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WellChoice, Inc. can proudly look back on 2003, our first full year as a public company, as a year of meeting and exceeding our promises. We promised strong financial performance, significant managed care membership growth, a flexible product portfolio, world-class customer service and a continued commitment to quality. We are pleased to report that we have fulfilled the promises we made.

WellChoice delivered solid financial performance in 2003. For the year ended December 31, 2003, total revenue was $5.4 billion compared to $5.1 billion for the year ended December 31, 2002. We reported net income for the year of $201.1 million, or $2.41 per share. Our 2003 pre-tax net income from continuing operations increased 10.9% from 2002. Cash flow from operating activities was $295.1 million for the year compared to $182.7 for the year ended December 31, 2002. This strong financial performance was the result of revenue increases from the growth in self-funded accounts, disciplined pricing and stable claims trends, especially for commercial managed care products. In addition, administrative expense control contributed to this performance. Our administrative expense ratio for the year was 16.5%, 40 basis points better than 2002. Looking at administrative expense ratios on a premium equivalent basis provides a more realistic view of the Company's administrative costs due to the increasing significance of our self-funded business, which now accounts for more than one-third of our total members. Premium equivalents are the sum of premiums, service fees and paid claims attributable to our self-funded business for which we provide a range of services, including claims administration and membership and billing services. On a premium equivalent basis, the administrative expense ratio for the full year 2003 was 10.6%, a 90 basis point improvement compared to 11.5% for the full year 2002.

We continued to grow overall enrollment and to experience real momentum in commercial managed care membership growth. As of December 31, 2003, corporate membership stood at 4.8 million, an increase of 3.2% compared to the prior year. Enrollment in the Company's core commercial managed care segment, which excludes the New York State and New York City accounts, increased by 282,000 to just over 2.3 million members, a 14% increase since year-end 2002. Membership in our entire commercial managed care segment increased by 7.9% to 4,106,000 for the year. Self-funded membership grew 12.1% to 1,736,000 for the year ended December 31, 2003 and accounts for 36.5% of our overall membership.

We recognize that in order to meet market demands, we must offer a product portfolio that is flexible and competitive, and that surrounds our customers with indispensable value, including lower total cost, service excellence, and the security of a trusted brand. Last year our primary operating subsidiary, Empire Blue Cross Blue Shield, successfully launched a new point of service product, Direct POS. Targeted to small and middle market groups, Direct POS rounded out our existing managed care

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product portfolio comprised of traditional and open-access HMO products, as well as EPO and PPO plan designs. The new POS is based on our HMO provider network, the largest HMO network in our service area, and offers comprehensive hospital and medical coverage with a dozen or more flexible cost-sharing design options that enable employers to select a product that best meets their needs and the needs of their employees.

A continuing focus on delivering world-class customer service resulted in an 88.7% member satisfaction rate in 2003, one of the best in the industry. We achieved these results in part by utilizing a centralized service model that focuses on resolving claims through a single point of contact and by proactive outreach to our members. We also monitor our service levels in real-time via a corporate Intranet accessible to managers and supervisors at their desktops so that they are able to identify potential problems before they become serious issues. We use a variety of methods to help ensure member inquiries are handled quickly and effectively, including an intelligent call management system that forwards incoming calls to the first available customer service representative and call coaching techniques such as side-by-side monitoring of service calls. We also provide our key stakeholders—members, providers, employers, brokers, and, for the first time in 2003, hospital and ancillary facilities—with the ability for self service via dedicated Web portals accessible at www.empireblue.com.

We remain committed to providing our members with products and services that focus on quality care and to helping to ensure that our members receive the right care, at the right time, and in the right setting. We provide a comprehensive suite of programs and services seamlessly integrated to achieve optimal health outcomes for our members. Our programs focus on preventive care and wellness, provide savings and incentives for members and, for those members with acute or chronic conditions such as diabetes or cancer, offer case management and care coordination. For the third consecutive time, our two commercial HMO products,

$5.4b
total revenue

choice

HMO and Direct HMO, as well as Senior Plan, our Medicare+Choice HMO, earned an Excellent accreditation status from the National Committee for Quality Assurance (NCQA), further demonstrating our ongoing focus on and commitment to quality health care.

WellChoice is the health insurer of choice for groups of all sizes with varying product needs and pricing requirements. Six key marketplace differentiators continue to set us apart from our competitors:

- Through our Empire Blue Cross Blue Shield subsidiaries, we have the exclusive right to use the Blue Cross and Blue Shield names and marks in ten downstate New York counties and one or both of these names and marks in selected counties in upstate New York. Our Blue brand products convey trust and security, advantages we leverage in our highly competitive marketplace to attract additional customers and members.
- Our business is founded on a diverse customer base and a broad array of flexible products. Among our customers are large groups with over 500 employees, middle-market groups ranging from 51 to 500 employees, small groups of two to 50 employees, and individuals. We also have 1.2 million members through large national accounts, which consist of many Fortune 500 companies. We offer our products through the Empire Blue Cross Blue Shield or Blue Cross brands in 28 New York counties and the WellChoice brand in New Jersey. Our diverse product portfolio of health maintenance organizations (HMO), point of service plans (POS), exclusive provider organizations (EPO), preferred provider organizations (PPO), and indemnity products, offers customers choices in benefit and cost-sharing designs. Customers can also select from a variety of funding arrangements, including full risk and administrative services only (ASO).
- We take a disciplined approach to managing medical costs and improving quality, set upon a robust technological infrastructure. Our quality initiatives seek to

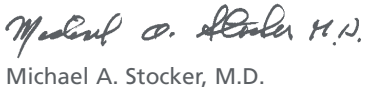
improve member health, avoid health risks and lower costs. Our use of innovative technologies helps identify high-risk members who can benefit from wellness, disease prevention, health education and early intervention programs.

- We adhere to strict underwriting standards and pricing disciplines that have been proven effective through our long experience in our principal markets. We continually review our underwriting and pricing guidelines on both a product-by-product basis and customer group-by-group basis to ensure our products remain competitive in terms of price and scope of benefits.
- We have a proven track record of responding to and meeting marketplace demands. Our commitment to flawless execution in everything we do enables us to identify market needs and rapidly respond with value-added products and services in the highly competitive New York marketplace.
- The management team at WellChoice is smart and dedicated, with in-depth knowledge about our marketplace and the broader health insurance industry. They are experienced, committed to innovation and dedicated to creating better healthcare solutions for our customers. And we think you would be hard pressed to find a better group of employees than the hard-working, creative and passionate staff at WellChoice.

WellChoice has a trusted brand in a market with high potential growth. We are positioned in the market with a solid capital base, strong networks, excellent customer service, technology leadership and the flexibility to offer new products. We understand what our members, providers, employer groups and brokers expect from us so that we not only meet, but anticipate, their health insurance needs. We are a company built around being responsive to these key constituent groups, and we are committed to providing the best health care and service in the industry.

We are proud of our accomplishments in 2003, and we believe that we are well positioned for continued growth in the year ahead.

Philip Briggs
Chairman



Michael A. Stocker, M.D.
President and Chief Executive Officer

4.8m
members