

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)	For the Year Ended December 31,		
	2004	2003	2002
REVENUES			
Premiums	\$ 33,495	\$ 25,448	\$ 21,906
Services	3,335	3,118	2,894
Investment and Other Income	388	257	220
Total Revenues	37,218	28,823	25,020
MEDICAL AND OPERATING COSTS			
Medical Costs	27,000	20,714	18,192
Operating Costs	5,743	4,875	4,387
Depreciation and Amortization	374	299	255
Total Medical and Operating Costs	33,117	25,888	22,834
EARNINGS FROM OPERATIONS			
	4,101	2,935	2,186
Interest Expense	(128)	(95)	(90)
EARNINGS BEFORE INCOME TAXES			
	3,973	2,840	2,096
Provision for Income Taxes	(1,386)	(1,015)	(744)
NET EARNINGS			
	\$ 2,587	\$ 1,825	\$ 1,352
BASIC NET EARNINGS PER COMMON SHARE			
	\$ 4.13	\$ 3.10	\$ 2.23
DILUTED NET EARNINGS PER COMMON SHARE			
	\$ 3.94	\$ 2.96	\$ 2.13
BASIC WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
	626	589	607
DILUTIVE EFFECT OF OUTSTANDING STOCK OPTIONS			
	30	28	29
DILUTED WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
	656	617	636

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)	As of December 31,	
	2004	2003
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,991	\$ 2,262
Short-Term Investments	514	486
Accounts Receivable, net of allowances of \$101 and \$88	906	745
Assets Under Management	1,930	2,019
Deferred Income Taxes	353	269
Other Current Assets	547	339
Total Current Assets	8,241	6,120
Long-Term Investments	7,748	6,729
Property, Equipment and Capitalized Software, net of accumulated depreciation and amortization of \$660 and \$538	1,139	1,032
Goodwill	9,470	3,509
Other Intangible Assets, net of accumulated amortization of \$103 and \$43	1,205	180
Other Assets	76	64
TOTAL ASSETS	\$ 27,879	\$ 17,634
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Medical Costs Payable	\$ 5,540	\$ 4,152
Accounts Payable and Accrued Liabilities	2,107	1,575
Other Policy Liabilities	1,933	2,117
Commercial Paper and Current Maturities of Long-Term Debt	673	229
Unearned Premiums	1,076	695
Total Current Liabilities	11,329	8,768
Long-Term Debt, less current maturities	3,350	1,750
Future Policy Benefits for Life and Annuity Contracts	1,669	1,517
Deferred Income Taxes and Other Liabilities	814	471
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Common Stock, \$0.01 par value – 1,500 shares authorized; 643 and 583 shares outstanding	6	6
Additional Paid-In Capital	3,095	58
Retained Earnings	7,484	4,915
Accumulated Other Comprehensive Income:		
Net Unrealized Gains on Investments, net of tax effects	132	149
TOTAL SHAREHOLDERS' EQUITY	10,717	5,128
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 27,879	\$ 17,634

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					
BALANCE AT DECEMBER 31, 2001	617	\$ 6	\$ 36	\$ 3,805	\$ 44	\$ 3,891	
Issuances of Common Stock, and related tax benefits	26	-	905	-	-	905	
Common Stock Repurchases	(44)	-	(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	<u>104</u>
Comprehensive Income							<u>\$ 1,456</u>
Common Stock Dividend	-	-	-	(9)	-	(9)	
BALANCE AT DECEMBER 31, 2002	599	6	170	4,104	148	4,428	
Issuances of Common Stock, and related tax benefits	17	-	490	-	-	490	
Common Stock Repurchases	(33)	-	(602)	(1,005)	-	(1,607)	
Comprehensive Income							
Net Earnings	-	-	-	1,825	-	1,825	\$ 1,825
Other Comprehensive Income Adjustments							
Change in Net Unrealized Gains on Investments, net of tax effects	-	-	-	-	1	1	<u>1</u>
Comprehensive Income							<u>\$ 1,826</u>
Common Stock Dividend	-	-	-	(9)	-	(9)	
BALANCE AT DECEMBER 31, 2003	583	6	58	4,915	149	5,128	
Issuances of Common Stock, and related tax benefits	111	1	6,482	-	-	6,483	
Common Stock Repurchases	(51)	(1)	(3,445)	-	-	(3,446)	
Comprehensive Income							
Net Earnings	-	-	-	2,587	-	2,587	\$ 2,587
Other Comprehensive Income Adjustments							
Change in Net Unrealized Gains on Investments, net of tax effects	-	-	-	-	(17)	(17)	<u>(17)</u>
Comprehensive Income							<u>\$ 2,570</u>
Common Stock Dividend	-	-	-	(18)	-	(18)	
BALANCE AT DECEMBER 31, 2004	643	\$ 6	\$ 3,095	\$ 7,484	\$ 132	\$ 10,717	

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	For the Year Ended December 31,		
	2004	2003	2002
OPERATING ACTIVITIES			
Net Earnings	\$ 2,587	\$ 1,825	\$ 1,352
Noncash Items			
Depreciation and Amortization	374	299	255
Deferred Income Taxes and Other	125	91	154
Net Change in Other Operating Items, net of effects from acquisitions, and changes in AARP balances			
Accounts Receivable and Other Current Assets	(30)	(46)	83
Medical Costs Payable	322	276	74
Accounts Payable and Accrued Liabilities	586	460	423
Other Policy Liabilities	37	87	70
Unearned Premiums	134	11	12
CASH FLOWS FROM OPERATING ACTIVITIES	4,135	3,003	2,423
INVESTING ACTIVITIES			
Cash Paid for Acquisitions, net of cash assumed and other effects	(2,225)	(590)	(302)
Purchases of Property, Equipment and Capitalized Software	(350)	(352)	(419)
Purchases of Investments	(3,190)	(2,583)	(3,246)
Maturities and Sales of Investments	4,121	2,780	2,576
CASH FLOWS USED FOR INVESTING ACTIVITIES	(1,644)	(745)	(1,391)
FINANCING ACTIVITIES			
Proceeds from (Payments of) Commercial Paper, net	194	(382)	(223)
Proceeds from Issuance of Long-Term Debt	2,000	950	400
Payments for Retirement of Long-Term Debt	(150)	(350)	-
Common Stock Repurchases	(3,446)	(1,607)	(1,815)
Proceeds from Common Stock Issuances	583	268	205
Dividends Paid	(18)	(9)	(9)
Other	75	4	-
CASH FLOWS USED FOR FINANCING ACTIVITIES	(762)	(1,126)	(1,442)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,729	1,132	(410)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,262	1,130	1,540
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,991	\$ 2,262	\$ 1,130
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Common Stock Issued for Acquisitions	\$ 5,557	\$ -	\$ 567

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