5) |
| Total liabilities | (7,769.4) | (6,933.9) |
| Net assets | 7,288.3 | 6,576.6 |
| Equity | | |
| Property revaluation reserve | 796.1 | 706.1 |
| Income and expenditure reserve and other reserves | 5,882.2 | 5,229.8 |
| Cash flow hedge reserve | 22.2 | 14.7 |
| Foreign exchange translation reserve | 557.5 | 595.3 |
| Equity attributable to Bupa | 7,258.0 | 6,545.9 |
| Equity attributable to non-controlling interests | 30.3 | 30.7 |
| Total equity | 7,288.3 | 6,576.6 |

1 The Group has adopted a liquidity presentation for the Consolidated Statement of Financial Position. This does not impact measurement of assets or liabilities.

2 Restatement following finalisation of the purchase price allocation exercise for Care Plus.

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

| | 2017 | 2016 |
|--|----------------|----------------|
| | £m | £m |
| Operating activities | | |
| Profit before taxation expense | 620.3 | 522.9 |
| <i>Adjustments for:</i> | | |
| Net financial expense | 7.6 | 29.1 |
| Depreciation, amortisation and impairment | 432.4 | 345.7 |
| Other non-cash items | (26.6) | 28.4 |
| <i>Changes in working capital and provisions:</i> | | |
| Increase in provisions and other liabilities under insurance contracts issued | 61.0 | 123.7 |
| Increase in assets under insurance business | (57.3) | (50.0) |
| Change in net pension asset / liability | (19.1) | (56.2) |
| Increase in trade and other receivables, and other assets | (137.2) | (26.6) |
| Increase in trade and other payables, and other liabilities | 222.7 | 119.8 |
| Cash generated from operations | 1,103.8 | 1,036.8 |
| Income taxation paid | (158.1) | (142.0) |
| Increase in cash held in restricted assets | (16.3) | (3.8) |
| Net cash generated from operating activities | 929.4 | 891.0 |
| Cash flow from investing activities | | |
| Acquisition of subsidiary companies, net of cash acquired | (668.4) | (127.5) |
| Increase in equity accounted investments | (191.4) | (31.8) |
| Acquisition of non-controlling interests in subsidiary company | (0.4) | (95.1) |
| Disposal of subsidiary companies, net of cash disposed of | 23.2 | 21.9 |
| Purchase of intangible assets | (114.2) | (103.1) |
| Purchase of property, plant and equipment | (356.1) | (361.9) |
| Proceeds from sale of property, plant and equipment | 374.0 | 19.1 |
| Purchase of investment property | (27.8) | (37.7) |
| Disposal of investment property | 2.0 | 0.6 |
| Purchase of financial investments, excluding deposits with credit institutions | (252.2) | (142.7) |
| Withdrawal from deposits with credit institutions | 155.0 | 509.9 |
| Interest received | 60.8 | 38.3 |
| Net cash used in investing activities | (995.5) | (310.0) |
| Cash flow from financing activities | | |
| Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings ¹ | 1,327.2 | 556.0 |
| Repayment of interest bearing liabilities and other borrowings | (1,040.3) | (903.8) |
| Interest paid ² | (94.6) | (101.3) |
| Receipts from hedging instruments | (3.8) | (77.7) |
| Dividends paid to non-controlling interests | (3.7) | (2.1) |
| Net cash used in financing activities | 184.8 | (528.9) |
| Net increase in cash and cash equivalents | 118.7 | 52.1 |
| Cash and cash equivalents at beginning of year | 1,412.7 | 1,194.1 |
| Effect of exchange rate changes | (11.4) | 166.5 |
| Cash and cash equivalents at end of year | 1,520.0 | 1,412.7 |

¹ 2016 includes £151.6m loss on early settlement of secured loan notes issued by UK Care No.1 Limited (see Notes 2.5 and 17).

² Includes other bank fees and charges of £10.8m (2016: £8.4m).

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

| | Property evaluation 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 |
|---|---|--|-------------------------------------|---|--|--|----------------------------|
| 2017 | | | | | | | |
| At beginning of year | 706.1 | 5,229.8 | 14.7 | 595.3 | 6,545.9 | 30.7 | 6,576.6 |
| Retained profit for the financial year | - | 482.0 | - | - | 482.0 | 3.9 | 485.9 |
| Other Comprehensive Income / (Expense) | | | | | | | |
| Unrealised profit/loss on revaluation of property | 233.4 | - | - | - | 233.4 | - | 233.4 |
| Realised revaluation profit on disposal of property | (95.1) | 95.1 | - | - | - | - | - |
| Remeasurement gain/loss on pension schemes | - | 94.1 | - | - | 94.1 | - | 94.1 |
| Unrealised gain on available-for-sale assets | - | 0.9 | - | - | 0.9 | - | 0.9 |
| Foreign exchange translation differences on goodwill | - | - | - | (13.9) | (13.9) | - | (13.9) |
| Other foreign exchange translation differences | 0.6 | - | 2.6 | (13.0) | (9.8) | (0.5) | (10.3) |
| Net loss on hedge of net investment in overseas subsidiary companies | - | - | - | (6.6) | (6.6) | - | (6.6) |
| Change in fair value of underlying derivative of cash flow | - | - | 5.1 | - | 5.1 | - | 5.1 |
| Foreign exchange reserve on disposal of subsidiary | - | - | - | (4.3) | (4.3) | - | (4.3) |
| Taxation credit / (expense) on income and expense recognised directly in other comprehensive income | (48.9) | (18.9) | (0.2) | - | (68.0) | - | (68.0) |
| Other Comprehensive Income / (Expense) for the year, net of taxation | 90.0 | 171.2 | 7.5 | (37.8) | 230.9 | (0.5) | 230.4 |
| Total Comprehensive Income / (Expense) for the year | 90.0 | 653.2 | 7.5 | (37.8) | 712.9 | 3.4 | 716.3 |
| Acquisition of subsidiary companies attributable to non-controlling interests | - | (0.8) | - | - | (0.8) | (0.1) | (0.9) |
| Dividends paid to non-controlling interests | - | - | - | - | - | (3.7) | (3.7) |
| At end of year | 796.1 | 5,882.2 | 22.2 | 557.5 | 7,258.0 | 30.3 | 7,288.3 |
| 2016 (restated¹) | | | | | | | |
| At beginning of year | 632.3 | 4,797.9 | 20.8 | (96.9) | 5,354.1 | 69.5 | 5,423.6 |
| Retained profit for the financial year | - | 381.6 | - | - | 381.6 | 5.2 | 386.8 |
| Other Comprehensive Income / (Expense) | | | | | | | |
| Unrealised loss on revaluation of property | 63.5 | - | - | - | 63.5 | - | 63.5 |
| Realised revaluation profit on disposal of property | (6.6) | 6.6 | - | - | - | - | - |
| Remeasurement loss on pension schemes | - | (14.6) | - | - | (14.6) | - | (14.6) |
| Unrealised loss on available-for-sale assets | - | (0.2) | - | - | (0.2) | - | (0.2) |
| Foreign exchange translation differences on goodwill | - | - | - | 335.5 | 335.5 | - | 335.5 |
| Other foreign exchange translation differences | 21.9 | 0.3 | (7.9) | 425.3 | 439.6 | 14.0 | 453.6 |
| Net loss on hedge of net investment in overseas subsidiary companies | - | - | - | (86.7) | (86.7) | - | (86.7) |
| Change in fair value of underlying derivative of cash flow | - | - | 2.0 | - | 2.0 | - | 2.0 |
| Foreign exchange reserve on disposal of subsidiary | - | - | - | 2.2 | 2.2 | (0.2) | 2.0 |
| Taxation credit / (expense) on income and expense recognised directly in other comprehensive income | (5.0) | 2.4 | (0.2) | 15.9 | 13.1 | - | 13.1 |
| Other Comprehensive Income / (Expense) for the year, net of taxation | 73.8 | (5.5) | (6.1) | 692.2 | 754.4 | 13.8 | 768.2 |
| Total Comprehensive Income / (Expense) for the year | 73.8 | 376.1 | (6.1) | 692.2 | 1,136.0 | 19.0 | 1,155.0 |
| Acquisition of subsidiary companies attributable to non-controlling interest | - | 55.8 | - | - | 55.8 | (55.7) | 0.1 |
| Dividends paid to non-controlling interests | - | - | - | - | - | (2.1) | (2.1) |
| At end of year | 706.1 | 5,229.8 | 14.7 | 595.3 | 6,545.9 | 30.7 | 6,576.6 |

1 Restatement following finalisation of the purchase price allocation exercise for Care Plus.

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 | Health insurance, health assessments, health coaching and international health cover in Australia 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 |
| Europe and Latin America | 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 Health insurance and operation of outpatient clinics and hospitals in Chile Medical subscription, health insurance, diagnostics and operation of clinics and hospitals in Poland |
| International Markets | International health insurance to individuals, small businesses and corporate customers Domestic health insurance and related products within Brazil, Hong Kong, China, Saudi Arabia and India Diagnostics, primary healthcare and day care clinics in Hong Kong |

| For the period ending 31 December 2017 | Australia and New Zealand | | UK | | Europe and Latin America | | International Markets | | Total | |
|---|---------------------------|----------------|----------------|----------------|--------------------------|----------------|-----------------------|----------------|-----------------|-----------------|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| (i) Revenues | | | | | | | | | | |
| Total revenues for reportable segments | 4,926.6 | 4,360.6 | 2,807.2 | 2,786.1 | 2,869.0 | 2,474.7 | 1,647.3 | 1,427.9 | 12,250.1 | 11,049.3 |
| Inter segment income | - | - | - | (0.2) | - | - | (0.2) | (0.1) | (0.2) | (0.3) |
| External revenues for reportable segments | 4,926.6 | 4,360.6 | 2,807.2 | 2,785.9 | 2,869.0 | 2,474.7 | 1,647.1 | 1,427.8 | 12,249.9 | 11,049.0 |
| Net reclassifications to other expenses or financial income and expense | | | | | | | | | (1.1) | (1.1) |
| Consolidated total revenues | | | | | | | | | 12,248.8 | 11,047.9 |
| (ii) Segment result | | | | | | | | | | |
| Underlying profit for reportable segments ¹ | 384.7 | 344.4 | 231.1 | 194.9 | 197.1 | 165.6 | 56.6 | 65.9 | 869.5 | 770.8 |
| Central expenses and net interest margin | | | | | | | | | (64.2) | (70.1) |
| Consolidated underlying profit before taxation | | | | | | | | | 805.3 | 700.7 |

Non-underlying items:

| | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|----------------|----------------|
| Amortisation and impairments of intangible assets and goodwill arising on business combinations | (15.9) | (14.4) | (17.5) | (14.7) | (34.1) | (28.3) | (16.7) | (13.3) | (84.2) | (70.7) |
| Net (losses)/ gain on disposal of businesses and transaction costs on business combinations ² | - | (0.3) | (11.4) | 9.7 | (0.1) | (0.1) | 36.4 | (2.8) | 24.9 | 6.5 |
| Net property revaluation gains/(losses) ³ | (18.3) | 17.8 | (95.4) | (35.3) | 2.6 | (6.3) | - | - | (111.1) | (23.8) |
| Realised and unrealised foreign exchange losses ⁴ | (0.9) | (0.3) | - | (0.3) | (5.3) | (2.5) | (18.3) | 22.5 | (24.5) | 19.4 |
| Other Market Unit non-underlying items ⁵ | (1.2) | (1.0) | (4.9) | (12.7) | (1.6) | (0.7) | (1.1) | (0.9) | (8.8) | (15.3) |
| Early termination of secured loans | | | | | | | | | - | (112.3) |
| Gains on return-seeking assets, net of hedging | | | | | | | | | 18.5 | 22.9 |
| Central non-underlying items | | | | | | | | | 0.2 | (4.5) |
| Total non-underlying items | | | | | | | | | (185.0) | (177.8) |
| Consolidated profit before taxation expense | | | | | | | | | 620.3 | 522.9 |

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 £36.4m profit on disposal of Bupa Thailand in 2017 and transaction costs of £11.4m in relation to acquisitions during the year. 2016 includes £12.3m profit on disposal of Bupa Home Healthcare.

3 2017 includes £97.1m of write downs on items previously held for sale. 2016 includes an £11.2m write down on reclassification as held for sale in the UK.

4 Includes the FX impact of treating unearned premiums and deferred acquisition costs as a monetary item.

5 2017 includes £6.4m UK Market Unit restructuring costs (2016: £11.0m) and net losses on disposal of fixed assets.