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Aetna

2003 First Quarter

# Financial Supplement

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**Financial Statistics**  
(\$ in Millions, except per common share data)

	Three Months Ended				
	Mar. 31, 2003	Mar. 31, 2002	Dec. 31, 2002	Change Mar. 31, 2003 - Mar. 31, 2002	Change Mar. 31, 2003 - Dec. 31, 2002
<b><u>Operating Earnings from Continuing Operations *</u></b>					
Operating Earnings	\$ 315.9	\$ 64.9	\$ 142.6	386.7 %	121.5 %
Operating Earnings per Common Share	\$ 2.03	\$ .44	\$ .92	361.4 %	120.7 %
Cash Operating Earnings	\$ 324.1	\$ 96.9	\$ 150.8	234.5 %	114.9 %
Cash Operating Earnings per Common Share	\$ 2.09	\$ .65	\$ .97	221.5 %	115.5 %
<b><u>Pretax Operating Margin *</u></b>					
Aetna Inc., including favorable development of prior-period medical cost estimates	11.9 %	3.2 %	5.4 %	8.7 pts.	6.5 pts.
Aetna Inc. - Adjusted	8.2 %		4.7 %	5.0 pts.	3.5 pts.
<b><u>After-tax Operating Margin *</u></b>					
Aetna Inc., including favorable development of prior-period medical cost estimates	7.7 %	2.2 %	3.6 %	5.5 pts.	4.1 pts.
Aetna Inc. - Adjusted	5.3 %		3.1 %	3.1 pts.	2.2 pts.
<b><u>Operating Expenses as % of Revenue *</u></b>					
Aetna Inc.	23.0 %	20.4 %	22.0 %	2.6 pts.	1.0 pts.
Health Care	25.3 %	22.3 %	24.6 %	3.0 pts.	.7 pts.
Group Insurance	11.6 %	10.5 %	9.0 %	1.1 pts.	2.6 pts.
Large Case Pensions	2.7 %	2.1 %	2.2 %	.6 pts.	.5 pts.
<b><u>Revenue by Segment *</u></b>					
Health Care	\$ 3,801.5	\$ 4,581.7	\$ 4,054.9	(17.0) %	(6.2) %
Group Insurance	453.6	438.1	449.7	3.5 %	.9 %
Large Case Pensions	189.7	239.5	236.4	(20.8) %	(19.8) %
Total Revenue	<u>\$ 4,444.8</u>	<u>\$ 5,259.3</u>	<u>\$ 4,741.0</u>	(15.5) %	(6.2) %
<b><u>Net Investment Income by Segment</u></b>					
Health Care	\$ 65.8	\$ 75.8	\$ 69.5	(13.2) %	(5.3) %
Group Insurance	66.0	66.1	65.0	(.2) %	1.5 %
Large Case Pensions	144.2	175.5	183.9	(17.8) %	(21.6) %
Total Net Investment Income	<u>\$ 276.0</u>	<u>\$ 317.4</u>	<u>\$ 318.4</u>	(13.0) %	(13.3) %

\* In order to provide a comparison that the Company believes provides useful information regarding its underlying performance, all operating earnings exclude the following from net income (loss): other items, net realized capital gains (loss), income from discontinued operations and cumulative effect adjustments. In addition, management uses operating earnings to assess performance and make operating decisions. The Company also displays certain metrics (e.g. medical cost ratios or MCRs) without favorable development of prior-period medical cost estimates to reflect the underlying decrease in the current period health care costs. For a reconciliation of financial measures calculated under accounting principles generally accepted in the United States of America (GAAP), refer to pages 2 and 10-12.

Refer to page 13 for definitions of terms used.

This document is supplemental to the Company's first quarter 2003 earnings press release and should be read in conjunction therewith and in conjunction with the Company's March 31, 2003 Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission. Please direct questions with respect to this material to Dennis Oakes, Vice President - Investor Relations, Aetna Inc., 151 Farmington Avenue, RW3H, Hartford, Connecticut 06156. Telephone: 860-273-6184. Email: oakesd@aetna.com.

**Financial Statistics (Continued)**

(\$ in Millions)

		<b>Three Months Ended</b>				
		<u>Mar. 31,</u> <u>2003</u>	<u>Mar. 31,</u> <u>2002</u>	<u>Dec. 31,</u> <u>2002</u>	<u>Change</u> <u>Mar. 31, 2003 -</u> <u>Mar. 31, 2002</u>	<u>Change</u> <u>Mar. 31, 2003 -</u> <u>Dec. 31, 2002</u>
<b><u>Health Care Premiums</u></b>						
Health Care Risk	(A)	\$ 3,269.0	\$ 4,044.8	\$ 3,538.3	(19.2) %	(7.6) %
Commercial Risk	(B)	\$ 3,045.2	\$ 3,766.3	\$ 3,299.5	(19.1) %	(7.7) %
Medicare HMO	(C)	\$ 223.8	\$ 274.0	\$ 238.7	(18.3) %	(6.2) %
<b><u>Health Care Costs</u></b>						
<b><u>Health Care Risk</u></b>						
Health care costs (GAAP measure)	(D)	\$ 2,367.9	\$ 3,448.2	\$ 2,861.7		
Favorable development of prior-period medical cost estimates		164.0	-	35.0		
Health care costs - Adjusted	(E)	<u>\$ 2,531.9</u>	<u>\$ 3,448.2</u>	<u>\$ 2,896.7</u>		
<b><u>Commercial Risk</u></b>						
Health care costs (GAAP measure)	(F)	\$ 2,191.3	\$ 3,226.7	\$ 2,657.1		
Favorable development of prior-period medical cost estimates		152.0	-	35.0		
Health care costs - Adjusted	(G)	<u>\$ 2,343.3</u>	<u>\$ 3,226.7</u>	<u>\$ 2,692.1</u>		
<b><u>Medicare HMO</u></b>						
Health care costs (GAAP measure)	(H)	\$ 176.9	\$ 220.5	\$ 206.2		
Favorable development of prior-period medical cost estimates		12.0	-	-		
Health care costs - Adjusted	(I)	<u>\$ 188.9</u>	<u>\$ 220.5</u>	<u>\$ 206.2</u>		
<b><u>Health Care Medical Cost Ratios</u></b>						
Health Care Risk (GAAP measure)	(D)/(A)	72.4 %	85.3 %	80.9 %	(12.9) pts.	(8.5) pts.
Health Care Risk - Adjusted	(E)/(A)	77.5 %		81.9 %	(7.8) pts.	(4.4) pts.
Commercial Risk (GAAP measure)	(F)/(B)	72.0 %	85.7 %	80.5 %	(13.7) pts.	(8.5) pts.
Commercial Risk - Adjusted	(G)/(B)	77.0 %		81.6 %	(8.7) pts.	(4.6) pts.
Medicare HMO (GAAP measure)	(H)/(C)	79.0 %	80.5 %	86.4 %	(1.5) pts.	(7.4) pts.
Medicare HMO - Adjusted	(I)/(C)	84.4 %			3.9 pts.	(2.0) pts.
<b><u>Health Care Costs Payable</u></b>		\$ 1,961.6	\$ 2,627.3	\$ 2,194.1		
<b><u>Days Claims Payable</u></b>		74.6	68.6	70.5		

Refer to page 13 for definitions of terms used.

**Earnings Summary**  
(\$ in Millions, except per common share data)

**Operating Earnings**

	<b>Three Months Ended</b>		
	<b>Mar. 31, 2003</b>	<b>Mar. 31, 2002</b>	<b>Dec. 31, 2002</b>
<b>Continuing operations</b>			
Health Care before amortization of other acquired intangible assets	\$ 301.5	\$ 76.7	\$ 128.9
Amortization of other acquired intangible assets	(8.2)	(32.0)	(8.2)
Health Care	293.3	44.7	120.7
Group Insurance	32.6	33.0	34.7
Large Case Pensions	6.8	6.3	7.1
Corporate Interest Expense	(16.8)	(19.1)	(19.9)
<b>Operating earnings from continuing operations</b>	<b>\$ 315.9</b>	<b>\$ 64.9</b>	<b>\$ 142.6</b>
Weighted average common shares - basic	150,981,679	144,980,117	151,179,125
Weighted average common shares - diluted	155,404,140	148,800,140	154,885,692
<b>Operating earnings from continuing operations per common share</b>			
Excluding other items	\$ 2.03	\$ .44	\$ .92
Including other items	\$ 2.03	\$ .57	\$ .73

**Net Income (Loss)**

<b>Operating earnings from continuing operations, excluding other items</b>	\$ 315.9	\$ 64.9	\$ 142.6
Other items:			
<b>Health Care Segment:</b>			
Income tax reserve release (prior period related)	-	19.8	-
Severance and facilities charge	-	-	(28.3)
<b>Group Insurance Segment:</b>			
Severance and facilities charge	-	-	(.9)
<b>Operating earnings from continuing operations, including other items</b>	<b>315.9</b>	<b>84.7</b>	<b>113.4</b>
Net realized capital gains (loss)	14.1	3.3	(15.2)
<b>Income from continuing operations</b>	<b>330.0</b>	<b>88.0</b>	<b>98.2</b>
Income from discontinued operations (1)	-	50.0	-
<b>Income before cumulative effect adjustment</b>	<b>330.0</b>	<b>138.0</b>	<b>98.2</b>
Cumulative effect adjustment (2)	-	(2,965.7)	-
<b>Net income (loss)</b>	<b>\$ 330.0</b>	<b>\$ (2,827.7)</b>	<b>\$ 98.2</b>

(1) During the three months ended March 31, 2002, the Company released \$50.0 million of federal tax reserves resulting from the resolution of several Internal Revenue Service audit issues related to former Aetna's property and casualty business.

(2) Relates to the adoption of a new accounting standard, FAS 142, *Goodwill and Other Intangible Assets*.

**Consolidating Statements of Income (Loss) by Segment - Continuing Operations**  
(\$ in Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
<b>Three Months Ended March 31, 2003</b>					
Revenue:					
Premiums	\$ 3,269.0	\$ 375.8	\$ 41.8	\$ -	\$ 3,686.6
Administrative services contract fees	464.6	10.9	-	-	475.5
Net investment income	65.8	66.0	144.2	-	276.0
Other income	2.1	.9	3.7	-	6.7
Total revenue, excluding net realized capital gains *	<u>3,801.5</u>	<u>453.6</u>	<u>189.7</u>	<u>-</u>	<u>4,444.8</u>
Benefits and expenses:					
Health care costs (1)	2,367.9	-	-	-	2,367.9
Current and future benefits	-	353.6	174.0	-	527.6
Operating expenses	962.5	52.8	5.1	-	1,020.4
Interest expense	-	-	-	25.9	25.9
Amortization of other acquired intangible assets	12.7	-	-	-	12.7
Total benefits and expenses	<u>3,343.1</u>	<u>406.4</u>	<u>179.1</u>	<u>25.9</u>	<u>3,954.5</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits)	458.4	47.2	10.6	(25.9)	490.3
Income taxes (benefits)	165.1	14.6	3.8	(9.1)	174.4
<b>Operating earnings (loss) from continuing operations</b>	<u>293.3</u>	<u>32.6</u>	<u>6.8</u>	<u>(16.8)</u>	<u>315.9</u>
Net realized capital gains, net of tax	8.6	2.5	3.0	-	14.1
Income (loss) from continuing operations	<u>\$ 301.9</u>	<u>\$ 35.1</u>	<u>\$ 9.8</u>	<u>\$ (16.8)</u>	<u>\$ 330.0</u>
<b>Three Months Ended March 31, 2002</b>					
Revenue:					
Premiums	\$ 4,044.8	\$ 362.6	\$ 59.3	\$ -	\$ 4,466.7
Administrative services contract fees	456.2	8.4	-	-	464.6
Net investment income	75.8	66.1	175.5	-	317.4
Other income	4.9	1.0	4.7	-	10.6
Total revenue, excluding net realized capital gains (loss) *	<u>4,581.7</u>	<u>438.1</u>	<u>239.5</u>	<u>-</u>	<u>5,259.3</u>
Benefits and expenses:					
Health care costs	3,448.2	-	-	-	3,448.2
Current and future benefits	-	343.5	224.1	-	567.6
Operating expenses	1,021.5	46.1	5.1	-	1,072.7
Interest expense	-	-	-	29.3	29.3
Amortization of other acquired intangible assets	49.2	-	-	-	49.2
Total benefits and expenses	<u>4,518.9</u>	<u>389.6</u>	<u>229.2</u>	<u>29.3</u>	<u>5,167.0</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other item	62.8	48.5	10.3	(29.3)	92.3
Income taxes (benefits)	18.1	15.5	4.0	(10.2)	27.4
<b>Operating earnings (loss) from continuing operations, excluding other item</b>	<u>44.7</u>	<u>33.0</u>	<u>6.3</u>	<u>(19.1)</u>	<u>64.9</u>
Income tax reserve release (prior period related)	19.8	-	-	-	19.8
<b>Operating earnings (loss) from continuing operations, including other item</b>	<u>64.5</u>	<u>33.0</u>	<u>6.3</u>	<u>(19.1)</u>	<u>84.7</u>
Net realized capital gains (loss), net of tax	2.5	1.7	(.9)	-	3.3
Income (loss) from continuing operations	<u>\$ 67.0</u>	<u>\$ 34.7</u>	<u>\$ 5.4</u>	<u>\$ (19.1)</u>	<u>\$ 88.0</u>

(1) Includes favorable development of prior-period medical cost estimates of approximately \$164 million pretax (approximately \$107 million after tax) in the Health Care Segment.

\* Refer to pages 10-12 for reconciliations of revenue calculated under GAAP for all periods.

**Health Care and Group Insurance Enrollment  
(Members in Thousands)**

	March 31, 2003			December 31, 2002			Risk % Change	Total % Change	March 31, 2002			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
<b>Medical:</b>													
Commercial													
HMO (1)	3,383	1,420	4,803	3,948	1,349	5,297	(14.3)	(9.3)	4,970	1,370	6,340	(31.9)	(24.2)
POS	97	2,144	2,241	101	2,514	2,615	(4.0)	(14.3)	145	2,567	2,712	(33.1)	(17.4)
PPO	747	3,533	4,280	753	3,171	3,924	(.8)	9.1	791	3,189	3,980	(5.6)	7.5
Indemnity	89	1,402	1,491	106	1,517	1,623	(16.0)	(8.1)	129	1,593	1,722	(31.0)	(13.4)
Total Commercial	4,316	8,499	12,815	4,908	8,551	13,459	(12.1)	(4.8)	6,035	8,719	14,754	(28.5)	(13.1)
Medicare HMO	108	-	108	117	-	117	(7.7)	(7.7)	135	-	135	(20.0)	(20.0)
Medicaid HMO	-	108	108	-	102	102	-	5.9	12	143	155	(100.0)	(30.3)
Total Medical	4,424	8,607	13,031	5,025	8,653	13,678	(12.0)	(4.7)	6,182	8,862	15,044	(28.4)	(13.4)
Total Dental	4,469	6,909	11,378	4,740	7,027	11,767	(5.7)	(3.3)	4,824	7,303	12,127	(7.4)	(6.2)
<b>Group Insurance:</b>													
Group Life			9,384			9,274		1.2			9,396		(.1)
Disability			2,192			2,210		(.8)			2,305		(4.9)
Long-Term Care			197			180		9.4			174		13.2
Total Group Insurance			11,773			11,664		.9			11,875		(.9)

	March 31, 2003			December 31, 2002			Risk % Change	Total % Change	March 31, 2002			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
<b>Regions:</b>													
Northeast	1,059	1,240	2,299	1,126	1,267	2,393	(6.0)	(3.9)	1,336	1,283	2,619	(20.7)	(12.2)
Mid-Atlantic	884	1,499	2,383	942	1,506	2,448	(6.2)	(2.7)	1,078	1,527	2,605	(18.0)	(8.5)
Southeast	757	1,432	2,189	847	1,395	2,242	(10.6)	(2.4)	1,002	1,439	2,441	(24.5)	(10.3)
North Central	400	2,026	2,426	487	2,032	2,519	(17.9)	(3.7)	729	2,066	2,795	(45.1)	(13.2)
Southwest	540	1,268	1,808	669	1,247	1,916	(19.3)	(5.6)	826	1,299	2,125	(34.6)	(14.9)
West	720	1,141	1,861	888	1,201	2,089	(18.9)	(10.9)	1,142	1,242	2,384	(37.0)	(21.9)
Other	64	1	65	66	5	71	(3.0)	(8.5)	69	6	75	(7.2)	(13.3)
Total Medical	4,424	8,607	13,031	5,025	8,653	13,678	(12.0)	(4.7)	6,182	8,862	15,044	(28.4)	(13.4)
Risk/ASC %	33.9%	66.1%	100.0%	36.7%	63.3%	100.0%	(2.8) pts.		41.1%	58.9%	100.0%	(7.2) pts.	

(1) At March 31, 2003, Commercial HMO includes 1,021 thousand POS members who access primary care physicians and referred care through an HMO network. There were 1,067 thousand such members at December 31, 2002 and 1,270 thousand at March 31, 2002.

Refer to page 13 for definitions of terms used.

**Consolidated Balance Sheets**  
(\$ in Millions)

	<b>Mar. 31,</b>	<b>Dec. 31,</b>		<b>Mar. 31,</b>	<b>Dec. 31,</b>
	<b>2003</b>	<b>2002 (1)</b>		<b>2003</b>	<b>2002 (1)</b>
<b>Assets</b>			<b>Liabilities and Shareholders' Equity</b>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,923.4	\$ 1,802.9	Health care costs payable	\$ 1,961.6	\$ 2,194.1
Investment securities	14,072.9	14,013.5	Future policy benefits	762.5	778.1
Other investments	429.1	358.0	Unpaid claims	612.7	590.0
Premiums receivable, net	346.5	392.0	Unearned premiums	178.8	184.1
Other receivables, net	573.0	286.2	Policyholders' funds	1,192.1	1,072.2
Accrued investment income	216.4	214.3	Collateral payable under securities loan agreements	767.9	969.0
Collateral received under securities loan agreements	767.9	969.0	Income taxes payable	449.7	322.5
Loaned securities	750.7	948.2	Accrued expenses and other current liabilities	<u>1,672.6</u>	<u>1,608.8</u>
Deferred income taxes	256.2	311.3	Total current liabilities	<u>7,597.9</u>	<u>7,718.8</u>
Other current assets	<u>194.3</u>	<u>163.9</u>			
Total current assets	<u>19,530.4</u>	<u>19,459.3</u>	Future policy benefits	8,300.7	8,333.3
			Unpaid claims	1,191.3	1,177.8
Long-term investments	1,769.5	1,754.9	Policyholders' funds	1,635.6	1,867.3
Mortgage loans	1,312.9	1,514.9	Long-term debt	1,633.2	1,633.2
Investment real estate	331.8	308.8	Other long-term liabilities	1,598.1	1,672.9
Reinsurance recoverables	1,231.2	1,251.8	Separate Accounts liabilities	<u>10,900.9</u>	<u>10,664.2</u>
Goodwill, net	3,618.4	3,618.4	Total liabilities	<u>32,857.7</u>	<u>33,067.5</u>
Other acquired intangible assets, net	534.2	546.9			
Property and equipment, net	230.8	244.8	<b>Shareholders' Equity</b>		
Deferred income taxes	516.0	472.5	Common stock and additional paid-in capital	4,113.7	4,070.9
Other long-term assets	253.9	211.0	Accumulated other comprehensive loss (2)	(450.9)	(470.4)
Separate Accounts assets	<u>10,900.9</u>	<u>10,664.2</u>	Retained earnings	<u>3,709.5</u>	<u>3,379.5</u>
			Total shareholders' equity	<u>7,372.3</u>	<u>6,980.0</u>
Total assets	<u>\$ 40,230.0</u>	<u>\$ 40,047.5</u>	Total liabilities and shareholders' equity	<u>\$ 40,230.0</u>	<u>\$ 40,047.5</u>

(1) Certain reclassifications have been made to the 2002 financial information to conform to the 2003 presentation.

(2) Includes net unrealized capital gains of \$300.0 million and \$282.0 million at March 31, 2003 and December 31, 2002, respectively and a minimum pension liability of (\$755.2) million at March 31, 2003 and December 31, 2002.



**Combining Balance Sheet**  
**December 31, 2002**  
(\$ in Millions)

	<b>Health Care and Group Insurance (1)</b>	<b>Large Case Pensions</b>	<b>Total</b>		<b>Health Care and Group Insurance (1)</b>	<b>Large Case Pensions</b>	<b>Total</b>
<b>Assets</b>				<b>Liabilities and Equity</b>			
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 1,668.1	\$ 134.8	\$ 1,802.9	Health care costs payable	\$ 2,194.1	\$ -	\$ 2,194.1
Investment securities	7,309.4	6,704.1	14,013.5	Future policy benefits	68.1	710.0	778.1
Other investments	156.4	201.6	358.0	Unpaid claims	589.5	.5	590.0
Premiums receivable, net	392.0	-	392.0	Unearned premiums	178.5	5.6	184.1
Other receivables, net	247.1	39.1	286.2	Policyholders' funds	350.5	721.7	1,072.2
Accrued investment income	93.3	121.0	214.3	Collateral payable under securities loan agreements	481.5	487.5	969.0
Collateral received under securities loan agreements	481.5	487.5	969.0	Income taxes payable	307.8	14.7	322.5
Loaned securities	471.3	476.9	948.2	Accrued expenses and other current liabilities	1,263.6	345.2	1,608.8
Deferred income taxes	294.8	16.5	311.3	Total current liabilities	5,433.6	2,285.2	7,718.8
Other current assets	148.2	15.7	163.9				
Total current assets	11,262.1	8,197.2	19,459.3	Future policy benefits	1,936.2	6,397.1	8,333.3
Long-term investments	1,190.5	564.4	1,754.9	Unpaid claims	1,177.8	-	1,177.8
Mortgage loans	513.7	1,001.2	1,514.9	Policyholders' funds	674.5	1,192.8	1,867.3
Investment real estate	169.8	139.0	308.8	Long-term debt	1,633.2	-	1,633.2
Reinsurance recoverables	1,234.5	17.3	1,251.8	Other long-term liabilities	1,654.4	18.5	1,672.9
Goodwill, net	3,618.4	-	3,618.4	Separate Accounts liabilities	7.4	10,656.8	10,664.2
Other acquired intangible assets, net	546.9	-	546.9	Total liabilities	12,517.1	20,550.4	33,067.5
Property and equipment, net	108.6	136.2	244.8				
Deferred income taxes	351.7	120.8	472.5	<b>Equity</b>			
Other long-term assets	211.0	-	211.0	Total equity	6,697.5	282.5	6,980.0
Separate Accounts assets	7.4	10,656.8	10,664.2				
Total assets	\$ 19,214.6	\$ 20,832.9	\$ 40,047.5	Total liabilities and equity	\$ 19,214.6	\$ 20,832.9	\$ 40,047.5

(1) Certain reclassifications have been made to the 2002 financial information to conform to the 2003 presentation.

**Condensed Consolidated Statements of Cash Flows**  
(\$ in Millions)

	Three Months Ended				
	Mar. 31, 2003	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002	Mar. 31, 2002
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ 330.0	\$ 98.2	\$ 98.8	\$ 108.2	\$ (2,827.7)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:					
Cumulative effect adjustment	-	-	-	-	2,965.7
Income from discontinued operations	-	-	-	-	(50.0)
Severance and facilities charges	-	45.0	89.0	27.0	-
Amortization of other acquired intangible assets	12.7	12.7	19.8	49.1	49.2
Depreciation and other amortization	41.9	44.7	44.4	40.0	41.6
Amortization (accretion) of net investment premium (discount)	12.1	(1.5)	17.8	(.8)	(4.2)
Net realized capital (gains) loss	(21.7)	23.3	(6.8)	(45.4)	(5.4)
Cash flow from operating activities before balance sheet changes	<u>375.0</u>	<u>222.4</u>	<u>263.0</u>	<u>178.1</u>	<u>169.2</u>
Changes in assets and liabilities:					
(Increase) decrease in accrued investment income	(2.1)	2.6	6.7	11.0	(2.3)
(Increase) decrease in premiums due and other receivables	56.2	162.5	(9.3)	56.4	143.3
Net change in income taxes	128.2	191.3	16.0	11.8	(.7)
Net change in other assets and other liabilities	(270.7) (1)	70.6	(107.8)	26.5	(54.1)
Net decrease in health care and insurance liabilities	(302.2) (2)	(72.0)	(194.3)	(299.4)	(481.0)
Other, net	(23.1)	(12.6)	(10.3)	8.4	10.4
<b>Net cash provided by (used for) operating activities</b>	<u>(38.7)</u>	<u>564.8</u>	<u>(36.0)</u>	<u>(7.2)</u>	<u>(215.2)</u>
<b>Cash flows from investing activities:</b>					
Proceeds from sales and investment maturities	5,833.9	5,023.4	5,242.1	4,005.2	5,658.0
Cost of investments	(5,565.3)	(5,454.3)	(4,524.0)	(4,113.5)	(5,070.7)
Increase in property and equipment	(26.3)	(41.1)	(45.4)	(38.6)	(30.4)
<b>Net cash provided by (used for) investing activities</b>	<u>242.3</u>	<u>(472.0)</u>	<u>672.7</u>	<u>(146.9)</u>	<u>556.9</u>
<b>Cash flows from financing activities:</b>					
Withdrawals of investment contracts, net	(101.1)	(77.4)	(176.2)	(111.2)	(100.2)
Repayment of short-term debt	-	-	-	-	(109.7)
Common shares issued under benefit plans	35.7	8.1	10.4	185.6	29.4
Common shares repurchased	(13.7)	(48.8)	(12.1)	(104.3)	-
Dividends paid to shareholders	-	(6.0)	-	-	-
Other, net	(4.0)	-	-	-	-
<b>Net cash used for financing activities</b>	<u>(83.1)</u>	<u>(124.1)</u>	<u>(177.9)</u>	<u>(29.9)</u>	<u>(180.5)</u>
Net increase (decrease) in cash and cash equivalents	120.5	(31.3)	458.8	(184.0)	161.2
Cash and cash equivalents, beginning of period	1,802.9	1,834.2	1,375.4	1,559.4	1,398.2
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,923.4</u>	<u>\$ 1,802.9</u>	<u>\$ 1,834.2</u>	<u>\$ 1,375.4</u>	<u>\$ 1,559.4</u>
<b>Reconciliation of net cash provided by (used for) operating activities to adjusted cash flow from operating activities:</b>					
Net cash provided by (used for) operating activities (above)	\$ (38.7)	\$ 564.8	\$ (36.0)	\$ (7.2)	\$ (215.2)
Change in reserves for Large Case Pensions	(69.5)	(43.4)	(51.5)	(78.7)	(98.6)
<b>Adjusted cash flow from operating activities</b>	<u>\$ 30.8</u>	<u>\$ 608.2</u>	<u>\$ 15.5</u>	<u>\$ 71.5</u>	<u>\$ (116.6)</u>

(1) Includes approximately \$68 million of severance and facilities reserve payments and \$65 million in pension plan contributions.

(2) Includes approximately \$150 million of net medical claim payments for reserves on lapsed members.

**Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure**  
(\$ in Millions, except per common share data)

		<b>Three Months Ended</b>		
		<b>Mar. 31, 2003</b>	<b>Mar. 31, 2002</b>	<b>Dec. 31, 2002</b>
<b>Reconciliation to Income from continuing operations before income taxes</b>				
Cash operating earnings, excluding interest expense, other items and favorable development	(A)	\$ 364.9	\$ 170.8	\$ 220.5
Favorable development of prior-period medical cost estimates		164.0	-	35.0
Cash operating earnings, excluding interest expense and other items	(B)	528.9	170.8	255.5
Interest expense		(25.9)	(29.3)	(30.5)
Amortization of other acquired intangible assets		(12.7)	(49.2)	(12.7)
Severance and facilities charge		-	-	(45.0)
Net realized capital gains (loss)		21.7	5.4	(23.3)
Income from continuing operations before income taxes (GAAP measure)	(C)	<u>\$ 512.0</u>	<u>\$ 97.7</u>	<u>\$ 144.0</u>
<b>Reconciliation to Income from continuing operations</b>				
Cash operating earnings, excluding interest expense, other items and favorable development	(D)	\$ 233.9	\$ 116.0	\$ 147.7
Favorable development of prior-period medical cost estimates, net of tax		107.0	-	23.0
Cash operating earnings, excluding interest expense and other items	(E)	340.9	116.0	170.7
Interest expense, net of tax		(16.8)	(19.1)	(19.9)
Cash operating earnings, excluding other items	(F)	324.1	96.9	150.8
Amortization of other acquired intangible assets, net of tax		(8.2)	(32.0)	(8.2)
Operating earnings, excluding other items	(G)	315.9	64.9	142.6
Income tax reserve release (prior period related)		-	19.8	-
Severance and facilities charge, net of tax		-	-	(29.2)
Operating earnings, including other items	(H)	315.9	84.7	113.4
Net realized capital gains (loss), net of tax		14.1	3.3	(15.2)
Income from continuing operations (GAAP measure)	(I)	<u>\$ 330.0</u>	<u>\$ 88.0</u>	<u>\$ 98.2</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains (loss)	(J)	\$ 4,444.8	\$ 5,259.3	\$ 4,741.0
Net realized capital gains (loss)		21.7	5.4	(23.3)
Total revenue (GAAP measure)	(K)	<u>\$ 4,466.5</u>	<u>\$ 5,264.7</u>	<u>\$ 4,717.7</u>
Weighted average common shares - diluted	(L)	155,404,140	148,800,140	154,885,692
<b>Operating earnings per common share:</b>				
Cash operating earnings	(F)/(L)	\$ 2.09	\$ .65	\$ .97
Operating earnings, excluding other items	(G)/(L)	\$ 2.03	\$ .44	\$ .92
Operating earnings, including other items	(H)/(L)	\$ 2.03	\$ .57	\$ .73
Income from continuing operations (GAAP measure)	(I)/(L)	\$ 2.12	\$ .59	\$ .63
<b>Operating margin</b>				
Pretax operating margin	(B)/(J)	11.9 %	3.2 %	5.4 %
Pretax operating margin - Adjusted	(A)/(J)	8.2 %		4.7 %
Pretax operating margin (GAAP measure)	(C)/(K)	11.5 %	1.9 %	3.1 %
After-tax operating margin	(E)/(J)	7.7 %	2.2 %	3.6 %
After-tax operating margin - Adjusted	(D)/(J)	5.3 %		3.1 %
After-tax operating margin (GAAP measure)	(I)/(K)	7.4 %	1.7 %	2.1 %

Refer to page 13 for definitions of terms used.

**Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure (Continued)**

(\$ in Millions)

		<b>Three Months Ended</b>		
		<u>Mar. 31,</u> <u>2003</u>	<u>Mar. 31,</u> <u>2002</u>	<u>Dec. 31,</u> <u>2002</u>
<b><u>Aetna Inc.</u></b>				
<b>Reconciliation of Operating Expenses</b>				
Operating expenses, excluding severance and facilities charge	(A)	\$ 1,020.4	\$ 1,072.7	\$ 1,045.1
Severance and facilities charge		-	-	45.0
Total operating expenses (GAAP measure)	(B)	<u>\$ 1,020.4</u>	<u>\$ 1,072.7</u>	<u>\$ 1,090.1</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains (loss)	(C)	\$ 4,444.8	\$ 5,259.3	\$ 4,741.0
Net realized capital gains (loss)		21.7	5.4	(23.3)
Total revenue (GAAP measure)	(D)	<u>\$ 4,466.5</u>	<u>\$ 5,264.7</u>	<u>\$ 4,717.7</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(A)/(C)	23.0 %	20.4 %	22.0 %
Total operating expenses as a % of total revenue (GAAP measure)	(B)/(D)	22.8 %	20.4 %	23.1 %
 <b><u>Health Care</u></b>				
<b>Reconciliation of Operating Expenses</b>				
Operating expenses, excluding severance and facilities charge	(E)	\$ 962.5	\$ 1,021.5	\$ 999.5
Severance and facilities charge		-	-	43.6
Total operating expenses (GAAP measure)	(F)	<u>\$ 962.5</u>	<u>\$ 1,021.5</u>	<u>\$ 1,043.1</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains (loss)	(G)	\$ 3,801.5	\$ 4,581.7	\$ 4,054.9
Net realized capital gains (loss)		13.3	4.1	(6.0)
Total revenue (GAAP measure)	(H)	<u>\$ 3,814.8</u>	<u>\$ 4,585.8</u>	<u>\$ 4,048.9</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(E)/(G)	25.3 %	22.3 %	24.6 %
Total operating expenses as a % of total revenue (GAAP measure)	(F)/(H)	25.2 %	22.3 %	25.8 %

**Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure (Continued)**

(\$ in Millions)

		<b>Three Months Ended</b>		
		<u>Mar. 31,</u> <u>2003</u>	<u>Mar. 31,</u> <u>2002</u>	<u>Dec. 31,</u> <u>2002</u>
<b>Group Insurance</b>				
<b>Reconciliation of Operating Expenses</b>				
Operating expenses, excluding severance and facilities charge	(A)	\$ 52.8	\$ 46.1	\$ 40.3
Severance and facilities charge		-	-	1.4
Total operating expenses (GAAP measure)	(B)	<u>\$ 52.8</u>	<u>\$ 46.1</u>	<u>\$ 41.7</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains (loss)	(C)	\$ 453.6	\$ 438.1	\$ 449.7
Net realized capital gains (loss)		3.8	2.7	(12.9)
Total revenue (GAAP measure)	(D)	<u>\$ 457.4</u>	<u>\$ 440.8</u>	<u>\$ 436.8</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(A)/(C)	11.6 %	10.5 %	9.0 %
Total operating expenses as a % of total revenue (GAAP measure)	(B)/(D)	11.5 %	10.5 %	9.5 %
<b>Large Case Pensions</b>				
<b>Reconciliation of Operating Expenses</b>				
Operating expenses, excluding severance and facilities charge	(E)	\$ 5.1	\$ 5.1	\$ 5.3
Severance and facilities charge		-	-	-
Total operating expenses (GAAP measure)	(F)	<u>\$ 5.1</u>	<u>\$ 5.1</u>	<u>\$ 5.3</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains (loss)	(G)	\$ 189.7	\$ 239.5	\$ 236.4
Net realized capital gains (loss)		4.6	(1.4)	(4.4)
Total revenue (GAAP measure)	(H)	<u>\$ 194.3</u>	<u>\$ 238.1</u>	<u>\$ 232.0</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(E)/(G)	2.7 %	2.1 %	2.2 %
Total operating expenses as a % of total revenue (GAAP measure)	(F)/(H)	2.6 %	2.1 %	2.3 %

## Definitions

**Cash Operating Earnings** are derived by adding back the amortization of other acquired intangible assets to operating earnings.

**Adjusted** noted on a financial statistic indicates that the statistic excludes favorable development of prior-period medical cost estimates.

**Health Care Risk** includes all medical and dental risk products.

**Commercial Risk** includes all medical and dental risk products except Medicare and Medicaid.

**Days Claims Payable** reflects the number of days of medical cost expense contained in Health Care Costs Payable, associated with risk plans and is calculated based on actual number of days in each respective period.

**Risk** includes all medical and dental products for which the Company assumes all or a majority of health care cost, utilization, or other risk.

**Administrative Services Contracts ("ASC")** include all medical and dental products offered on an employer-funded basis. Under employer-funded plans, the plan sponsor, not the Company, assumes all or a majority of health care cost, utilization, or other risk.