

RESULTS REFLECT DISPOSALS, CHALLENGES IN AUSTRALIA AND INVESTMENTS IN SERVICES TO CUSTOMERS. GROWTH IN HEALTH INSURANCE, PARTICULARLY IN SPAIN AND THE UK.

HIGHLIGHTS

- Revenue¹ £11.9bn, flat at constant exchange rates (CER)² (2017 FY: £11.9bn)
- Statutory profit before taxation £502m, down 19% at actual exchange rates (AER) (2017 FY: £620m)
- Underlying profit³ before taxation £613m, down 12% at CER mainly due to our divestment of part of the UK aged care business, and challenges in our Australian aged care and health insurance businesses
- Excluding the UK divestment, revenue grew 3% and underlying profit was down 6% at CER
- Solvency II capital coverage ratio⁴ of 191% (2017 FY: 180%)

Evelyn Bourke, Group CEO, commented:

“In 2018, revenue was flat at £11.9bn and underlying profit was down 12% year-on-year. This was driven by the effect of our divestment of part of the UK aged care business, and challenges in our Australian aged care and health insurance businesses. Health insurance, our largest business line, delivered revenue growth of 2% and stable underlying profit, with good performance in Spain and the UK. We continued to invest in our services to customers especially in digital, new propositions and information technology infrastructure.

“Looking ahead, conditions in some of our key markets will continue to be challenging with a number of economic and political headwinds. However, Bupa’s strong financial position means we are well placed to continue to invest to meet the needs of customers. This financial strength enables us to balance short term delivery with long term investment for sustainable growth, while maintaining a focus on cost efficiency.”

Market Unit performance (CER)

- Australia and New Zealand: stable revenue; underlying profit down 9%, mainly due to aged care and health insurance in Australia
- Europe and Latin America: revenue up 6%; underlying profit up 2%
- UK: revenue down 10%; underlying profit down 22%, mainly due to the divestment of part of our care home portfolio
- International Markets: revenue up 3%; underlying profit up 1%

Other operational highlights

- In Australia, we progressed our health insurance transformation programme, which is delivering benefits for our customers, such as real-time claims payments and online benefit statements. We were also selected as the health services provider for the Australian Defence Force (ADF) to provide end-to-end healthcare to over 80,000 personnel from July 2019
- In Spain, we acquired digital health insurance provider, Néctar Seguros; as well as Ginemed, a leading provider of fertility services; and sold our stake in Torrejón Salud, a public hospital that we ran under the Public-Private Partnership model
- We launched *Business Mental Health Advantage*, the most extensive mental health insurance cover for corporate customers in the UK market
- We received authorisation to set up an insurer in Ireland to enable us to continue to serve international private medical insurance customers living in the European Union (EU) (but outside the UK and Ireland), once the UK leaves the EU
- We opened the first phase of Clínica Bupa Santiago hospital in Chile, a 460 bed,

¹ Revenues from our associate and joint venture businesses are excluded from our reported figures. Customer numbers and the appropriate share of profit from our associate and joint venture businesses are included in our reported figures.

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 retranslated our 2017 results using 2018 average exchange rates.

³ Underlying profit is a non-GAAP financial measure which means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items otherwise included in statutory profit, to facilitate year-on-year comparison. These items include the 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 material items not considered part of trading performance.

⁴ The 2018 Solvency II capital coverage ratio is an estimated value, and unaudited.

£140m investment

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

Financial position

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

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About Bupa

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

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

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

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

For more information, visit www.bupa.com.

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This document may contain certain 'forward-looking statements'. Statements that are not historical facts, including statements about the beliefs and expectations of The British United Provident Association Limited (Bupa) and Bupa's directors or management, are forward-looking statements. In particular, but not exclusively, these may relate to Bupa's plans, 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 events and depend upon future circumstances that may or may not occur, many of which are beyond Bupa's control and all of which are solely based on Bupa's current beliefs and expectations about future events. These circumstances include, 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. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual future condition, results, performance or achievements of Bupa or its industry to be materially different to those expressed or implied by such forward-looking statements. Other than as required by law, Bupa expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements to reflect any change in the expectations of Bupa with regard thereto or any change in events, conditions or circumstances on which any such statement is based. To the fullest extent possible by receipt of, and using, this document, you release Bupa and each of its affiliates, advisers, directors, employees and agents, in all circumstances (other than fraud) from any liability whatsoever and howsoever arising from your use of this document. In addition, no responsibility of liability or duty of care is or will be accepted by Bupa or its respective affiliates, advisers, directors, employees and agents, for updating the document (or any additional information), correcting any inaccuracies in it or providing any additional information to any person. Accordingly, none of Bupa or its affiliates, advisers, directors, employees or agents shall be liable (save in the case of fraud) for any loss (whether direct, indirect or consequential) or damage suffered by any person as a result of relying on any statement in, or omission from, the document.

Group CEO's review

In 2018, revenue was flat at £11.9bn and underlying profit was down 12% year-on-year at CER. This was driven by the effect of our divestment of part of the UK aged care business, and challenges in our Australian aged care and health insurance businesses. These results were partially offset by good performance across a number of our businesses, including our health insurance businesses in the UK and Spain. The Group's Combined Operating Ratio⁵ (COR) remained constant at 93%.

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

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

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

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

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

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

Outlook

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

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

MARKET UNIT PERFORMANCE

Australia and New Zealand

	Revenue	Underlying profit
FY 2018	£4,656m	£313m
FY 2017 (CER)	£4,635m	£344m
% growth (CER)	0%	9% decline

In a challenging trading year, we delivered stable revenue, while underlying profit decreased by 9%, mainly driven by the performance in our Australian aged care and health insurance businesses.

In Australia, affordability pressures have impacted the take-up of health insurance in recent years. In response, the Government has been restricting price increases at a lower rate than claims inflation. This impacted the profitability of our health insurance business in 2018 and will continue in 2019.

Our customer numbers fell by 1.6% in a market which is contracting due to cost of living and affordability pressures. Our market share also fell 0.8% to 26.7%, as a consequence of product changes in the first half of 2018. These changes were aimed at improving transparency and reducing out-of-pocket costs for customers but were perceived by some providers and customers as detrimental. We responded and made revisions, which stabilised the impact.

In response to continued pressure on household budgets, we introduced our lowest annual health insurance premium increase in 17 years. We offered additional value for money through initiatives such as a gap-free⁶ dental offering for customers with our extra cover and gap-free dental, physio and optometry services for children. Our health insurance transformation programme focused on delivering benefits for customers, including real-time claims payment and online benefit statements. We introduced initiatives to reduce indirect operating costs, while also working with government to continue to support health reform to address affordability challenges.

Bupa Medical Visa Services achieved solid performance and the contract to provide these services was renewed for two years. In January 2019, we were selected as the health services provider for the Australian Defence Force to provide end-to-end healthcare to over 80,000 personnel from July 2019. Introducing more efficient operating models across our dental, optical and audiology businesses also helps us to build a strong foundation for future growth.

Underlying profit in our Australian aged care business fell due to funding pressures, lower occupancy and higher costs. We are managing compliance issues in some care homes and taking steps to address these. The Australian aged care sector is facing significant challenges, which have led to the establishment of the Royal Commission into Aged Care Quality and Safety.

New Zealand profits were up versus last year. Our business footprint is now more focused following the sale of 12 care homes and four retirement villages along with the medical alarms business. Our Riverstone retirement village welcomed its first residents.

Europe and Latin America

	Revenue	Underlying profit
FY 2018	£3,041m	£182m
FY 2017 (CER)	£2,865m	£179m
% growth (CER)	6%	2%

Our Europe and Latin America Market Unit delivered steady performance. Revenue grew by 6% and underlying profit increased by 2%, mainly driven by good growth in our health insurance and dental businesses in Spain. This was partially offset by the impact of reserve strengthening in

⁶ No out-of-pocket medical expenses.

Bupa Chile, as previously reported, and by restructuring costs incurred in that business.

In Spain, where we operate under the Sanitas brand, performance was good. This was driven by our successful partnerships with BBVA and Santa Lucía, along with Clínica Universitaria de Navarra, a leading hospital provider. We reinforced our number two position in the health insurance market, with a stable market share of 20.4%.⁷ The acquisition of Néctar Seguros, a digital health insurance player, added 34,000 customers to our portfolio of 1.7m customers. Our *Blua* digital proposition continues to drive growth. By the end of 2018, over 93% of insurance claims were managed digitally, and almost 450,000 customers had access to video consultations with more than 1,200 doctors of all specialties.

Activity in our Sanitas Dental centres was higher than in 2017, and we added over 92,000 dental insurance customers to our existing 1.4m customers⁸, with further expansion in dental centres planned. We ended the year with 179 dental centres across Spain.

Sanitas Hospitales treated 65,000 patients during the year, a 2% increase from the previous year. We maintained our high standards of care as demonstrated by the EFQM⁹ and Joint Commission International certification achieved in our hospitals. In December, we acquired Ginemed, a leading Spanish provider of in-vitro fertilisation and wider fertility services, with 18 centres and 140 employees in Spain and Portugal. In December, we completed the sale of our stake in Torrejón Salud, a public hospital that we ran under the Public-Private Partnership model.

Sanitas Mayores, our aged care business, delivered strong performance. We maintained a high average occupancy rate of 95%. We launched *Sanitas en Casa Contigo*, which provides home care to the elderly and training for informal carers at home, supported by a strong digital platform.

In Poland, our LUX MED business grew organically and through acquisitions. Subscription activity increased, together with improved inpatient performance. We acquired four ambulatory clinics, one image diagnostic centre, and three dental centres.

In Chile, our Isapre and Integramédica businesses grew in customer numbers. We opened the first phase of the Clínica Bupa Santiago hospital, a £140m investment and, with 460 beds, the largest Bupa hospital.

UK

	Revenue	Underlying profit
FY 2018	£2,537m	£156m
FY 2017	£2,807m	£199m
% growth	10% decline	22% decline

In the UK, as previously reported, we sold a significant part of our aged care business in December 2017 and February 2018. In our continuing businesses, revenue was up 3% and underlying profit increased 2%, mainly driven by health insurance.

Our UK health insurance business closed the year with 2.2m customers. It remains the market leading health insurer in the country, with a market share of 37.5%¹⁰. We launched *Business Mental Health Advantage*, offering our corporate customers the most extensive mental health coverage in the market. We also partnered with digital healthcare provider, Babylon, giving business customers access to face-to-face GP care around the clock. In October, we announced the opening of specialist centres for breast cancer in London and Manchester with the independent hospital provider, HCA Healthcare UK. These centres build on our *Cancer Direct Access* service and *Cancer Promise*, giving our customers speed of access to comprehensive diagnostics and, if needed, treatment.

We acquired 24 dental practices in 2018, strengthening our market position to a total of 477

⁷ 2018 Q3 Data, ICEA (Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones).

⁸ Includes customers with health insurance and dental cover, and dental cover only.

⁹ European Foundation for Quality Management.

¹⁰ LaingBuisson Health Cover, October 2018. Data from 2017.

centres serving around 2.4m customers. We purchased high-performing practices providing quality patient care. We also enhanced our dental insurance plans for business customers, including market-leading cover for preventative care.

We reshaped our aged care business, with the divestment of 132 care homes between December 2017 and February 2018. We opened four new-build care homes over the year, closing 2018 with 138 homes and seven retirement villages. Around 80% of our care services are rated as 'Good' or 'Outstanding' by the Care Quality Commission. Our average occupancy rate was relatively stable compared to 2017 at 84.5%.

Investment in our health services business continues. We partnered with food retailer, Waitrose & Partners, offering more than 10,000 shoppers health checks in-store. In September, we launched our 30-minute *Male Health Check*, offering a quick assessment and advice for prostate and testicular cancer. At our Cromwell Hospital, we upgraded our outpatient reception and consulting suites.

In September, we opened our new Salford Quays office, Bupa Place. It's our largest office in the UK, with over 2,000 employees and has been rated BREEAM¹¹ Excellent, putting it among the top 10% of new UK non-domestic buildings for its sustainability performance. To mark the move, we launched our Everyone's Welcome pledge, creating a positive working environment where our employees feel comfortable to bring their whole selves to work.

International Markets

	Revenue	Underlying profit
FY 2018	£1,626m	£36m
FY 2017 (CER)	£1,581m	£36m
% growth (CER)	3%	1%

Revenue in International Markets grew by 3% and underlying profit was up 1% year-on-year. We made investments in both organic growth and acquisitions during the year.

In Bupa Global, our focus on stabilising the business began to show results. We made progress in improving customer retention and customer satisfaction. We established an authorised insurer in Ireland, in order to continue to serve customers living in the EU (but outside the UK and Ireland), after Brexit. In Colombia, we launched our first International Private Medical Insurance (IPMI) products in partnership with the country's leading insurer, Seguros Bolivar. In Brazil, the integration of Care Plus continues to progress well.

We announced the acquisition of Acıbadem Sigorta, Turkey's second largest health insurer, in August, completing the transaction in January 2019. Acıbadem Sigorta is a specialist health insurance provider with both corporate and individual customers. Headquartered in Istanbul, it covers over 550,000 health insurance customers and has over 500 employees.

Bupa Hong Kong continues to focus on customer proposition and service capabilities. The health insurance business has over 400,000 customers and signed a new distribution partnership agreement with Tokio Marine Hong Kong in December. Our clinics business, which operates under the Quality HealthCare brand, opened four new centres during the year. We also opened the first Bupa-branded dental centre in Hong Kong.

In August, we increased our stake in our Bupa Arabia associate business to 39.25%. In January 2018, Bupa Arabia signed a third-party administration services agreement to provide services to Saudi Aramco employees.

In India, we are making progress. Our associate business, Max Bupa¹², launched its first digital product – GoActive – which includes an integrated health and wellness platform aimed at younger customers.

¹¹ BREEAM (Building Research Establishment Environmental Assessment Method), is a method of assessing, rating, and certifying the sustainability of buildings.

¹² On 26 February 2019, private equity firm True North acquired a controlling stake in Max Bupa Health Insurance from Max India, subject to regulatory approval.

FINANCIAL REVIEW

Overview

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

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

We generated cash from operating activities of £808m, down £121m on prior year. We strengthened our capital position¹³, to 191% from 180% at December 2017 through profits generated during the year. On a pro-forma basis, the impact of IFRS 16 Leases, and the acquisition of Acibadem Sigorta reduces our estimated solvency position to 169% and remains well within capital risk appetite. Bupa Finance plc's senior debt rating was upgraded by Moody's to A3 from Baa1 in May 2018.

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

Revenue

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

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

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

Underlying profit

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

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

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

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

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

The Combined Operating Ratio¹⁴ (COR) for the Group remained constant at 93%. The Australian health insurance entity's COR remained unchanged compared to last year at 92%. Our Spanish health insurance business, Sanitas Seguros, maintained a COR of 88% (2017: 88%). Bupa Insurance Limited, our UK insurance entity, underwrites both domestic and international private medical insurance, covering the business written by both the UK and parts of Bupa Global. The COR improved on prior year to 93% (2017: 94%) as a result of the UK claims performance. Bupa Global stabilised after the repositioning activity of prior periods, whilst there has been a significant focus on preparing for post-Brexit trading.

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

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

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

¹⁴ Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums. Combined operating ratios are calculated based on local reporting requirements:

- Group: S.05.01 Prudential Regulation Authority (SII) form (unaudited).
- BUPA HI Pty Ltd (Australia): HRF 602 Australian Prudential Regulation Authority quarterly returns (unaudited).
- Sanitas S.A. de Seguros (Spain): Annual Report and Accounts.
- Bupa Insurance Limited (UK): Annual Report and Accounts.

Statutory Profit

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

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

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

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

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

Taxation

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

Cashflow

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

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

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

Funding

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

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

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

Solvency

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

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

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

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

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

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

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

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

Forthcoming changes to accounting standards

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

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

Business risks

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

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

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

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

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

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

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

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

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

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

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

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

BUPA AROUND THE WORLD

Bupa is organised in four Market Units:

Australia and New Zealand

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

Europe and Latin America

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

UK

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

International Markets

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

BUPA GROUP

**Preliminary Announcement
Financial Information**

Year ended 31 December 2018

Consolidated Income Statement
for the year ended 31 December 2018

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

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

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

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

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

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

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

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

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

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

Segmental information

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

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

BUPA
Notes to the Condensed Consolidated Financial Statements
for the year ended 31 December 2018

(i) Revenues

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

(ii) Segmental result

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

- 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.
- Includes £22m loss on disposal of interest in Torrejón Salud and £18m mainly relating to the on-going completion costs relating to the disposal of a number of UK care homes in December 2017 and February 2018. 2017 includes profit on disposal of Bupa Thailand in July 2017 and transaction costs in relation to the acquisition of Oasis Dental Care in February 2017.
- 2017 includes £97m of write downs on items previously held for sale.
- Includes the FX impact of treating unearned premiums and deferred acquisition costs as a monetary item.
- 2018 includes penalties and associated consultancy costs relating to the in-principle agreement with the Australian Taxation Office (£21m) and costs associated with setting up the Irish insurance entity as part of our Brexit strategy (£9m).