

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)	For the Year Ended December 31,		
	2002	2001	2000
<b>REVENUES</b>			
Premiums	\$ 21,906	\$ 20,683	\$ 18,926
Services	2,894	2,490	1,964
Investment and Other Income	220	281	232
<b>Total Revenues</b>	<b>25,020</b>	23,454	21,122
<b>MEDICAL AND OPERATING COSTS</b>			
Medical Costs	18,192	17,644	16,155
Operating Costs	4,387	3,979	3,520
Depreciation and Amortization	255	265	247
<b>Total Medical and Operating Costs</b>	<b>22,834</b>	21,888	19,922
<b>EARNINGS FROM OPERATIONS</b>			
	2,186	1,566	1,200
Gain on Disposition of UnitedHealth Capital Investments	-	-	27
Interest Expense	(90)	(94)	(72)
<b>EARNINGS BEFORE INCOME TAXES</b>			
	2,096	1,472	1,155
Provision for Income Taxes	(744)	(559)	(419)
<b>NET EARNINGS</b>			
	\$ 1,352	\$ 913	\$ 736
<b>BASIC NET EARNINGS PER COMMON SHARE</b>			
	\$ 4.46	\$ 2.92	\$ 2.27
<b>DILUTED NET EARNINGS PER COMMON SHARE</b>			
	\$ 4.25	\$ 2.79	\$ 2.19
<b>BASIC WEIGHTED-AVERAGE NUMBER OF COMMON SHARES</b>			
OUTSTANDING	303.4	312.4	324.2
DILUTIVE EFFECT OF OUTSTANDING STOCK OPTIONS	14.7	14.4	12.3
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
ASSUMING DILUTION	318.1	326.8	336.5

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)	As of December 31,	
	2002	2001
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 1,130	\$ 1,540
Short-Term Investments	701	270
Accounts Receivable, net of allowances of \$132 and \$127	835	856
Assets Under Management	2,069	1,903
Deferred Income Taxes	389	316
Other Current Assets	50	61
Total Current Assets	5,174	4,946
Long-Term Investments	4,498	3,888
Property, Equipment and Capitalized Software, net of accumulated depreciation and amortization of \$456 and \$314	955	847
Goodwill	3,363	2,723
Other Intangible Assets, net of accumulated amortization of \$31 and \$23	122	27
Other Assets	52	55
<b>TOTAL ASSETS</b>	<b>\$ 14,164</b>	<b>\$ 12,486</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Medical Costs Payable	\$ 3,741	\$ 3,460
Accounts Payable and Accrued Liabilities	1,459	1,209
Other Policy Liabilities	1,781	1,595
Commercial Paper and Current Maturities of Long-Term Debt	811	684
Unearned Premiums	587	543
Total Current Liabilities	8,379	7,491
Long-Term Debt, less current maturities	950	900
Deferred Income Taxes and Other Liabilities	407	204
Commitments and Contingencies <i>(Note 12)</i>		
Shareholders' Equity		
Common Stock, \$0.01 par value – 1,500,000,000 shares authorized; 299,458,000 and 308,626,000 shares outstanding	3	3
Additional Paid-In Capital	173	39
Retained Earnings	4,104	3,805
Accumulated Other Comprehensive Income:		
Net Unrealized Gains on Investments, net of tax effects	148	44
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,428</b>	<b>3,891</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 14,164</b>	<b>\$ 12,486</b>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions)	Common Stock		Additional Paid-In Capital	Retained Earnings	Net Unrealized Gains on Investments	Total Shareholders' Equity	Comprehensive Income
	Shares	Amount					
<b>BALANCE AT DECEMBER 31, 1999</b>	335	\$ 3	\$ 250	\$ 3,445	\$ 165	\$ 3,863	
Issuances of Common Stock, and related tax benefits	13	-	349	-	-	349	
Common Stock Repurchases	(31)	-	(599)	(581)	-	(1,180)	
Comprehensive Income							
Net Earnings	-	-	-	736	-	736	\$ 736
Other Comprehensive Income Adjustments							
Change in Net Unrealized Gains							
on Investments, net of tax effects	-	-	-	-	(75)	(75)	(75)
Comprehensive Income							\$ 661
Common Stock Dividend	-	-	-	(5)	-	(5)	
<b>BALANCE AT DECEMBER 31, 2000</b>	317	3	-	3,595	90	3,688	
Issuances of Common Stock, and related tax benefits	11	-	474	-	-	474	
Common Stock Repurchases	(19)	-	(435)	(694)	-	(1,129)	
Comprehensive Income							
Net Earnings	-	-	-	913	-	913	\$ 913
Other Comprehensive Income Adjustments							
Change in Net Unrealized Gains							
on Investments, net of tax effects	-	-	-	-	(46)	(46)	(46)
Comprehensive Income							\$ 867
Common Stock Dividend	-	-	-	(9)	-	(9)	
<b>BALANCE AT DECEMBER 31, 2001</b>	309	3	39	3,805	44	3,891	
Issuances of Common Stock, and related tax benefits	12	-	905	-	-	905	
Common Stock Repurchases	(22)	-	(771)	(1,044)	-	(1,815)	
Comprehensive Income							
Net Earnings	-	-	-	1,352	-	1,352	\$ 1,352
Other Comprehensive Income Adjustments							
Change in Net Unrealized Gains							
on Investments, net of tax effects	-	-	-	-	104	104	104
Comprehensive Income							\$ 1,456
Common Stock Dividend	-	-	-	(9)	-	(9)	
<b>BALANCE AT DECEMBER 31, 2002</b>	299	\$ 3	\$ 173	\$ 4,104	\$ 148	\$ 4,428	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	For the Year Ended December 31,		
	2002	2001	2000
<b>OPERATING ACTIVITIES</b>			
Net Earnings	\$ 1,352	\$ 913	\$ 736
Noncash Items			
Depreciation and Amortization	255	265	247
Deferred Income Taxes and Other	154	40	73
Net Change in Other Operating Items, net of effects from acquisitions, sales of subsidiaries and changes in AARP balances			
Accounts Receivable and Other Current Assets	83	7	26
Medical Costs Payable	74	156	288
Accounts Payable and Accrued Liabilities	423	280	75
Other Policy Liabilities	70	131	87
Unearned Premiums	12	52	(11)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,423</b>	<b>1,844</b>	<b>1,521</b>
<b>INVESTING ACTIVITIES</b>			
Cash Paid for Acquisitions, net of cash assumed and other effects	(302)	(92)	(76)
Purchases of Property, Equipment and Capitalized Software	(419)	(425)	(245)
Purchases of Investments	(3,246)	(2,088)	(3,022)
Maturities and Sales of Investments	2,576	1,467	2,375
<b>CASH FLOWS USED FOR INVESTING ACTIVITIES</b>	<b>(1,391)</b>	<b>(1,138)</b>	<b>(968)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from Common Stock Issuances	205	178	228
Proceeds from (Payments of) Commercial Paper, net	(223)	275	(182)
Proceeds from Issuance of Long-Term Debt	400	250	400
Payments for Retirement of Long-Term Debt	-	(150)	-
Common Stock Repurchases	(1,815)	(1,129)	(1,180)
Dividends Paid	(9)	(9)	(5)
<b>CASH FLOWS USED FOR FINANCING ACTIVITIES</b>	<b>(1,442)</b>	<b>(585)</b>	<b>(739)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(410)</b>	<b>121</b>	<b>(186)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,540</b>	<b>1,419</b>	<b>1,605</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,130</b>	<b>\$ 1,540</b>	<b>\$ 1,419</b>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>			
Common Stock Issued for Acquisitions	\$ 567	\$ 163	\$ -

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