medibank
For Better Health

Medibank Private Limited
ABN 47 080 890 259

GPO Box 9999
in your capital city
Telephone 132 331

medibank.com.au

20 February 2020

The Manager
Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam

Medibank Private Limited (MPL) – Financial results for half year ended 31 December 2019

In accordance with the Listing Rules, Medibank releases the following documents to the market:

(a) HY20 Results – Appendix 4D, Directors' Report and Financial Report;

(b) HY20 Results – Media Release; and

(c) HY20 Results – Investor Presentation.

These documents have been authorised for release by the Board.

Yours faithfully

Mei Ramsay

Company Secretary

APPENDIX 4D
MEDIBANK PRIVATE LIMITED
ABN 47 080 890 259
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Medibank Private Limited Group Half-year ended			
	31 Dec 2019 $m	31 Dec 2018 $m	Movement $m	Movement %
Health Insurance premium revenue	3,316.7	3,240.3	76.4	2.4%
Medibank Health revenue	104.8	90.5	14.3	15.8%
Revenue (excluding net investment and other income) from continuing operations	**3,421.5**	**3,330.8**	**90.7**	**2.7%**
Revenue from discontinued operations [1]	**2.0**	**230.1**	**(228.1)**	**(99.1%)**
Net investment and other income	44.6	8.0	36.6	457.5%
Total income from operations	**3,468.1**	**3,568.9**	**(100.8)**	**(2.8%)**
Profit from continuing operations after tax attributable to shareholders	**178.6**	**196.3**	**(17.7)**	**(9.0%)**
Profit/(loss) from discontinued operations after tax attributable to shareholders [1]	**(0.7)**	**11.4**	**(12.1)**	**(106.1%)**
Net profit attributable to shareholders	**177.9**	**207.7**	**(29.8)**	**(14.3%)**

[1] Discontinued operations relate to the Garrison Health Services contract, which ceased on 30 June 2019.

The results are summarised as follows:

- Health Insurance premium revenue increased 2.4 percent or $76.4 million to $3,316.7 million
- Medibank Health revenue increased 15.8 percent or $14.3 million to $104.8 million
- Net investment and other income increased $36.6 million to $44.6 million
- Profit from continuing operations decreased 9.0 percent or $17.7 million to $178.6 million
- Net profit attributable to shareholders decreased 14.3 percent or $29.8 million to $177.9 million

For further information refer to the Directors' report in the attached Interim financial report of Medibank Private Limited for the half-year period ended 31 December 2019.

Dividend information

On 26 September 2019, a fully franked final ordinary dividend of 7.40 cents per ordinary share was paid to shareholders, in respect of the six months ended 30 June 2019. A fully franked special dividend of 2.50 cents per ordinary share was also paid to shareholders on 26 September 2019.

A fully franked interim ordinary dividend of 5.70 cents per ordinary share was determined on 20 February 2020 in respect of the six months ended 31 December 2019, payable on 26 March 2020 to shareholders on the register as at close of business on 4 March 2020.

Net tangible assets per ordinary share

Net tangible assets are defined as the net assets of the Medibank Private Limited Group less intangible assets.

	31 Dec 2019 cents	31 Dec 2018 cents [1]
Net tangible assets per ordinary share	52.3	51.9

[1] The Group has adopted AASB 16 *Leases* on 1 July 2019 using the modified retrospective method of adoption, which does not require restatement of comparative information. Refer to Note 12(a) of the financial statements for further information. The comparative net tangible assets per ordinary share therefore does not take into account right-of-use assets, which are considered intangible assets in the current period.

This report should be read in conjunction with the Medibank Private Limited annual report for the year ended 30 June 2019, and is lodged with the ASX under listing rule 4.2A.

MEDIBANK PRIVATE LIMITED

ABN 47 080 890 259

INTERIM FINANCIAL REPORT
31 DECEMBER 2019

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The directors of Medibank Private Limited (Medibank or the Group) present their report on the consolidated entity for the half-year ended 31 December 2019.

Directors

The names of directors in office during the half-year and up to the date of this report, unless stated otherwise, are as follows:

Current:
- Elizabeth Alexander AO - Chairman
- Craig Drummond - Chief Executive Officer
- Dr Tracey Batten
- Anna Bligh AC
- David Fagan
- Peter Hodgett
- Linda Bardo Nicholls AO
- Christine O'Reilly
- Mike Wilkins AO

Review of operations

Group
Group net profit after tax on a continuing basis decreased 9.0% to $178.6 million (1H19: $196.3 million). This was due to the reduction in Health Insurance operating profit which decreased by $57.3 million or 20.4% from 1H19.

The reduction in Health Insurance operating profit was partially offset by an increase in net investment income of $34.4 million, driven by higher investment market returns.

Health Insurance
Health Insurance operating profit decreased 20.4% to $224.2 million (1H19: $281.5 million). This reflects the continuation of the higher claims environment experienced in the second half of 2019 and reinvestment in customer benefits such as the new Members' Choice Advantage dental network. Medibank continues to maintain a disciplined approach to claims management and an ongoing focus on cost control.

Health Insurance premium revenue was up 2.3% to $3.3 billion. At the fund level, there was a net increase of 11,700 or 0.7% in resident policyholders, with improvements in the rate of acquisition and retention. Medibank brand retention continues to improve as policyholder numbers declined by 4,500 or 0.3% in the last six months which compares to a decline of 8,800 or 0.6% in 1H19. Medibank retention continued to improve, supported by our Live Better rewards program and Members' Choice Advantage dental and optical network. ahm brand continued to grow, with policyholder growth at 4.2% in 1H20.

Health Insurance net claims rose by 5.9%, or $158.7 million to $2.8 billion from 1H19 due to a $151.9 million increase in claims expense and a $6.8 million reduction in risk equalisation receipts. The reduction in risk equalisation receipts reflects that Medibank's claims growth is lower than industry claims growth. Hospital claims were 6.0% or $122.7 million higher with growth in prostheses being the major driver. Extras claims were 5.6% or $36.0 million higher following the launch of Medibank's Members' Choice Advantage dental network, with this growth partially offset by lower growth in natural therapies following regulatory reform.

Management expenses decreased by 9.6% to $248.1 million, with the management expense ratio improving from 8.5% to 7.5%. Depreciation and amortisation fell by $3.9 million following the extension of the useful life of some key IT assets[1]. Operating expenses were 9.6% lower, with approximately $10 million of productivity savings, timing impacts and a lower accrual for incentive payments.

[1] This excludes right-of-use depreciation of $10.6 million.

Medibank Health
Medibank Health revenue from continuing operations was up 18.1% to $128.6 million (1H19: $108.9 million), which includes a full six months of contribution from Home Support Services (HSS) (acquired in August 2018) and the Live Better rewards program (launched in August 2019). Operating profit from continuing operations was $13.3 million, up 5.6% from 1H19. Management expenses (continuing operations) increased by 12.5% or $4.5 million due to additional investment to support the expansion of the home care business and Live Better, which was partially offset by a $4.0 million cost saving from the restructure undertaken at the end of fiscal year 2019.

Net investment income
Net investment income was up from $4.1 million in 1H19 to $38.5 million in 1H20 with higher returns from both the growth and defensive portfolios. The significantly improved performance in the growth portfolio reflects stronger returns in equities, partially offset by underperformance in property, in particular retail funds. Income in the defensive portfolio was also higher, with the impact of the lower RBA cash rate on domestic holdings more than offset by favourable market conditions, in particular falling interest rates on offshore holdings.

Consistent with previous practice, in order to calculate underlying NPAT for the purposes of determining the dividend for the period, we have adjusted net investment income to normalise for the impact of short-term market returns. After normalisation, the 1H20 net investment income was $39.7 million, marginally down from $39.9 million[1] in 1H19.

[1] The adjustment normalises growth asset returns (including property from FY20) to historical long-term expectations and credit spread movements. Normalisation of returns for 1H20 benchmark performance increases the net investment income by $1.2 million (1H19: $35.8 million).

Rounding of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) unless specifically stated otherwise under the relief available pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Medibank is an entity to which that relief applies.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the Directors.

Elizabeth Alexander AO
Chairman

Craig Drummond
Chief Executive Officer

20 February 2020
Melbourne

pwc

Auditor's Independence Declaration

As lead auditor for the review of Medibank Private Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medibank Private Limited and the entities it controlled during the period.

CJ Heath
Partner
PricewaterhouseCoopers

Melbourne
20 February 2020

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Consolidated statement of comprehensive income

For the half-year ended 31 December 2019

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Continuing operations			
Revenue			
Health Insurance premium revenue	2(b) 3(a)	3,316.7	3,240.3
Medibank Health revenue		104.8	90.5
		3,421.5	**3,330.8**
Other income		**6.1**	**3.9**
Expenses			
Claims expense	3(a)	(2,821.4)	(2,666.9)
Medical services expense		(12.8)	(8.3)
Employee benefits expense		(202.0)	(204.7)
Office and administration expense		(41.7)	(40.1)
Marketing expense		(33.8)	(38.6)
Information technology expense		(34.5)	(33.7)
Professional service expense		(1.8)	(5.7)
Lease expense	12(a)	-	(15.2)
Depreciation and amortisation expense	12(a)	(61.7)	(51.2)
Finance expense	12(a)	(1.8)	-
Other expenses		-	(0.3)
		(3,211.5)	**(3,064.7)**
Profit before net investment income and income tax		**216.1**	**270.0**
Net investment income	5(a)	38.5	4.1
Profit for the half-year before income tax		**254.6**	**274.1**
Income tax expense	10	(76.0)	(77.8)
Profit for the half-year from continuing operations		**178.6**	**196.3**
Discontinued operations			
Profit/(loss) after tax for the half-year from discontinued operations	12(c)	(0.7)	11.4
Profit for the half-year		**177.9**	**207.7**
Total comprehensive income for the half-year, net of tax, attributable to members of the parent arising from:			
Continuing operations		178.6	196.3
Discontinued operations		(0.7)	11.4
Total operations		**177.9**	**207.7**
Basic and diluted earnings per share attributable to ordinary equity holders of the Company		**Cents**	**Cents**
Continuing operations		6.5	7.1
Total operations		6.5	7.5

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2019

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current assets			
Cash and cash equivalents		432.2	656.5
Trade and other receivables		205.8	283.9
Financial assets at fair value	5(b)	2,013.9	2,130.7
Deferred acquisition costs		35.1	35.2
Tax receivable		26.8	-
Other assets		23.4	24.2
Total current assets		**2,737.2**	**3,130.5**
Non-current assets			
Property, plant and equipment	7	123.8	49.3
Intangible assets	8	396.4	405.9
Deferred acquisition costs		43.9	44.4
Other assets		9.8	0.7
Total non-current assets		**573.9**	**500.3**
Total assets		**3,311.1**	**3,630.8**
Current liabilities			
Trade and other payables	9	266.8	370.0
Claims liabilities	3(b)	399.4	364.2
Unearned premium liability		520.0	682.8
Tax liability		-	21.3
Provisions and employee entitlements		49.7	79.2
Total current liabilities		**1,235.9**	**1,517.5**
Non-current liabilities			
Trade and other payables	9	94.3	33.9
Claims liabilities	3(b)	8.3	13.4
Unearned premium liability		81.3	87.8
Deferred tax liabilities		27.9	13.2
Provisions and employee entitlements		26.4	29.6
Total non-current liabilities		**238.2**	**177.9**
Total liabilities		**1,474.1**	**1,695.4**
Net assets		**1,837.0**	**1,935.4**
Equity			
Contributed equity		85.0	85.0
Reserves		22.0	24.4
Retained earnings		1,730.0	1,826.0
Total equity		**1,837.0**	**1,935.4**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 31 December 2019

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2018		85.0	21.5	1,722.7	**1,829.2**
Profit for the year		-	-	207.7	**207.7**
Other comprehensive income		-	-	-	**-**
Total comprehensive income for the year		**-**	**-**	**207.7**	**207.7**
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(198.3)	**(198.3)**
Acquisition and settlement of share-based payment, net of tax		-	(2.7)	-	**(2.7)**
Share-based payment transactions		-	2.9	-	**2.9**
Balance at 31 December 2018		**85.0**	**21.7**	**1,732.1**	**1,838.8**
Balance at 30 June 2019		**85.0**	**24.4**	**1,826.0**	**1,935.4**
Adjustment on adoption of AASB 16 *Leases*, net of tax	12(a)	-	-	(1.3)	**(1.3)**
Balance at 1 July 2019		**85.0**	**24.4**	**1,824.7**	**1,934.1**
Profit for the year		-	-	177.9	**177.9**
Other comprehensive income		-	-	-	**-**
Total comprehensive income for the year		**-**	**-**	**177.9**	**177.9**
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(272.6)	**(272.6)**
Acquisition and settlement of share-based payment, net of tax		-	(2.7)	-	**(2.7)**
Share-based payment transactions		-	0.3	-	**0.3**
Balance at 31 December 2019		**85.0**	**22.0**	**1,730.0**	**1,837.0**

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2019

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Cash flows from operating activities			
Premium receipts		3,132.7	3,066.7
Medibank Health receipts		183.6	340.5
Other receipts		2.5	2.8
Payments for claims and levies		(2,823.1)	(2,685.8)
Payments to suppliers and employees		(459.8)	(656.9)
Income taxes paid		(104.9)	(119.4)
Net cash inflow/(outflow) from operating activities	6	**(69.0)**	**(52.1)**
Cash flows from investing activities			
Interest received		16.3	22.4
Investment expenses		(2.2)	(2.2)
Proceeds from sale of financial assets		873.0	1,165.3
Purchase of financial assets		(731.7)	(896.8)
Purchase of businesses		-	(70.4)
Purchase of plant and equipment		(3.2)	(6.9)
Purchase of intangible assets		(13.4)	(18.3)
Net cash inflow/(outflow) from investing activities		**138.8**	**193.1**
Cash flows from financing activities			
Purchase of shares to settle share-based payment		(3.8)	(3.5)
Lease principal and interest payments	12(a)	(17.7)	-
Dividends paid		(272.6)	(198.3)
Net cash outflow from financing activities		**(294.1)**	**(201.8)**
Net increase/(decrease) in cash and cash equivalents		**(224.3)**	**(60.8)**
Cash and cash equivalents at beginning of the half-year		656.5	470.1
Cash and cash equivalents at end of the half-year		**432.2**	**409.3**

The above statement should be read in conjunction with the accompanying notes.

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year and corresponding interim period, as set out in the annual financial report for the year ended 30 June 2019, except for the adoption of new accounting standards as disclosed in Note 12(a). The financial statements are for the consolidated entity (the Group), consisting of Medibank Private Limited (Medibank Private or the Company) and its subsidiaries. Medibank Private is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX).

a) Basis of preparation of consolidated interim financial report

The consolidated interim financial report for the half-year period ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Medibank Private during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. This report includes, where necessary, updates to prior period comparatives for changes in classification of amounts in the current reporting period.

Impact of AASB 16 Leases
The Group has adopted AASB 16 *Leases* on 1 July 2019. The Group has applied the modified retrospective method of adoption on 1 July 2019, which does not require restatement of comparative information. Refer to Note 12(a) for further information.

Impact of discontinued operations on disclosures
Prior year comparatives in the consolidated statement of comprehensive income and applicable notes have been re-presented to show discontinued operations separately from continuing operations.

b) Critical accounting estimates and judgements

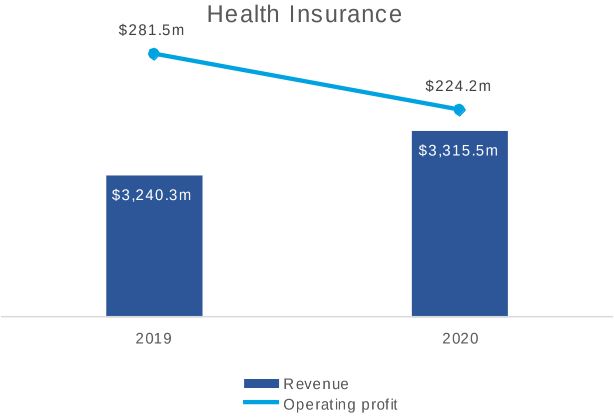
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are:

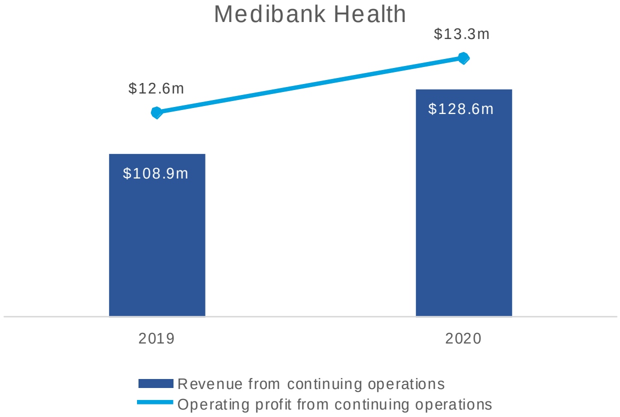
- Insurance underwriting result
- Intangible assets
- Deferred acquisition costs

Note 2: Segment information

a) Segment information provided to the Chief Executive Officer (CEO)

The CEO measures the performance of the Group's reportable segments based on the operating profit of the segments. The segment information provided to the CEO for the half-year ended 31 December 2019 is as follows:





31 Dec 2019	Note	Health Insurance $m	Medibank Health $m	Total $m
Revenues				
Total segment revenue	2(b)(iii)	3,315.5	128.6	**3,444.1**
Inter-segment revenue		-	(22.6)	**(22.6)**
Revenue from external customers from continuing operations		**3,315.5**	**106.0**	**3,421.5**
Operating profit from continuing operations		**224.2**	**13.3**	**237.5**
Items included in segment operating profit:				
Depreciation and amortisation [1]		(51.3)	(4.0)	**(55.3)**

31 Dec 2018	Health Insurance $m	Medibank Health $m	Total $m
Revenues			
Total segment revenue	3,240.3	108.9	**3,349.2**
Inter-segment revenue	-	(18.4)	**(18.4)**
Revenue from external customers from continuing operations	**3,240.3**	**90.5**	**3,330.8**
Operating profit from continuing operations	**281.5**	**12.6**	**294.1**
Items included in segment operating profit:			
Depreciation and amortisation [1]	(44.9)	(1.9)	**(46.8)**

[1] Total segment depreciation and amortisation for 31 December 2019 includes depreciation on right-of-use assets.

Note 2: Segment information (continued)

b) Other segment information

(i) Segment operating profit or loss

A reconciliation of the operating profit from continuing operations to the profit for the half-year before income tax from continuing operations of the Group is as follows:

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Total segment operating profit from continuing operations		**237.5**	**294.1**
Unallocated to operating segments:			
Corporate operating expenses		(18.7)	(17.4)
Group operating profit from continuing operations		**218.8**	**276.7**
Net investment income	5(a)	38.5	4.1
Acquisition intangible amortisation	8	(4.5)	(3.8)
AASB 16 *Leases* transition adjustment	12(a)	3.3	-
Mergers and acquisitions expenses		-	(1.4)
Other income/(expenses)		(1.5)	(1.5)
Profit for the half-year before income tax from continuing operations		**254.6**	**274.1**

(ii) Other items

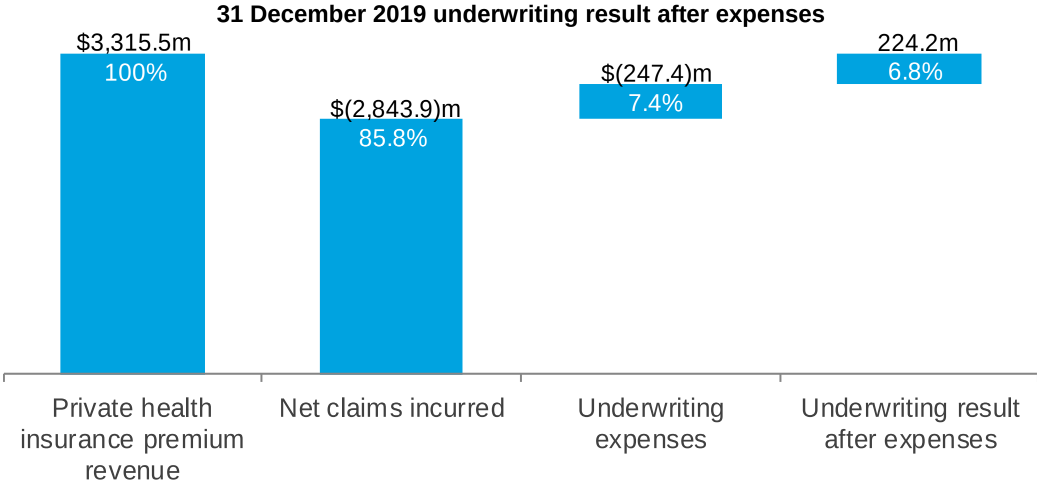
Segment operating profit excludes the following:

- Corporate operating expenses of $18.7 million (31 December 2018: $17.4 million) relating to the Group's corporate function.
- Net investment income, which comprises:
  - Interest and dividend income and related investment management expenses (refer to Note 5(a)), as this arises from investments which are managed by a central treasury function.
  - Net gains and losses on disposals of and fair value movements on financial assets and liabilities (refer to Note 5(a)), as they are not indicative of the Group's long-term performance.
- Acquisition intangible amortisation of $4.5 million (31 December 2018: $3.8 million) not allocated to segments.
- One-off income/(expenses) in relation to mergers and acquisitions and a lease transition adjustment, which do not relate to the current operating activities of the Group’s segments.
- Other expenses of $1.5 million (31 December 2018: $1.5 million) which do not relate to the trading activities of the Group’s segments, comprising primarily net sublease rent.

(iii) Loyalty program

Segment private health insurance premium revenue is after $1.2 million (31 December 2018: nil) of transfers between the Group’s other operating segments in relation to the loyalty program.

Note 3: Insurance underwriting result



a) Insurance underwriting result

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Private health insurance premium revenue	(i)	3,315.5	3,240.3
Claims expense			
Claims incurred	(ii)	(2,825.7)	(2,674.4)
State levies		(25.9)	(25.3)
Net Risk Equalisation Special Account rebates		8.4	15.2
Net claims incurred excluding claims handling costs on outstanding claims liabilities		(2,843.2)	(2,684.5)
Movement in claims handling costs on outstanding claims liabilities		(0.7)	(0.4)
Net claims incurred		(2,843.9)	(2,684.9)
Underwriting expenses		(247.4)	(273.9)
Underwriting result after expenses		**224.2**	**281.5**

(i) Private health insurance premium revenue is after $1.2 million of transfers between the Group's other operating segments (31 December 2018: nil).

(ii) Claims incurred are prior to elimination of transactions with the Group's other operating segments of $22.5 million (31 December 2018: $18.0 million).

Note 3: Insurance underwriting result (continued)

b) Gross claims liability

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current			
Outstanding claims liability - central estimate	(i,ii)	357.7	318.4
Risk margin	(i,iii)	26.6	25.3
Claims handling costs	(iv)	8.3	7.7
		392.6	**351.4**
Claims liability - provision for bonus entitlements	(v)	6.8	12.8
Gross claims liability	(c)	**399.4**	**364.2**
Non-current			
Outstanding claims liability - central estimate	(i,ii)	2.8	2.4
Risk margin	(i,iii)	0.2	0.3
Claims handling costs	(iv)	-	-
		3.0	**2.7**
Claims liability - provision for bonus entitlements	(v)	5.3	10.7
Gross claims liability	(c)	**8.3**	**13.4**

Key estimate:

The outstanding claims liability estimate is based on the hospital, ancillary and overseas categories.

Hospital and overseas Calculated using statistical methods adopted for all services months but with service levels for the most recent service month (hospital) or two service months (overseas) being based on the latest forecast adjusted for any observed changes in payment patterns.

Ancillary Calculated using statistical methods adopted for all service months.

The critical assumption in determining the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of service levels such as major variability to claims processing volumes.

The process for establishing the outstanding claims provision involves consultation with internal actuaries (including the Chief Actuary), claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior management.

(i) Outstanding claims liability - central estimate

The central estimate is an estimate of the level of claims liability.

Key estimate

The central estimate is based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on a judgemental consideration of this analysis and other qualitative information, such as claims processing delays. The central estimate excludes the impact of the Risk Equalisation Special Account. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Special Account.

Note 3: Insurance underwriting result (continued)

b) Gross claims liability (continued)

(ii) Discounting	The outstanding claims liability central estimate is discounted to present value using a risk-free rate of 0.92% per annum which equates to a reduction in the central estimate of $0.4 million (30 June 2019: 1.20%, $0.5 million).
(iii) Risk margin	An overall risk margin considers the uncertainty surrounding the outstanding claims liability. The risk margin applied to the Group's outstanding claims central estimate (net of risk equalisation) at 31 December 2019 is 7.8% (30 June 2019: 7.8%). ***Key estimate*** The risk margin is based on an analysis of past experience, including comparing the volatility of past payments to the central estimate. The risk margin has been estimated to equate to the Group's objective of achieving a probability of adequacy of at least 95% (30 June 2019: 95%).
(iv) Claims handling costs	The allowance for claims handling costs at 31 December 2019 is 2.5% of the outstanding claims liability (30 June 2019: 2.5%).
(v) Claims liability – provision for bonus entitlements	Certain private health insurance products (Package Bonus, Ultra Bonus and Membership Bonus) include benefits that carry forward. Package Bonus carries forward unused benefit entitlements in a calendar year for five calendar years. Membership Bonus carries forward unused benefit entitlements in a calendar year for 10 calendar years. Ultra Bonus carries forward unused benefit entitlements without limit. The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements of the current membership. ***Key estimate*** The bonus provision includes the total entitlement available to members under the terms of the relevant insurance policies, less any amounts utilised, with a probability of utilisation based on past experience and current claiming patterns applied. The true cost of these entitlements cannot be known with certainty until any unclaimed entitlements are processed.

c) Reconciliation of movement in claims liabilities

	31 Dec 2019 $m	30 Jun 2019 $m
Balance at beginning of period (1 July)	**377.6**	**379.8**
Claims incurred during the period	2,778.7	5,324.5
Claims paid during the period	(2,773.1)	(5,318.0)
Amount (over)/under provided on central estimate	22.6	(9.7)
Risk margin	1.2	0.7
Claims handling costs	0.6	-
Movement in discount rate	0.1	0.3
Balance at end of period	**407.7**	**377.6**

Note: movement includes both current and non-current. Claims incurred and claims paid exclude levies and rebates.

(d) Impact of changes in key variables on the outstanding claims provision

The central estimate, discount rate, risk margin and weighted average term to settlement are the key outstanding claims variables. A 10% increase/decrease in the central estimate would result in a $25.2 million decrease/increase to profit after tax and equity (30 June 2019: $22.4 million). A 1% movement in other key outstanding claims variables, including discount rate and risk margin and a one month movement in the weighted average term to settlement, would result in an insignificant decrease/increase to profit after tax and equity.

Note 4: Dividends

	Cents per fully paid share	$m	Payment date
31 Dec 2019			
2019 final fully franked ordinary dividend	7.40	203.8	26 September 2019
2019 final fully franked special dividend	2.50	68.9	26 September 2019
31 Dec 2018			
2018 final fully franked ordinary dividend	7.20	198.3	27 September 2018

(a) Dividends not recognised at the end of the reporting period

On 20 February 2020, the directors determined an interim fully franked ordinary dividend for the six months ended 31 December 2019 of 5.70 cents per share. The dividend is expected to be paid on 26 March 2020 and has not been provided for as at 31 December 2019.

No dividends have been paid since the end of the reporting period.

(b) Calculation of dividend paid

Medibank's target dividend payout ratio for the 2020 financial year is 75-85% (2019: 70-80%) of full year normalised net profit after tax (underlying NPAT). Normalised net profit after tax is calculated based on statutory net profit after tax adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from equity investments and movement in credit spreads, and for one-off items, especially those that are non-cash, such as impairments.

	31 Dec 2019 $m	31 Dec 2018 $m
Profit for the half-year	**177.9**	**207.7**
Normalisation of equity returns	1.2	20.7
Normalisation for credit spread movement	(0.4)	4.4
Underlying NPAT	**178.7**	**232.8**

Note 5: Investment portfolio

This note provides information on the net investment income and the carrying amounts of the investment assets residing in the Health Fund Investment Portfolio and the Non-Health Fund Investment Portfolio.

Portfolio composition 31 Dec 2019 ($m)

		Health Fund Investment Portfolio	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position)	(i)	346.6	34.4	**381.0**
Cash investments with longer maturities		184.4	182.2	**366.6**
Fixed income portfolio				
Fixed income (as reported in the statement of financial position)		1,388.3	182.2	**1,570.5**
Less cash investments with longer maturities		(184.4)	(182.2)	**(366.6)**
Growth portfolio				
Equities and investment trusts		443.4	-	**443.4**
Total investment portfolio		**2,178.3**	**216.6**	**2,394.9**

Portfolio composition 30 Jun 2019 ($m)

		Health Fund Investment Portfolio	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position)	(i)	538.0	26.6	**564.6**
Cash investments with longer maturities		219.3	61.7	**281.0**
Fixed income portfolio				
Fixed income (as reported in the statement of financial position)		1,554.5	61.7	**1,616.2**
Less cash investments with longer maturities		(219.3)	(61.7)	**(281.0)**
Growth portfolio				
Equities and investment trusts		514.5	-	**514.5**
Total investment portfolio		**2,607.0**	**88.3**	**2,695.3**

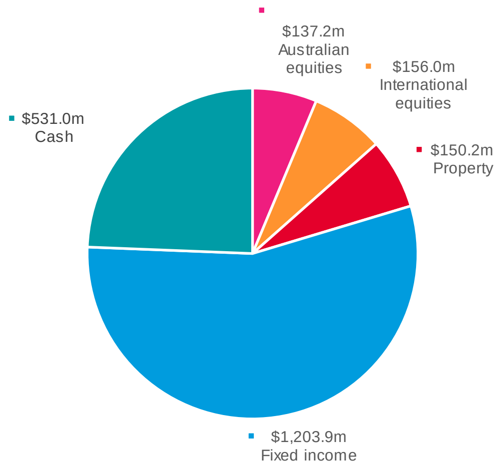
(i) Cash and cash equivalents as reported in the statement of financial position also include operational cash of $51.2 million (30 June 2019: $91.9 million).

Note 5: Investment portfolio (continued)

The Health Fund Investment Portfolio comprises the following:

		Portfolio composition 31 Dec 2019	Portfolio composition 30 Jun 2019	Target asset allocation
Growth				
Australian equities		6.3%	5.1%	5.0%
International equities		7.2%	6.5%	6.0%
Property		6.9%	6.0%	7.0%
Infrastructure	(i)	-	2.1%	2.0%
		20.4%	**19.7%**	**20.0%**
Defensive				
Fixed income		55.2%	51.3%	52.0%
Cash		24.4%	29.0%	28.0%
		79.6%	**80.3%**	**80.0%**
		100.0%	**100.0%**	**100.0%**

Health Fund Investment Portfolio



(i) Infrastructure allocation temporarily underweight due to fund manager transition.

a) Net investment income

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Interest	(i)	17.2	24.6
Trust distributions		23.0	33.1
Investment management fees		(2.2)	(2.2)
Net gain/(loss) on fair value movements on financial assets		(4.9)	(51.7)
Net gain/(loss) on disposal of financial assets		5.4	0.3
Net investment income		**38.5**	**4.1**

(i) Includes interest income of $0.8 million (31 December 2018: $0.9 million) relating to non-health fund investments.

Note 5: Investment portfolio (continued)

b) Fair value hierarchy

The fair values of the Group's investments are measured according to the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted current bid price) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's financial assets measured and recognised at fair value on a recurring basis.

31 Dec 2019		Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss					
Australian equities	(i)	-	137.2	-	**137.2**
International equities	(i)	-	156.0	-	**156.0**
Property	(i)	0.6	149.6	-	**150.2**
Infrastructure	(i)	-	-	-	**-**
Fixed income		102.8	1,285.5	-	**1,388.3**
Financial assets at fair value through other comprehensive income - Fixed income		-	182.2	-	**182.2**
Balance at 31 December 2019		**103.4**	**1,910.5**	**-**	**2,013.9**

30 Jun 2019		Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss					
Australian equities	(i)	-	132.2	-	**132.2**
International equities	(i)	-	169.8	-	**169.8**
Property	(i)	0.6	156.1	-	**156.7**
Infrastructure	(i)	-	55.8	-	**55.8**
Fixed income		95.1	1,459.4	-	**1,554.5**
Financial assets at fair value through other comprehensive income - Fixed income		-	61.7	-	**61.7**
Balance at 30 June 2019		**95.7**	**2,035.0**	**-**	**2,130.7**

(i) Australian equities, international equities, property and infrastructure are categorised within level 2 of the fair value measurement hierarchy as they are indirectly held through unit trusts.

The Group's other financial instruments, being trade and other receivables and trade and other payables, are not measured at fair value. The fair value of these instruments has not been disclosed, as due to their short-term nature, their carrying amounts are assumed to approximate their fair values.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2019.

The Group recognises any transfers into and transfers out of fair value hierarchy levels from the date of effect of the transfer.

Note 5: Investment portfolio (continued)

c) Valuation techniques

The fair value of financial instruments traded in active markets (such as exchange traded equities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of level 2 financial instruments is determined using a variety of valuation techniques which make assumptions based on market conditions existing at the end of each reporting period. Valuation methods include quoted market prices or dealer quotes for similar instruments, yield curve calculations using the mid yield, vendor or independently developed models.

There are no investments classified as level 3.

Note 6: Reconciliation of profit after income tax to net cash flow from operating activities

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Profit for the half-year		**177.9**	**207.7**
Depreciation		6.2	6.6
Depreciation of right-of-use assets	12(a)	13.1	-
Amortisation of intangibles assets		22.8	24.8
Amortisation of deferred acquisition costs		19.6	19.9
Net loss/(gain) on disposal of assets		-	0.4
Net realised loss/(gain) on financial assets		(5.4)	(0.3)
Net unrealised loss/(gain) on financial assets		4.9	51.7
Interest income		(17.2)	(24.6)
Trust distribution reinvested		(23.0)	(33.1)
Investment expenses		2.2	2.2
Interest paid - leases	12(a)	1.8	-
AASB 16 transition adjustment - recognition of finance subleases	12(a)	3.3	-
Non-cash share-based payments expense		0.3	2.9
Change in operating assets and liabilities - continuing operations:			
Decrease/(increase) in trade and other receivables		11.2	13.9
Decrease/(increase) in deferred acquisition costs		(19.0)	(13.9)
Decrease/(increase) in other assets		(8.3)	(1.6)
(Decrease)/increase in net deferred tax liabilities		18.9	(9.1)
(Decrease)/increase in trade and other payables		(82.8)	(80.1)
(Decrease)/increase in unearned premium liability		(168.2)	(172.7)
(Decrease)/increase in claims liabilities		30.1	3.9
(Decrease)/increase in income tax liability		(48.1)	(27.6)
(Decrease)/increase in provisions and employee entitlements		(17.7)	(5.6)
Change in operating assets and liabilities - discontinued operations:			
Decrease/(increase) in trade and other receivables		67.1	(6.2)
(Decrease)/increase in trade and other payables		(47.7)	(4.5)
(Decrease)/increase in provisions and employee entitlements		(11.0)	(6.8)
Net cash outflow from operating activities		**(69.0)**	**(52.1)**

Note 7: Property, plant and equipment

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Closing net book amount			
Plant and equipment		7.3	8.8
Leasehold improvements		34.9	38.2
Assets under construction		3.7	2.3
Right-of-use assets	12(a)	77.9	-
Total property, plant and equipment		**123.8**	**49.3**

Note 8: Intangible assets

	Goodwill $m	Customer contracts and relationships $m	Software $m	Assets under construction $m	Total $m
Gross carrying amount					
Balance at 1 July 2019	281.9	89.7	426.4	38.2	**836.2**
Additions	-	-	0.1	9.7	**9.8**
Transfers in/(out)	-	-	9.1	(9.1)	**-**
Disposals	-	-	-	-	**-**
Balance at 31 December 2019	**281.9**	**89.7**	**435.6**	**38.8**	**846.0**
Accumulated amortisation and impairment					
Balance at 1 July 2019	(77.4)	(72.4)	(280.5)	-	**(430.3)**
Amortisation expense	-	(4.5)	(14.8)	-	**(19.3)**
Disposals	-	-	-	-	**-**
Balance at 31 December 2019	**(77.4)**	**(76.9)**	**(295.3)**	**-**	**(449.6)**
Closing net book amount					
As at 31 December 2019	204.5	12.8	140.3	38.8	**396.4**
As at 30 June 2019	204.5	17.3	145.9	38.2	**405.9**

a) Assessment of indicators of impairment

Key judgement and estimate:
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Finite life intangible assets are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management have performed an assessment for indicators of impairment of the Group's intangible assets as at 31 December 2019 and have concluded that no indicators of impairment existed.

In assessing the goodwill for impairment, the recoverable amount of the CGU was determined based on a value-in-use calculation. The key assumptions used in testing the CGU for impairment are outlined in the Group's annual financial report for the year ended 30 June 2019.

Note 8: Intangible assets (continued)

b) Change in accounting estimate – useful life of software

The expected useful lives of the Group's software have been reassessed and are now 1.5 to 10 years (30 June 2019: 1.5 to 7 years). This change did not have a material impact on the Group's amortisation expense this period.

Note 9: Trade and other payables

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current			
Trade creditors		184.3	275.6
Other creditors and accrued expenses		35.8	70.4
Lease liabilities	12(a)	26.2	4.0
Other payables		20.5	20.0
Total current		**266.8**	**370.0**
Non-current			
Lease liabilities	12(a)	92.1	26.2
Other payables		2.2	7.7
Total non-current		**94.3**	**33.9**

Note 10: Income tax expense

	31 Dec 2019 $m	31 Dec 2018 $m
Continuing operations		
Current tax	55.2	86.9
Deferred tax	20.8	(9.1)
Income tax expense reported in the statement of comprehensive income	**76.0**	**77.8**

Note 11: Contingencies

From time to time, the Group is exposed to contingent liabilities which arise from the ordinary course of business, including, but not limited to:

- Losses which might arise from litigation.
- Investigations by regulatory bodies such as the ACCC, ASIC or APRA, into past conduct on either industry-wide or Medibank specific matters.

It is anticipated that the likelihood of any unprovided liabilities arising are either remote or not material.

Note 12: Other

(a) New and amended standards adopted

The Group has not elected to apply any pronouncements before their operative date in the half-year reporting period ended 31 December 2019.

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods. The Group has applied the modified retrospective method of adoption from 1 July 2019, which does not require restatement of comparative information. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet at 1 July 2019.

Impact of the new definition of a lease
The Group applied the practical expedient available on transition to AASB 16 and, for those contracts entered prior to the date of initial application, did not reassess whether a contract is or contains a lease.

Impact on lessee accounting
The Group's lease contracts include retail stores and office spaces. On adoption of AASB 16, the group recognised lease liabilities in relation to its property leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019.

Lease payments are generally discounted using the interest rate implicit in a lease. The Group has concluded this cannot be readily determined and have used an incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In determining the incremental borrowing rate, the following components were considered:

- Reference rate (incorporating currency, environment, term).
- Financing spread adjustment (incorporating term, indebtedness, entity, environment).
- Lease specific adjustment (incorporating asset type).

The Group applied the practical expedient and used a single discount rate to portfolios of leases with reasonably similar characteristics. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.86%.

The associated right-of-use assets leases were measured on a lease-by-lease basis at:

- An amount as if AASB 16 had applied from lease commencement (but using incremental borrowing rate at date of transition), with the difference between the asset and liability being recognised in opening retained earnings at transition; or
- At an amount equal to lease liability.

The Group applied the practical expedient and relied on previous assessments on whether leases are onerous. The provision for onerous lease contracts which was required under AASB 117 of $3.9 million was derecognised against the right-of use asset.

As at 31 December 2019, management have determined it is not reasonably certain that any of its leases will be extended or terminated.

Impact on lessor accounting
Two of the Group's four subleases are classified as finance leases under AASB 16 as the present value of the lease payments amounts to substantially all of the fair value of the underlying asset and the lease terms are for the major part of the economic life of the underlying asset. As an intermediate lessor, the Group has accounted for the head lease and the sublease as two separate contracts.

Note 12: Other (continued)

(a) New and amended standards adopted (continued)
On transition, as a lessor the Group derecognised $7.5 million of the right-of-use asset and recognised a finance lease receivable of $10.8 million. The difference of $3.3 million was recorded in other income within the consolidated statement of comprehensive income.

Accounting policies

As a lessee
At inception of a contract, the Group assesses whether a contract is, or contains, a lease by determining whether:
- The contract involves the use of an identified asset.
- The Group has the right to direct the use of the asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use or the end of the lease term. In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The interest expense recognised on the lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments, with a corresponding adjustment made to the carrying amount of the right-of-use asset (or profit or loss if the carrying amount of the right-of-use asset has been reduced to zero).

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
The Group acts as an intermediate lessor for two of its four subleases. The Group's interest in the head lease and sublease are accounted for separately. At the sublease commencement, the Group determines whether it is a finance or operating lease by assessing whether the lease transfers substantially all of the risks and rewards of ownership to the lessee, with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Note 12: Other (continued)

(a) New and amended standards adopted (continued)

Impact of adoption of AASB 16

Below is a reconciliation of the Group's operating lease commitments as at 30 June 2019 to the lease liability recognised as at 1 July 2019:

	$m
Operating lease commitments disclosed as at 30 June 2019	143.4
Discounted using the Group's incremental borrowing rate of at the date of initial application	(12.7)
Lease liability recognised as at 1 July 2019	**130.7**
Balance comprised of:	
Current lease liabilities	30.2
Non-current lease liabilities	100.5

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Prepayments – decreased by $3.5 million.
- Finance lease receivable – increased by $10.8 million.
- Right-of-use assets – increased by $86.2 million.
- Deferred tax assets – increased by $4.7 million.
- Trade and other payables – decreased by $30.6 million.
- Lease liabilities – increased by $130.7 million.
- Provisions – decreased by $3.9 million.

The net impact after tax on retained earnings on 1 July 2019 was a decrease of $1.3 million.

Depreciation expense in relation to right-of-use assets amounted to $13.1 million and finance expenses in relation to the lease liabilities amounted to $1.8 million in the period. In the comparative period, lease related expenses were classified as 'lease expense' in the consolidated statement of comprehensive income.

(ii) Other

Other amendments became effective for the annual reporting period commencing on 1 July 2019, but did not have a material impact on the Group's accounting policies or on the consolidated interim financial report.

(b) New accounting standards and interpretations not yet adopted

There has been no change in the expected impact of adopting AASB 17 *Insurance contracts* (effective for reporting periods beginning on or after 1 January 2021) to what was disclosed in Note 20(b) of the annual financial report for the year ended 30 June 2019. The Group is continuing its assessment of the potential impact on its consolidated financial reporting expected in future periods.

Note 12: Other (continued)

(c) Significant events since 30 June 2019

(i) Garrison Health Services contract

On 19 November 2018, Medibank was informed by the Australian Government Department of Defence that it has not been selected as the preferred tenderer for the renewal of the Garrison Health Services contract. Services under the contract ceased on 30 June 2019. The Garrison Health Services contract was classified as a discontinued operation at 30 June 2019 and has been classified as a discontinued operation at 31 December 2019 in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

	31 Dec 2019 $m	31 Dec 2018 $m
Results of discontinued operations		
Revenue	2.0	230.1
Expenses	(3.0)	(213.8)
Profit/(loss) for the year before income tax	**(1.0)**	16.3
Income tax expense	0.3	(4.9)
Profit/(loss) after tax attributable to ordinary equity holders of the Company	**(0.7)**	11.4
Cash flows of discontinued operations		
Net cash inflow/(outflow) from operating activities	(4.8)	3.4
Net cash inflow from investing activities	-	-
Net cash outflow from financing activities	-	-
Net cash flows for the year from discontinued operations	**(4.8)**	**3.4**
Basic and diluted earnings per share for discontinued operations (cents)	-	0.4

The 30 June 2019 balance sheet includes the following amounts in relation to the discontinued operations:

- Trade and other receivables – $66.9 million.
- Trade and other payables – $47.6 million.
- Provisions – $11.0 million.

Note 13: Events occurring after the reporting period

There have been no events occurring after the reporting period which would have a material effect on the Group's financial statements at 31 December 2019.

The directors declare that, in the opinion of the directors:

(a) the financial statements and notes set out on pages 4 to 24 are in accordance with *the Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
ii. complying with *Australian Accounting Standards, the Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board,

Elizabeth Alexander AO Chairman	Craig Drummond Chief Executive Officer

20 February 2020
Melbourne

Independent auditor's review report to the members of Medibank Private Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Medibank Private Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medibank Private Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medibank Private Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

CJ Heath

CJ Heath
Partner

Melbourne
20 February 2020