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 2014 $m	31 Dec 2013 $m	M'ment $m	M'ment %
Health Insurance premium revenue	2,943.3	2,797.4	145.9	5.2%
Complementary Services revenue	326.4	355.7	(29.3)	(8.2%)
Revenue (excluding net investment and other income) from ordinary activities	**3,269.7**	3,153.1	116.6	3.7%
Net investment and other income	52.2	66.2	(14.0)	(21.1%)
Total income from continuing operations	**3,321.9**	3,219.3	102.6	3.2%
Profit from ordinary activities after tax attributable to members	**143.8**	71.0	72.8	102.5%

The results are summarised as follows:

- Health Insurance premium revenue increased 5.2 per cent or $145.9 million to $2,943.3 million
- Complementary Services revenue decreased 8.2 per cent or $29.3 million to $326.4 million
- Net investment and other income decreased 21.1 per cent or $14.0 million to $52.2 million
- Profit from ordinary activities increased 102.5 per cent or $72.8 million to $143.8 million
- Earnings per share increased 102.5 per cent to 5.2 cents

For further information refer to the Directors' Report in the attached Interim Report of Medibank Private Limited for the half-year period ended 31 December 2014.

Dividend information

In line with our expectations in the prospectus lodged with the Australian Securities and Investments Commission on 20 October 2014, no interim dividend has been declared since listing, for the half-year period ended 31 December 2014. On 30 October 2014, a dividend of 9 cents per share amounting to $238.8 million (including $58.8 million from earnings for the five months ended 30 November 2014) was paid to the Commonwealth Government.

Net tangible assets per ordinary share

	Medibank Private Limited Group as at	
	31 Dec 2014 cents	31 Dec 2013 cents
Net tangible assets per ordinary share	**38.0**	41.8

Net tangible assets are defined as the net assets of the Medibank Private Limited Group less intangible assets. A share split took place prior to the Group's Initial Public Offering in the half-year period ended 31 December 2014, whereby an additional 31.4 shares were issued for every one existing share. The number of shares on issue at 31 December 2014 was 2,754,003,240 (31 December 2013: 85,000,100). For comparative purposes, the number of shares on issue at 31 December 2013 has been adjusted.

MEDIBANK PRIVATE LIMITED

ABN 47 080 890 259

INTERIM REPORT
31 DECEMBER 2014

CONTENTS

The directors of Medibank Private Limited (Medibank or the Group) present their report on the consolidated entity for the half-year ended 31 December 2014.

Directors

The following persons were directors of Medibank during the whole of the half-year and up to the date of this report:

- Elizabeth Alexander AM (Chairman)
- George Savvides (Managing Director)
- Anna Bligh
- David Fagan
- Dr Cherrell Hirst AO
- Peter Hodgett
- Linda Bardo Nicholls AO
- Christine O'Reilly

Review of operations

Group result

Reported Group net profit after tax was up 102.5% to $143.8 million due primarily to the $80.0 million write-down of goodwill in the prior corresponding period associated with the Telehealth business.

Health Insurance

Health Insurance premium revenue was up 5.2% to $2,943.3 million.

While Medibank brand volume has declined slightly, the ahm brand delivered strong growth, now at over 500,000 members, and an increasing proportion of sales through the company's direct channels.

Health Insurance operating profit increased 32.8% to $171.1 million, with the operating margin up from 4.6% to 5.8%. Gross margin increased from 13.7% to 13.9%. Health cost leadership initiatives continue to benefit margins, but are currently being offset by the industry-wide trends of product downgrading and churn activity.

Continued good progress was made on cost reduction initiatives. The management expense ratio reduced from 9.1% to 8.1%, a management expense decrease of $17.6 million, including some assistance from planned timing differences for project and marketing spend which is more heavily skewed to the second half.

Complementary Services

Complementary Services revenue declined 8.2% to $326.4 million and operating profit declined 40.5% to $7.2 million, reflecting the impact of non-renewal of the Immigration Contract with effect from July 2014. Excluding the impact of the Immigration Contract, ongoing business revenue was flat compared to the prior corresponding period.

The strategic review of the various businesses within Complementary Services continues, as part of driving further performance improvements.

Investment Income

Net investment income fell from $64.7 million to $43.4 million, primarily due to relatively lower returns from equity markets and lower interest rates compared to the prior corresponding period. A revised strategic asset allocation was implemented during the period which saw an increase in the targeted allocation to growth assets from 17% to 25%.

Listing

Medibank listed on the Australian Securities Exchange (ASX) on 25 November 2014. A diversified group of retail and institutional shareholders, both domestic and international, acquired stock in Medibank at the listing.

A share split took place prior to the Group's Initial Public Offering in the half-year period ended 31 December 2014, whereby an additional 31.4 shares were issued for every one existing share. The share split did not increase the balance of the Group's contributed equity, as no new shares were issued.

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 Australian Securities and Investments Commission Class Order 98/100. Medibank is an entity to which that Class Order 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 AM	George Savvides
Chairman	Managing Director

20 February 2015
Melbourne

Auditor's Independence Declaration

As lead auditor for the review of Medibank Private Limited for the half-year ended 31 December 2014, 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.

Mary B. Waldron

Mary Waldron
Partner
PricewaterhouseCoopers

Melbourne
20 February 2015

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Consolidated income statement

For the half-year ended 31 December 2014

	Note	31 Dec 2014 $m	31 Dec 2013 $m
Revenue			
Health Insurance premium revenue	4(a)	**2,943.3**	2,797.4
Complementary Services revenue		**326.4**	355.7
		3,269.7	3,153.1
Other income		**8.8**	1.5
Expenses			
Claims expense		**(2,529.8)**	(2,374.7)
Medical services expense		**(203.7)**	(191.9)
Employee benefits expense		**(193.1)**	(236.4)
Office and administration expense		**(51.6)**	(55.4)
Marketing expense		**(36.9)**	(45.4)
Information technology expense		**(29.2)**	(36.5)
Professional service expense		**(19.1)**	(17.0)
Lease expense		**(22.1)**	(17.3)
Depreciation and amortisation expense		**(30.1)**	(26.8)
Impairment expense	9	**-**	(80.0)
Other expenses		**(4.2)**	(6.2)
		(3,119.8)	(3,087.6)
Profit before net investment income and income tax		**158.7**	67.0
Net investment income	4(b)	**43.4**	64.7
Profit for the half-year before income tax		**202.1**	131.7
Income tax expense	5(a)	**(58.3)**	(60.7)
Profit for the half-year		**143.8**	71.0

	Note	Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic earnings per share	16	**5.2**	2.6
Diluted earnings per share	16	**5.2**	2.6

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

Consolidated statement of comprehensive income

For the half-year ended 31 December 2014

	31 Dec 2014 $m	31 Dec 2013 $m
Profit for the half-year	**143.8**	71.0
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.1**	0.4
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	**(0.1)**	-
	-	0.4
Total comprehensive income for the half-year	**143.8**	71.4

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

Consolidated statement of financial position

As at 31 December 2014

	Note	**31 Dec 2014 $m**	30 Jun 2014 $m
Current assets			
Cash and cash equivalents		**470.8**	708.0
Trade and other receivables		**301.8**	338.6
Inventories		**0.9**	0.8
Financial assets at fair value through profit or loss	6	**1,425.5**	1,490.6
Deferred acquisition costs		**14.9**	11.3
Other assets		**9.6**	8.2
Assets held for sale	21	**10.4**	-
Total current assets		**2,233.9**	2,557.5
Non-current assets			
Property, plant and equipment	7	**123.5**	138.0
Deferred tax assets	8	**2.8**	8.3
Intangible assets	9	**252.7**	243.5
Deferred acquisition costs		**31.1**	26.7
Other assets		**0.7**	0.3
Total non-current assets		**410.8**	416.8
Total assets		**2,644.7**	2,974.3
Current liabilities			
Trade and other payables	10	**272.2**	345.1
Financial liabilities at fair value through profit or loss	6	**0.4**	0.3
Claims liabilities	11	**362.3**	380.6
Unearned premium liability	12	**484.3**	621.4
Tax liability		**22.4**	26.8
Provisions	13	**62.3**	89.7
Total current liabilities		**1,203.9**	1,463.9
Non-current liabilities			
Trade and other payables	10	**36.6**	1.3
Claims liabilities	11	**19.4**	26.5
Unearned premium liability	12	**44.4**	43.5
Provisions	13	**41.5**	45.2
Total non-current liabilities		**141.9**	116.5
Total liabilities		**1,345.8**	1,580.4
Net assets		**1,298.9**	1,393.9
Equity			
Contributed equity	14	**85.0**	85.0
Reserves		**20.9**	20.9
Retained earnings		**1,193.0**	1,288.0
Total equity		**1,298.9**	1,393.9

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 2014

	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2013	85.0	18.6	1,299.1	**1,402.7**
Profit for the half-year	-	-	71.0	**71.0**
Other comprehensive income	-	0.4	-	**0.4**
Total comprehensive income for the half-year	-	0.4	71.0	**71.4**
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(78.1)	**(78.1)**
Balance at 31 December 2013	**85.0**	**19.0**	**1,292.0**	**1,396.0**
Balance at 1 July 2014	85.0	20.9	1,288.0	**1,393.9**
Profit for the half-year	-	-	143.8	**143.8**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the half-year	**-**	**-**	**143.8**	**143.8**
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(238.8)	**(238.8)**
Balance at 31 December 2014	**85.0**	**20.9**	**1,193.0**	**1,298.9**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2014

	Note	**31 Dec 2014 $m**	31 Dec 2013 $m
Cash flows from operating activities			
Premium receipts		**2,799.0**	2,698.7
Complementary Services receipts		**406.6**	371.9
Other receipts		**4.1**	1.1
Contribution received towards fitout of property		**30.4**	-
Payments for claims and levies		**(2,585.5)**	(2,417.8)
Payments to suppliers and employees		**(682.4)**	(688.8)
Income taxes paid		**(57.1)**	(35.4)
Net cash outflow from operating activities	20	**(84.9)**	(70.3)
Cash flows from investing activities			
Interest received		**25.6**	26.4
Investment expenses		**(2.5)**	(2.7)
Proceeds from sale of financial assets		**477.0**	993.1
Purchase of financial assets		**(393.1)**	(656.0)
Proceeds from sale of property, plant and equipment		**-**	3.7
Purchase of plant and equipment		**(5.9)**	(38.5)
Purchase of intangible assets		**(14.6)**	(20.0)
Net cash inflow from investing activities		**86.5**	306.0
Cash flows from financing activities			
Dividends paid		**(238.8)**	(378.1)
Net cash outflow from financing activities		**(238.8)**	(378.1)
Net decrease in cash and cash equivalents		**(237.2)**	(142.4)
Cash and cash equivalents at beginning of the half-year		**708.0**	895.1
Cash and cash equivalents at end of the half-year		**470.8**	752.7

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 2014, except as set out in section (ii) below. 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). The Company was admitted to the official list of the ASX on 25 November 2014.

(i) Basis of preparation of consolidated interim financial report

The consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard 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 2014 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*.

(ii) New accounting policies

During the half-year period ended 31 December 2014, the Group adopted AASB 133 *Earnings per Share*. The Group's new accounting policies in accordance with this standard are set out below.

Basic earnings per share
Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period and excluding treasury shares. For comparative purposes, the weighted average number of ordinary shares outstanding as at 31 December 2013 has been updated to reflect the share split which took place prior to the Group's Initial Public Offering (IPO) (refer Note 14(b)).

Diluted earnings per share
Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of any interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(iii) 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 2014.

The following standards became effective for the annual reporting period commencing on 1 July 2014, but did not have a material impact on the Group's accounting policies or on the consolidated interim financial report.

(a) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities, including whether entities have a current legally enforceable right of set-off which is not contingent on a future event and the criteria which evidence that the entity intends to settle on a net basis.

As the Group does not offset its financial assets and financial liabilities, and has no legally enforceable right to do so, the amendment had no impact on the measurement and classification of these balances and does not require any additional disclosures in the Group's consolidated interim financial report.

Note 1: Summary of significant accounting policies (continued)

(iii) New and amended standards adopted (continued)

(b) Interpretation 21 – Accounting for Levies

The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, specifically when to account for the liability if that liability falls within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.* As levies payable by the Group do not fall within the scope of AASB 137, the Interpretation has had no impact on the Group's consolidated interim financial report.

(c) AASB 2014-1 Amendments to Australian Accounting Standards

This amendment clarifies minor points across various accounting standards, but has had no material impact on the Group's consolidated interim financial report.

Note 2: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

a) Ultimate liability arising from claims made under insurance coverage

Provision is made for the estimated cost of claims incurred but not settled at balance date.

(i) Insurance risk assumptions

The estimation of outstanding claims liabilities is based largely on the assumption that past claims settlement patterns are an appropriate predictor of expected future claims settlement patterns and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process for establishing the outstanding claims provision involves extensive consultation with internal actuaries, claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior divisional management and the Chief Actuary.

The critical assumption in the determination of the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience.

(ii) Central estimate

The outstanding claims liability comprises the central estimate and a risk margin. The central estimate is an estimate of the level of claims liability that is intended to contain no intentional under or over estimation. The risk margin is added to the central estimate of outstanding claims to achieve a desired probability of adequacy.

The central estimate is determined based on 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 the results and qualitative information.

The central estimate is calculated excluding the impact of the Risk Equalisation Trust Fund. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Trust Fund.

Note 2: Critical accounting estimates and judgements (continued)

a) Ultimate liability arising from claims made under insurance coverage (continued)

(iii) Financial assumptions used to determine outstanding claims provision
The outstanding claims central estimate is discounted to net present value using a risk-free rate of return. The risk-free rate applied to the outstanding claims central estimate at 31 December 2014 is 2.77% which equates to a reduction in the central estimate of $1.4 million (30 June 2014: 2.71%, $1.5 million).

(iv) Bonus provisions
Certain private health insurance products of the Group include benefit categories - PackageBonus, Ultra Bonus and Membership Bonus, covering additional health related services. A feature of these benefit entitlements is that any unused portion in a calendar year is carried forward to future calendar years, subject to a limit of five years for PackageBonus and ten years for Membership Bonus. Ultra Bonus is carried forward without limit.

The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements in respect of current membership. The true cost of these entitlements cannot be known with certainty until any unclaimed entitlements vest.

(v) Risk margins
An overall risk margin is determined after consideration of the uncertainty surrounding the outstanding claims liabilities and claims provisions. The objective for the Group is to achieve at least a 95% probability of sufficiency (30 June 2014: 95%). The calculation of the risk margin has been based on an analysis of the past experience. This analysis examined the volatility of past payments in comparison to the central estimate.

The risk margin applied to the Group's outstanding claims central estimate at 31 December 2014 is 7.7% which equates to $25.2 million (30 June 2014: 7.7%, equated to $25.5 million).

(vi) Impact of changes in key variables on the outstanding claims provision
The impact of changes in key outstanding claims variables are summarised below. Each change has been calculated in isolation of the other changes and each change shows the impact on profit after tax and equity assuming that there is no change to another variable.

	Movement in variable	Financial Impact 31 Dec 2014	
		Profit/(loss) after tax $m	Equity $m
Central estimate	+5%	(13.4)	(13.4)
Central estimate	-5%	13.4	13.4
Discount rate	+1%	0.4	0.4
Discount rate	-1%	(0.4)	(0.4)
Risk margin	+1%	(2.3)	(2.3)
Risk margin	-1%	2.3	2.3
Weighted average term to settlement*	+1 month	0.6	0.6
Weighted average term to settlement*	-1 month	(0.6)	(0.6)

* The weighted average term to settlement reflects the estimate of when outstanding claims are expected to be paid.

Note 2: Critical accounting estimates and judgements (continued)

b) Classification and valuation of investments

The Group classifies investments in listed and unlisted securities as financial assets that back insurance liabilities and are therefore designated at initial recognition as at fair value through profit or loss. In determining the fair value of investments, if quoted market prices are not available, fair values are estimated on the basis of pricing models or other recognised valuation techniques. The assumptions used as inputs into these models include the value of variables such as risk-free rates, volatility, strike rates, time to expiry, credit-default swap levels, and correlations. Investments for which valuation is based on significant unobservable inputs as described above are those classified as level 3 in the fair value measurement hierarchy (refer Note 6).

c) Estimated impairment of goodwill and customer contracts and relationships

The Group tests whether goodwill and customer contract and relationship assets have suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they may be impaired.

Management have performed an assessment for indicators of impairment of the Group's intangible assets as at 31 December 2014 and have concluded that no indicators of impairment existed.

In the half-year period ended 31 December 2013, impairment testing was performed and an impairment charge recognised on the goodwill allocated to the Medibank Health Solutions Telehealth cash-generating unit (CGU) (refer Note 9). 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 2014.

Note 3: Segment information

a) Description of segments

Segment information is reported on the same basis as the Group's internal management reporting structure, which determines how the Group is organised and managed at the reporting date. Segment comparatives reflect the organisational changes that have occurred since the prior reporting period to present a like-for-like view.

For the half-year period ended 31 December 2014, the Group was organised for internal management reporting purposes into two reportable segments, Health Insurance and Complementary Services.

Health Insurance offers private health insurance (PHI) products including hospital cover and extras cover, as stand-alone products or packaged products that combine the two. Hospital cover provides policyholders with PHI cover for hospital treatments, whereas extras cover provides policyholders with PHI cover for healthcare services such as dental, optical and physiotherapy. The segment also offers health insurance products to overseas visitors and overseas students.

Complementary Services was identified as a reportable segment during the current half-year reporting period. The segment derives its revenue from a range of activities including contracting with government and corporate customers to provide health management services, as well as providing a range of telehealth services in Australia and New Zealand. In addition, the Group distributes diversified insurance products on behalf of other insurers as part of a broader strategy to retain policyholders and leverage its distribution network.

b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the half-year ended 31 December 2014 is as follows:

Note 3: Segment information (continued)

b) Segment information provided to the Managing Director (continued)

31 Dec 2014	Health Insurance $m	Complementary Services $m	Total $m
Revenues			
Total segment revenue	2,943.3	331.5	3,274.8
Inter-segment revenue	-	(5.1)	(5.1)
Revenue from external customers	**2,943.3**	**326.4**	**3,269.7**
Operating profit	**171.1**	**7.2**	**178.3**

31 Dec 2013	Health Insurance $m	Complementary Services $m	Total $m
Revenues			
Total segment revenue	2,797.4	373.4	3,170.8
Inter-segment revenue	-	(17.7)	(17.7)
Revenue from external customers	2,797.4	355.7	3,153.1
Operating profit	128.8	12.1	140.9

The Managing Director measures the performance of the Group's reportable segments based on the operating profit of those segments.

Impairment
Impairment of goodwill is not reported within the measure of profit or loss reported to the Managing Director, as the Managing Director regards such items to be one-off expenses outside of the normal trading activities of each segment.

Adjustment to risk margin on outstanding claims liability
No risk margin was applied to the outstanding claims liability as at 31 December 2013. The passage of time between the balance date and the approval of the prior year consolidated interim financial report allowed for certainty in deriving the central estimate and therefore no margin for risk was required.

Other items
Segment operating profit also excludes the following:

- interest, distribution and dividend income and related investment management expenses (refer Note 4(b)), as this represents income from outside of the Group's normal scope of operations and 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 Note 4(b)), as they are not indicative of the Group's long-term performance;
- other income of $3.8 million (31 December 2013: $1.5 million), which does not relate to the trading activities of the Group’s segments;
- depreciation, amortisation and operating expenses of the Group's Corporate function of $15.1 million (31 December 2013: $18.0 million), which are not allocated to operating segments; and
- IPO transaction costs of $13.3 million (31 December 2013: $nil), and income of $5.0 million (31 December 2013: $nil) from the reimbursement of a portion of these costs.

Note 3: Segment information (continued)

b) Segment information provided to the Managing Director (continued)

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

	Note	31 Dec 2014 $m	31 Dec 2013 $m
Total segment operating profit		**178.3**	140.9
Adjustment to risk margin on outstanding claims liability		-	22.6
Impairment expense - goodwill		-	(80.0)
Unallocated to operating segments:			
Corporate operating expenses		(15.1)	(18.0)
Net investment income	4(b)	43.4	64.7
IPO transaction costs		(13.3)	-
IPO reimbursement income		5.0	-
Other income		3.8	1.5
Profit for the half-year before income tax		**202.1**	131.7

c) Segment assets and segment liabilities

No information regarding segment assets and segment liabilities has been disclosed, as these amounts are not reported to the Managing Director for the purpose of making strategic decisions.

d) Geographic information

Segment revenues based on the geographical location of customers has not been disclosed, as the Group derives substantially all of its revenues from its Australian operations.

Note 4: Revenue and expenses

	Note	31 Dec 2014 $m	31 Dec 2013 $m
(a) Insurance underwriting result			
Private health insurance premium revenue		**2,943.3**	2,797.4
Claims expense			
Claims incurred	(i)	**(2,545.6)**	(2,444.7)
State levies		**(23.3)**	(22.9)
Net Risk Equalisation Trust Fund rebates		**33.8**	54.8
		(2,535.1)	(2,412.8)
Other claims expense		**-**	(1.1)
Net claims incurred		**(2,535.1)**	(2,413.9)
Underwriting expenses		**(237.1)**	(254.7)
Underwriting result after expenses		**171.1**	128.8

(i) Prior to elimination of transactions with the Group's other operating segments of $5.3 million (31 December 2013: $16.6 million).

	31 Dec 2014 $m	31 Dec 2013 $m
(b) Net investment income		
Interest	**28.2**	31.2
Trust distributions	**8.7**	8.1
Dividend income	**5.6**	2.5
Investment management fees	**(2.5)**	(2.4)
Net loss on fair value movements on financial assets	**(0.8)**	(10.4)
Net gain on disposal of financial assets	**4.2**	35.7
	43.4	64.7

Note 5: Income tax expense

	31 Dec 2014 $m	31 Dec 2013 $m
(a) Income tax expense		
Current tax	**52.7**	56.1
Deferred tax	**5.6**	6.5
Adjustment for tax of prior period	**-**	(1.9)
	58.3	60.7
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit for the half-year before income tax expense	**202.1**	131.7
Tax at the Australian tax rate of 30%	**60.6**	39.5
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**0.2**	-
Impairment of goodwill	**-**	24.0
Tax offset for franked dividends	**(0.9)**	(0.9)
Other items	**(1.6)**	-
	58.3	62.6
Adjustment for tax of prior period	**-**	(1.9)
Income tax expense	**58.3**	60.7
(c) Amounts recognised in other comprehensive income		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to other comprehensive income		
Net deferred tax - debited/(credited) directly to other comprehensive income relating to:		
Items that may be reclassified to profit or loss	**-**	**-**
Items that will not be reclassified to profit or loss	**-**	**-**
	-	**-**

Note 6: Fair value measurement of financial instruments

a) Fair value hierarchy

The Group classifies the fair value measurement of its investments by level, in accordance with the following fair value measurement hierarchy:

i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii. 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
iii. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 6: Fair value measurement of financial instruments (continued)

a) Fair value hierarchy (continued)

The following tables present the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2014 on a recurring basis:

31 Dec 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities	121.3	-	-	121.3
International equities	-	158.2	-	158.2
Property	0.4	111.8	-	112.2
Infrastructure	-	68.0	-	68.0
Fixed income	77.7	887.8	-	965.5
Derivatives	-	0.3	-	0.3
	199.4	**1,226.1**	**-**	**1,425.5**
Financial liabilities at fair value through profit or loss				
Derivatives	-	(0.4)	-	(0.4)
	-	**(0.4)**	**-**	**(0.4)**

30 Jun 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities	118.7	-	0.3	119.0
International equities	-	76.1	-	76.1
Property	0.3	109.1	-	109.4
Infrastructure	-	64.2	-	64.2
Fixed income	269.6	851.7	-	1,121.3
Derivatives	-	0.6	-	0.6
	388.6	1,101.7	0.3	1,490.6
Financial liabilities at fair value through profit or loss				
Derivatives	-	(0.3)	-	(0.3)
	-	(0.3)	-	(0.3)

In the financial year ended 30 June 2014, the Group classified its financial assets at fair value through profit or loss into unit trusts, Australian listed equities, debentures and notes, absolute return funds, private equity and derivatives. In the current half-year period, the classification of financial assets at fair value through profit of loss has been updated to reflect how management measures the performance of the portfolio, this now comprises the following categories; Australian equities, international equities, property, infrastructure, fixed income and derivatives. The balances for the comparative period have been classified based on the revised categories.

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.

Note 6: Fair value measurement of financial instruments (continued)

a) Fair value hierarchy (continued)

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2014.

The Group recognises any transfers into and transfers out of fair value hierarchy levels from the date of effect of the transfer. There were no significant transfers between the levels during the half-year period ended 31 December 2014.

b) 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 financial instruments that are not traded in an active market is determined using a variety of valuation techniques. The Group uses a variety of methods and makes assumptions that are 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 independent developed models. These instruments are included in level 2 classification.

The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2.

All other investments, where the valuation technique is based on significant unobservable inputs are included in level 3. There were no changes made during the half-year period to the valuation techniques applied as of 30 June 2014. Further information on the Group's level 3 financial instruments has not been provided as the balance at 31 December 2014 is nil (30 June 2014: $0.3 million).

Note 7: Property, plant and equipment

	Land and buildings $m	Plant and equipment $m	Leasehold improvements $m	Assets under construction $m	Total $m
Gross carrying amount					
Balance at 1 July 2014	38.2	38.3	65.6	68.5	**210.6**
Additions	-	2.4	3.6	-	**6.0**
Transfers in/(out)	-	14.6	53.4	(68.0)	**-**
Disposals	-	(5.5)	(14.3)	(0.1)	**(19.9)**
Revaluations	(0.1)	-	-	-	**(0.1)**
Assets held for sale (Note 21)	(10.7)	-	-	-	**(10.7)**
Balance at 31 December 2014	27.4	49.8	108.3	0.4	**185.9**
Accumulated depreciation and impairment					
Balance at 1 July 2014	(2.2)	(26.1)	(44.3)	-	**(72.6)**
Depreciation expense	(0.2)	(3.3)	(5.7)	-	**(9.2)**
Disposals	-	4.8	14.3	-	**19.1**
Revaluations	-	-	-	-	**-**
Assets held for sale (Note 21)	0.3	-	-	-	**0.3**
Balance at 31 December 2014	(2.1)	(24.6)	(35.7)	-	**(62.4)**
Closing net book amount					
As at 31 December 2014	**25.3**	**25.2**	**72.6**	**0.4**	**123.5**
As at 30 June 2014	36.0	12.2	21.3	68.5	138.0

Note 8: Deferred tax assets / liabilities

	31 Dec 2014 $m	30 Jun 2014 $m
Deferred tax balances comprise temporary differences attributable to items:		
Recognised in the income statement		
Trade and other receivables	**3.8**	1.1
Financial assets at fair value through profit and loss	**(19.5)**	(19.6)
Other assets	**(13.5)**	(11.2)
Property, plant and equipment	**3.3**	7.7
Intangible assets	**(17.3)**	(19.3)
Employee entitlements	**15.5**	19.5
Provisions and other payables	**26.6**	28.0
Business capital costs	**3.9**	2.1
	2.8	8.3
Recognised directly in other comprehensive income		
Revaluation of land and buildings	**(1.0)**	(1.0)
Actuarial loss on retirement benefit obligation	**1.0**	1.0
	-	-
Net deferred tax assets	**2.8**	8.3

Note 9: Intangible assets

	Goodwill $m	Customer Contracts & Relationships $m	Internally Generated Software $m	Acquired Software $m	Assets under construction $m	Total $m
Gross carrying amount						
Balance at 1 July 2014	199.5	82.1	209.1	17.9	42.7	**551.3**
Additions	-	-	0.1	-	23.4	**23.5**
Transfers in/(out)	-	-	9.5	-	(9.5)	**-**
Disposals	-	-	(1.9)	-	-	**(1.9)**
Balance at 31 December 2014	199.5	82.1	216.8	17.9	56.6	**572.9**
Accumulated amortisation and impairment						
Balance at 1 July 2014	(91.5)	(36.7)	(153.5)	(16.6)	(9.5)	**(307.8)**
Amortisation expense	-	(3.6)	(10.0)	(0.7)	-	**(14.3)**
Transfers in/(out)	-	-	(9.5)	-	9.5	**-**
Disposals	-	-	1.9	-	-	**1.9**
Balance at 31 December 2014	(91.5)	(40.3)	(171.1)	(17.3)	-	**(320.2)**
Closing net book amount						
As at 31 December 2014	**108.0**	**41.8**	**45.7**	**0.6**	**56.6**	**252.7**
As at 30 June 2014	108.0	45.4	55.6	1.3	33.2	243.5

(a) Impairment charge

Management have performed an assessment for indicators of impairment of the Group's intangible assets as at 31 December 2014 and have concluded that there are no indicators of impairment.

The impairment charge recognised for the period ended 31 December 2013 of $80.0 million related to the write-down of goodwill attributable to the Medibank Health Solutions Telehealth CGU. This CGU is included within the Complementary Services segment.

Note 10: Trade and other payables

	31 Dec 2014 $m	30 Jun 2014 $m
Current		
Trade creditors	**203.4**	266.0
Other creditors and accrued expenses	**64.5**	77.8
Lease incentives	**3.6**	0.6
Defined benefit superannuation fund	**0.7**	0.7
	272.2	345.1
Non-current		
Lease incentives	**36.6**	1.3
	36.6	1.3

Note 11: Claims liabilities

a) Gross claims liability

	Note	31 Dec 2014 $m	30 Jun 2014 $m
Current			
Outstanding claims liability - central estimate	(i), 2(a)(ii)	**316.8**	326.4
Risk margin	(ii), 2(a)(ii,v)	**24.7**	25.0
Claims handling costs	(iii)	**6.7**	6.9
		348.2	358.3
Claims liability - bonus provision	2(a)(iv)	**14.1**	22.3
Gross claims liability	11(b)	**362.3**	380.6
Non-current			
Outstanding claims liability - central estimate	(i), 2(a)(ii)	**5.7**	6.9
Risk margin	(ii), 2(a)(ii,v)	**0.5**	0.5
Claims handling costs	(iii)	**0.1**	0.1
		6.3	7.5
Claims liability - bonus provision	2(a)(iv)	**13.1**	19.0
Gross claims liability	11(b)	**19.4**	26.5

(i) The expected future payments of claims liabilities are discounted to present value using a risk-free rate of 2.77% pa (30 June 2014: 2.71% pa).

(ii) The risk margin of 7.7% (30 June 2014: 7.7%) of the underlying outstanding claims liability (net of risk equalisation) has been estimated to equate to a probability of adequacy of at least 95% (30 June 2014: 95%).

(iii) The allowance for claims handling costs at 31 December 2014 is 2.1% of the outstanding claims liability (30 June 2014: 2.1%).

Note 11: Claims liabilities (continued)

b) Reconciliation of movement in claims liabilities

	31 Dec 2014 $m	30 Jun 2014 $m
Balance at beginning of period (1 July)	**407.1**	406.6
Claims incurred during the period	**2,562.8**	4,952.4
Claims paid during the period	**(2,565.7)**	(4,925.1)
Amount over provided on central estimate	**(21.8)**	(33.5)
Risk margin	**(0.4)**	7.0
Claims handling costs	**(0.2)**	(0.3)
Movement in discount	**(0.1)**	-
Balance at end of period	**381.7**	407.1

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

Note 12: Unearned premium liability

	31 Dec 2014 $m	30 Jun 2014 $m
Current		
Unearned premium liability	**484.3**	621.4
	484.3	621.4
Non-current		
Unearned premium liability	**44.4**	43.5
	44.4	43.5

A reconciliation of the movement in the unearned premium liability for the half-year is as follows:

	31 Dec 2014 $m	30 Jun 2014 $m
Balance at beginning of period (1 July)	**664.9**	596.9
Deferral of premium on contracts written during the period	**379.8**	627.5
Earnings of premiums deferred in prior periods	**(516.0)**	(559.5)
Balance at end of period	**528.7**	664.9

Note: movement includes both current and non-current.

Note 13: Provisions

	31 Dec 2014 $m	30 Jun 2014 $m
Current		
Restructuring	**10.2**	24.7
Make good	**2.7**	2.3
Employee entitlements	**30.8**	42.0
Medical services	**13.6**	15.1
Other	**5.0**	5.6
	62.3	89.7
Non-current		
Restructuring	**10.6**	10.6
Make good	**6.4**	7.7
Employee entitlements	**21.1**	23.3
Other	**3.4**	3.6
	41.5	45.2

Note 14: Contributed equity

	31 Dec 2014 $m	30 Jun 2014 $m
(a) Fully paid ordinary shares		
Ordinary shares fully paid	**85.0**	85.0

(b) Movements in shares on issue

		Number of shares	$ per share	$m
1 July 2014	Opening balance	85,000,100	1.00	**85.0**
16 October 2014	Share split prior to IPO	2,669,003,140	-	**-**
31 December 2014	**Closing balance**	**2,754,003,240**		**85.0**

A share split took place prior to the Group's IPO in the half-year period ended 31 December 2014, whereby an additional 31.4 shares were issued for every one existing share. The share split did not increase the balance of the Group's contributed equity, as no new shares were issued.

Note 15: Dividends

(a) Dividends paid

	31 Dec 2014 $ per fully paid share	31 Dec 2014 $m	31 Dec 2013 $ per fully paid share	31 Dec 2013 $m
Special unfranked dividend - prior financial year	0.05	138.0	3.53	300.0
Final unfranked dividend - prior financial year	0.02	42.0	0.92	78.1
Special unfranked dividend - current financial year	0.02	58.8	-	-
	0.09	**238.8**	4.45	378.1

The special and final unfranked dividend for the financial year ended 30 June 2014 and the special unfranked dividend for the current financial year were paid on 30 October 2014. The dividend per share for the current half-year period has been calculated based on the number of shares outstanding at the payment date, subsequent to the share split (refer Note 14(b)). The dividend per share for the comparative period has been calculated based on the number of shares on issue prior to the share split.

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

(b) Franking account

The Group's franking account balance was reset to nil at the time of listing of Medibank Private's shares on 25 November 2014, as the Group cannot pass on to Australian resident shareholders the benefit of any franking credits accrued prior to the date of listing.

Note 16: Earnings per share

(a) Earnings per share for profit attributable to ordinary equity holders of the Company

	31 Dec 2014 Cents	31 Dec 2013 Cents
Basic earnings per share	**5.2**	2.6
Diluted earnings per share	**5.2**	2.6

A share split took place prior to the Group's IPO in the half-year period ended 31 December 2014 (refer Note 14(b)). The basic and diluted earnings per share presented for both the current and comparative half-year periods are calculated using the number of shares on issue following the share split.

Note 16: Earnings per share (continued)

(b) Earnings used in calculating basic and diluted earnings per share

	31 Dec 2014 $m	31 Dec 2013 $m
Profit for the half-year attributable to ordinary equity holders of the Company	143.8	71.0

(c) Weighted average number of ordinary shares used in calculating earnings per share

	Note	31 Dec 2014 Number of shares	31 Dec 2013 Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	14	2,754,003,240	2,754,003,240

Note 17: Contingencies

There were no material contingent assets or contingent liabilities pertaining to the Group at the end of the current reporting period.

Note 18: 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 consolidated interim financial report at 31 December 2014.

Note 19: Key management personnel remuneration

Medibank Private will grant performance rights with an underlying aggregate face value of $3,096,549 under a Performance Rights Plan to the Managing Director and other key management personnel as the long-term incentive component of their remuneration for the financial year ended 30 June 2015. The plan details are currently being finalised.

The total value of the arrangement will be expensed over the performance period, commencing on 1 December 2014 and ending on 30 June 2017. Specific conditions relating to EPS and total shareholder return must be satisfied over this period for the performance rights to vest. The estimated accounting expense for the half-year ended 31 December 2014 is less than $100,000.

Note 20: Reconciliation of profit after income tax to net cash flow from operating profit

	31 Dec 2014 $m	31 Dec 2013 $m
Profit for the half-year	**143.8**	71.0
Depreciation	**9.2**	8.5
Amortisation of intangibles assets	**14.3**	15.9
Amortisation of deferred acquisition costs	**6.6**	2.4
Impairment of intangible assets	**-**	80.0
Impairment of trade receivables	**0.1**	-
Net loss/(gain) on disposal of assets	**0.4**	(0.3)
Net realised gain on financial assets	**(4.2)**	(35.7)
Net unrealised loss on financial assets	**0.8**	10.4
Interest income	**(28.2)**	(31.2)
Dividend income reinvested	**(5.6)**	(2.5)
Trust distribution reinvested	**(8.7)**	(8.1)
Investment expenses	**2.5**	2.4
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**36.6**	(8.8)
Increase in inventories	**(0.1)**	-
Increase in deferred acquisition costs	**(14.4)**	(12.9)
Increase in other assets	**(1.7)**	(3.0)
Decrease in net deferred tax assets	**5.5**	6.5
Decrease in trade and other payables	**(44.7)**	(18.0)
Decrease in unearned premium liability	**(136.2)**	(97.6)
Decrease in claims liabilities	**(25.3)**	(55.0)
(Decrease)/increase in income tax liability	**(4.4)**	18.8
Decrease in provisions	**(31.2)**	(13.1)
Net cash outflow from operating activities	**(84.9)**	(70.3)

Note 21: Assets held for sale

	31 Dec 2014 $m	30 Jun 2014 $m
Non-current assets classified as held for sale:		
Land and buildings	**10.4**	-
	10.4	-

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group has identified and intends to sell two properties which were previously classified as property plant and equipment. The sales of both properties are expected to occur within the next twelve months.

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

(a) the financial statements and notes set out on pages 4 to 26 are in accordance with *the Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 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 AM
Chairman

George Savvides
Managing Director

20 February 2015
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, which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Medibank Private Limited Group (the consolidated entity). The consolidated entity comprises both Medibank Private Limited (the Company) and the entities it controlled during that half-year.

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 (including the Australian Accounting Interpretations) 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 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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*.

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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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

Mary Waldron
Partner

Melbourne
20 February 2015