

# Financial Supplement



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This document is supplemental to the Company's first quarter 2004 earnings press release and should be read in conjunction therewith and in conjunction with the Company's March 31, 2004 Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission. Please direct questions with respect to this material to David Entekin, Vice President - Investor Relations, Aetna Inc., 151 Farmington Avenue, RE2T, Hartford, Connecticut 06156. Telephone: 860-273-7830. Email: [entekind@aetna.com](mailto:entekind@aetna.com).

**Financial Statistics**

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

	Three Months Ended				
	<u>Mar. 31,</u> <u>2004</u>	<u>Mar. 31,</u> <u>2003</u>	<u>Dec. 31,</u> <u>2003</u>	<u>Change</u> <u>Mar. 31, 2004 -</u> <u>Mar. 31, 2003</u>	<u>Change</u> <u>Mar. 31, 2004 -</u> <u>Dec. 31, 2003</u>
<b><u>Operating Earnings *</u></b>					
Operating Earnings	\$ 308.8	\$ 315.9	\$ 239.9	(2.2) %	28.7 %
Operating Earnings per Common Share	\$ 1.92	\$ 2.03	\$ 1.50	(5.4) %	28.0 %
Operating Earnings - Adjusted	\$ 281.8	\$ 208.9	\$ 211.9	34.9 %	33.0 %
Operating Earnings per Common Share - Adjusted	\$ 1.75	\$ 1.34	\$ 1.32	30.6 %	32.6 %
<b><u>Pretax Operating Margin *</u></b>					
Aetna Inc.	10.9 %	11.9 %	8.7 %	(1.0) pts.	2.2 pts.
Aetna Inc. - Adjusted	10.0 %	8.2 %	7.7 %	1.8 pts.	2.3 pts.
<b><u>After-tax Operating Margin *</u></b>					
Aetna Inc.	7.0 %	7.7 %	5.8 %	(.7) pts.	1.2 pts.
Aetna Inc. - Adjusted	6.4 %	5.3 %	5.2 %	1.1 pts.	1.2 pts.
<b><u>Operating Expenses as % of Revenue *</u></b>					
Aetna Inc.	20.5 %	23.0 %	22.4 %	(2.5) pts.	(1.9) pts.
Health Care	22.3 %	25.3 %	24.6 %	(3.0) pts.	(2.3) pts.
Group Insurance	11.5 %	11.6 %	12.2 %	(.1) pts.	(.7) pts.
Large Case Pensions	2.7 %	2.7 %	2.7 %	- pts.	- pts.
<b><u>Revenue by Segment *</u></b>					
Health Care	\$ 4,135.9	\$ 3,801.5	\$ 3,917.8	8.8 %	5.6 %
Group Insurance	472.8	453.6	459.3	4.2 %	2.9 %
Large Case Pensions	186.5	189.7	182.3	(1.7) %	2.3 %
Total Revenue	<u>\$ 4,795.2</u>	<u>\$ 4,444.8</u>	<u>\$ 4,559.4</u>	7.9 %	5.2 %
<b><u>Net Investment Income by Segment</u></b>					
Health Care	\$ 65.7	\$ 65.8	\$ 62.6	(.2) %	5.0 %
Group Insurance	71.3	66.0	71.1	8.0 %	.3 %
Large Case Pensions	134.5	144.2	143.9	(6.7) %	(6.5) %
Total Net Investment Income	<u>\$ 271.5</u>	<u>\$ 276.0</u>	<u>\$ 277.6</u>	(1.6) %	(2.2) %

\* In order to provide a comparison that the Company believes provides useful information regarding its underlying performance, all operating earnings exclude net realized capital gains (losses) from income from continuing operations. In addition, operating margins exclude interest expense and amortization of other acquired intangibles; furthermore, pretax operating margin also excludes income taxes. Management uses these measures to assess performance and make operating decisions. The Company also displays certain metrics (e.g., medical cost ratios, operating earnings, operating earnings per common share and operating margins) excluding changes to prior-period health care cost estimates to reflect underlying 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 2-3 and 9-11.

Refer to page 12 for definitions of terms used.

**Financial Statistics (Continued)**  
(\$ in Millions)

		Three Months Ended				
		Mar. 31, 2004	Mar. 31, 2003	Dec. 31, 2003	Change Mar. 31, 2004 - Mar. 31, 2003	Change Mar. 31, 2004 - Dec. 31, 2003
<b><u>Health Care Premiums</u></b>						
Health Care Risk	(A)	\$ 3,557.8	\$ 3,269.0	\$ 3,388.7	8.8 %	5.0 %
Commercial Risk	(B)	\$ 3,326.2	\$ 3,045.2	\$ 3,161.0	9.2 %	5.2 %
Medicare	(C)	\$ 231.6	\$ 223.8	\$ 227.7	3.5 %	1.7 %
<b><u>Health Care Costs</u></b>						
<b><u>Health Care Risk</u></b>						
Health care costs (GAAP measure)	(D)	\$ 2,741.8	\$ 2,367.9	\$ 2,616.5	15.8 %	4.8 %
Favorable development of prior-period health care cost estimates		41.0	164.0	43.0		
Health care costs - Adjusted	(E)	<u>\$ 2,782.8</u>	<u>\$ 2,531.9</u>	<u>\$ 2,659.5</u>	9.9 %	4.6 %
<b><u>Commercial Risk</u></b>						
Health care costs (GAAP measure)	(F)	\$ 2,546.3	\$ 2,191.3	\$ 2,421.9	16.2 %	5.1 %
Favorable development of prior-period health care cost estimates		36.0	152.0	43.0		
Health care costs - Adjusted	(G)	<u>\$ 2,582.3</u>	<u>\$ 2,343.3</u>	<u>\$ 2,464.9</u>	10.2 %	4.8 %
<b><u>Medicare</u></b>						
Health care costs (GAAP measure)	(H)	\$ 195.6	\$ 176.9	\$ 195.6	10.6 %	- %
Favorable development of prior-period health care cost estimates		5.0	12.0	-		
Health care costs - Adjusted	(I)	<u>\$ 200.6</u>	<u>\$ 188.9</u>	<u>\$ 195.6</u>	6.2 %	2.6 %
<b><u>Health Care Medical Cost Ratios *</u></b>						
Health Care Risk (GAAP measure)	(D)/(A)	77.1 %	72.4 %	77.2 %	4.7 pts.	(.1) pts.
Health Care Risk - Adjusted	(E)/(A)	78.2 %	77.5 %	78.5 %	.7 pts.	(.3) pts.
Commercial Risk (GAAP measure)	(F)/(B)	76.6 %	72.0 %	76.6 %	4.6 pts.	- pts.
Commercial Risk - Adjusted	(G)/(B)	77.6 %	77.0 %	78.0 %	.6 pts.	(.4) pts.
Medicare (GAAP measure)	(H)/(C)	84.5 %	79.0 %	85.9 %	5.5 pts.	(1.4) pts.
Medicare - Adjusted	(I)/(C)	86.6 %	84.4 %		2.2 pts.	.7 pts.
<b><u>Health Care Costs Payable</u></b>		\$ 1,915.0	\$ 1,961.6	\$ 1,888.7		
<b><u>Days Claims Payable</u></b>		63.6	74.6	66.4		

Refer to page 12 for definitions of terms used.

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

	<b>Three Months Ended</b>		
	<b>Mar. 31, 2004</b>	<b>Mar. 31, 2003</b>	<b>Dec. 31, 2003</b>
<b>Summary of Results</b>			
Health Care	\$ 288.4	\$ 293.3	\$ 214.1
Group Insurance	30.8	32.6	33.4
Large Case Pensions	6.1	6.8	9.3
Corporate Interest Expense	(16.5)	(16.8)	(16.9)
<b>Operating earnings</b>	<b>308.8</b>	<b>315.9</b>	<b>239.9</b>
Net realized capital gains	17.0	14.1	9.6
<b>Income from continuing operations (GAAP measure)</b>	<b>325.8</b>	<b>330.0</b>	<b>249.5</b>
Income from discontinued operations (1)	40.0	-	-
<b>Net income (GAAP measure)</b>	<b>\$ 365.8</b>	<b>\$ 330.0</b>	<b>\$ 249.5</b>
Operating earnings	\$ 308.8	\$ 315.9	\$ 239.9
Less: Favorable development of prior-period health care cost estimates	27.0	107.0	28.0
<b>Operating earnings - Adjusted</b>	<b>\$ 281.8</b>	<b>\$ 208.9</b>	<b>\$ 211.9</b>
Weighted average common shares - basic	153,918,359	150,981,679	153,086,405
Weighted average common shares - diluted	160,417,693	155,404,140	159,704,773
<b>Summary of Results Per Common Share</b>			
Operating earnings - Adjusted	\$ 1.75	\$ 1.34	\$ 1.32
Favorable development of prior-period health care cost estimates	.17	.69	.18
<b>Operating earnings</b>	<b>1.92</b>	<b>2.03</b>	<b>1.50</b>
Net realized capital gains	.11	.09	.06
<b>Income from continuing operations (GAAP measure)</b>	<b>2.03</b>	<b>2.12</b>	<b>1.56</b>
Income from discontinued operations	.25	-	-
<b>Net income (GAAP measure)</b>	<b>\$ 2.28</b>	<b>\$ 2.12</b>	<b>\$ 1.56</b>

(1) Income from discontinued operations of approximately \$40 million for the three months ended March 31, 2004 reflects the completion of certain Internal Revenue Service audits associated with businesses previously sold (former Aetna).

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

<b>Three Months Ended March 31, 2004</b>	<b>Health Care</b>	<b>Group Insurance</b>	<b>Large Case Pensions</b>	<b>Corporate Interest</b>	<b>Consolidated</b>
<b>Revenue:</b>					
Premiums	\$ 3,557.8	\$ 393.7	\$ 49.0	\$ -	\$ 4,000.5
Administrative services contract fees	505.3	6.9	-	-	512.2
Net investment income	65.7	71.3	134.5	-	271.5
Other income	7.1	.9	3.0	-	11.0
Total revenue, excluding net realized capital gains *	<u>4,135.9</u>	<u>472.8</u>	<u>186.5</u>	<u>-</u>	<u>4,795.2</u>
<b>Benefits and expenses:</b>					
Health care costs (1)	2,741.8	-	-	-	2,741.8
Current and future benefits	-	374.6	172.4	-	547.0
<b>Operating expenses:</b>					
Selling expenses	148.8	14.8	-	-	163.6
General and administrative expenses	775.4	39.7	5.0	-	820.1
Total operating expenses	<u>924.2</u>	<u>54.5</u>	<u>5.0</u>	<u>-</u>	<u>983.7</u>
Interest expense	-	-	-	25.5	25.5
Amortization of other acquired intangible assets	12.7	-	-	-	12.7
Total benefits and expenses	<u>3,678.7</u>	<u>429.1</u>	<u>177.4</u>	<u>25.5</u>	<u>4,310.7</u>
Operating earnings (loss), excluding income taxes (benefits)	<u>457.2</u>	<u>43.7</u>	<u>9.1</u>	<u>(25.5)</u>	<u>484.5</u>
Income taxes (benefits)	168.8	12.9	3.0	(9.0)	175.7
<b>Operating earnings (loss)</b>	<u>288.4</u>	<u>30.8</u>	<u>6.1</u>	<u>(16.5)</u>	<u>308.8</u>
Net realized capital gains, net of tax	7.1	7.9	2.0	-	17.0
Income (loss) from continuing operations	<u>\$ 295.5</u>	<u>\$ 38.7</u>	<u>\$ 8.1</u>	<u>\$ (16.5)</u>	<u>\$ 325.8</u>
<b>Three Months Ended March 31, 2003</b>					
<b>Revenue:</b>					
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>
<b>Benefits and expenses:</b>					
Health care costs (2)	2,367.9	-	-	-	2,367.9
Current and future benefits	-	353.6	174.0	-	527.6
<b>Operating expenses:</b>					
Selling expenses	133.1	12.8	-	-	145.9
General and administrative expenses	829.4	40.0	5.1	-	874.5
Total operating expenses	<u>962.5</u>	<u>52.8</u>	<u>5.1</u>	<u>-</u>	<u>1,020.4</u>
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), excluding income taxes (benefits)	<u>458.4</u>	<u>47.2</u>	<u>10.6</u>	<u>(25.9)</u>	<u>490.3</u>
Income taxes (benefits)	165.1	14.6	3.8	(9.1)	174.4
<b>Operating earnings (loss)</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>

(1) Includes favorable development of prior-period health care cost estimates of approximately \$41 million pretax (approximately \$27 million after tax) in the Health Care Segment.

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

\* Refer to pages 9-11 for reconciliations of revenue calculated under GAAP for all periods.

Refer to page 12 for definitions of terms used.

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

<b>Products</b>	<b>March 31, 2004</b>			<b>December 31, 2003</b>			<b>Risk % Change</b>	<b>Total % Change</b>	<b>March 31, 2003</b>			<b>Risk % Change</b>	<b>Total % Change</b>
	<b>Risk</b>	<b>ASC</b>	<b>Total</b>	<b>Risk</b>	<b>ASC</b>	<b>Total</b>			<b>Risk</b>	<b>ASC</b>	<b>Total</b>		
Medical:													
Commercial	4,415	8,721	13,136	4,353	8,430	12,783	1.4	2.8	4,316	8,499	12,815	2.3	2.5
Medicare	102	-	102	105	-	105	(2.9)	(2.9)	108	-	108	(5.6)	(5.6)
Medicaid	-	106	106	-	114	114	-	(7.0)	-	108	108	-	(1.9)
Total Medical	<u>4,517</u>	<u>8,827</u>	<u>13,344</u>	<u>4,458</u>	<u>8,544</u>	<u>13,002</u>	<u>1.3</u>	<u>2.6</u>	<u>4,424</u>	<u>8,607</u>	<u>13,031</u>	<u>2.1</u>	<u>2.4</u>
Dental	<u>4,599</u>	<u>6,615</u>	<u>11,214</u>	<u>4,435</u>	<u>6,507</u>	<u>10,942</u>	<u>3.7</u>	<u>2.5</u>	<u>4,469</u>	<u>6,909</u>	<u>11,378</u>	<u>2.9</u>	<u>(1.4)</u>
Pharmacy (1)			<u>8,057</u>			<u>7,521</u>		<u>7.1</u>			<u>7,431</u>		<u>8.4</u>
Group Insurance:													
Group Life			10,045			10,000		.5			9,384		7.0
Disability			2,141			2,085		2.7			2,192		(2.3)
Long-Term Care			208			203		2.5			197		5.6
Total Group Insurance			<u>12,394</u>			<u>12,288</u>		<u>.9</u>			<u>11,773</u>		<u>5.3</u>
Aetna Health Fund <sup>SM</sup> (2)			<u>183</u>			<u>44</u>		<u>315.9</u>			<u>38</u>		<u>381.6</u>

<b>Regions</b>	<b>March 31, 2004</b>			<b>December 31, 2003</b>			<b>Risk % Change</b>	<b>Total % Change</b>	<b>March 31, 2003</b>			<b>Risk % Change</b>	<b>Total % Change</b>
	<b>Risk</b>	<b>ASC</b>	<b>Total</b>	<b>Risk</b>	<b>ASC</b>	<b>Total</b>			<b>Risk</b>	<b>ASC</b>	<b>Total</b>		
Northeast	1,063	1,293	2,356	1,054	1,221	2,275	.9	3.6	1,059	1,240	2,299	.4	2.5
Mid-Atlantic	973	1,473	2,446	927	1,457	2,384	5.0	2.6	884	1,499	2,383	10.1	2.6
Southeast	776	1,423	2,199	779	1,415	2,194	(.4)	.2	757	1,432	2,189	2.5	.5
North Central	416	2,065	2,481	413	2,009	2,422	.7	2.4	400	2,026	2,426	4.0	2.3
Southwest	557	1,368	1,925	529	1,294	1,823	5.3	5.6	540	1,268	1,808	3.1	6.5
West	653	1,198	1,851	693	1,144	1,837	(5.8)	.8	720	1,141	1,861	(9.3)	(.5)
Other	79	7	86	63	4	67	25.4	28.4	64	1	65	23.4	32.3
Total Medical	<u>4,517</u>	<u>8,827</u>	<u>13,344</u>	<u>4,458</u>	<u>8,544</u>	<u>13,002</u>	<u>1.3</u>	<u>2.6</u>	<u>4,424</u>	<u>8,607</u>	<u>13,031</u>	<u>2.1</u>	<u>2.4</u>
Risk/ASC %	<u>33.9%</u>	<u>66.1%</u>	<u>100.0%</u>	<u>34.3%</u>	<u>65.7%</u>	<u>100.0%</u>	<u>(.4) pts.</u>		<u>33.9%</u>	<u>66.1%</u>	<u>100.0%</u>	<u>- pts.</u>	

(1) Pharmacy members include 7,693; 7,244 and 7,361 thousand members receiving pharmacy benefit management services and 364; 277 and 70 thousand members who purchased medications through Aetna's mail order pharmacy during the quarterly period at March 31, 2004; December 31, 2003 and March 31, 2003, respectively.

(2) Represents Aetna's Commercial members in consumer-directed health plan products.

Refer to page 12 for definitions of terms used.

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

	<b>Mar. 31, 2004</b>	<b>Dec. 31, 2003</b>		<b>Mar. 31, 2004</b>	<b>Dec. 31, 2003</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 708.0	\$ 1,433.4		\$ 1,915.0	\$ 1,888.7
Investment securities	15,450.2	14,990.5		815.2	811.1
Other investments	206.2	103.1		634.3	624.3
Premiums receivable, net	335.1	318.4		184.6	203.7
Other receivables, net	278.7	396.0		944.8	1,044.5
Accrued investment income	221.4	221.5		1,023.4	827.4
Collateral received under securities loan agreements	1,023.4	827.4		266.1	154.7
Loaned securities	1,002.6	810.6		1,663.4	1,813.1
Deferred income taxes	214.3	217.6		<u>7,446.8</u>	<u>7,367.5</u>
Other current assets	<u>262.1</u>	<u>238.3</u>			
Total current assets	<u>19,702.0</u>	<u>19,556.8</u>			
Long-term investments	1,563.0	1,521.5		8,072.6	8,085.7
Mortgage loans	1,318.3	1,353.1		1,164.0	1,159.4
Investment real estate	270.0	270.4		1,502.0	1,529.7
Reinsurance recoverables	1,193.5	1,196.3		1,627.3	1,613.7
Goodwill, net	3,681.5	3,679.5		1,184.8	1,413.4
Other acquired intangible assets, net	483.4	496.1		<u>12,218.6</u>	<u>11,856.8</u>
Property and equipment, net	258.6	267.5		<u>33,216.1</u>	<u>33,026.2</u>
Deferred income taxes	343.3	396.0			
Other long-term assets	359.2	356.2			
Separate Accounts assets	<u>12,218.6</u>	<u>11,856.8</u>			
Total assets	<u>\$ 41,391.4</u>	<u>\$ 40,950.2</u>			
			<b>Liabilities and shareholders' equity</b>		
			Current liabilities:		
			Health care costs payable	\$ 1,915.0	\$ 1,888.7
			Future policy benefits	815.2	811.1
			Unpaid claims	634.3	624.3
			Unearned premiums	184.6	203.7
			Policyholders' funds	944.8	1,044.5
			Collateral payable under securities loan agreements	1,023.4	827.4
			Income taxes payable	266.1	154.7
			Accrued expenses and other current liabilities	<u>1,663.4</u>	<u>1,813.1</u>
			Total current liabilities	<u>7,446.8</u>	<u>7,367.5</u>
			Future policy benefits	8,072.6	8,085.7
			Unpaid claims	1,164.0	1,159.4
			Policyholders' funds	1,502.0	1,529.7
			Long-term debt	1,627.3	1,613.7
			Other long-term liabilities	1,184.8	1,413.4
			Separate Accounts liabilities	<u>12,218.6</u>	<u>11,856.8</u>
			Total liabilities	<u>33,216.1</u>	<u>33,026.2</u>
			<b>Shareholders' equity</b>		
			Common stock and additional paid-in capital	3,837.9	4,024.8
			Accumulated other comprehensive loss (1)	(335.6)	(408.0)
			Retained earnings	<u>4,673.0</u>	<u>4,307.2</u>
			Total shareholders' equity	<u>8,175.3</u>	<u>7,924.0</u>
			Total liabilities and shareholders' equity	<u>\$ 41,391.4</u>	<u>\$ 40,950.2</u>

(1) Includes net unrealized capital gains related to FAS No. 115 of \$359.9 million and \$287.6 million at March 31, 2004 and December 31, 2003, respectively, and a minimum pension liability adjustment of (\$703.4) million at March 31, 2004 and December 31, 2003.

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

	March 31, 2004			December 31, 2003		
	Health Care and Group Insurance	Large Case Pensions	Total	Health Care and Group Insurance	Large Case Pensions	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 659.2	\$ 48.8	\$ 708.0	\$ 1,328.3	\$ 105.1	\$ 1,433.4
Investment securities	9,015.8	6,434.4	15,450.2	8,469.1	6,521.4	14,990.5
Other investments	50.4	155.8	206.2	21.6	81.5	103.1
Premiums receivable, net	335.1	-	335.1	318.4	-	318.4
Other receivables, net	253.0	25.7	278.7	311.8	84.2	396.0
Accrued investment income	105.2	116.2	221.4	103.6	117.9	221.5
Collateral received under securities loan agreements	480.4	543.0	1,023.4	428.6	398.8	827.4
Loaned securities	470.6	532.0	1,002.6	419.9	390.7	810.6
Deferred income taxes	193.9	20.4	214.3	193.1	24.5	217.6
Other current assets	253.1	9.0	262.1	227.7	10.6	238.3
Total current assets	<u>11,816.7</u>	<u>7,885.3</u>	<u>19,702.0</u>	<u>11,822.1</u>	<u>7,734.7</u>	<u>19,556.8</u>
Long-term investments	1,029.6	533.4	1,563.0	993.1	528.4	1,521.5
Mortgage loans	456.0	862.3	1,318.3	446.4	906.7	1,353.1
Investment real estate	163.8	106.2	270.0	165.3	105.1	270.4
Reinsurance recoverables	1,175.7	17.8	1,193.5	1,178.3	18.0	1,196.3
Goodwill, net	3,681.5	-	3,681.5	3,679.5	-	3,679.5
Other acquired intangible assets, net	483.4	-	483.4	496.1	-	496.1
Property and equipment, net	148.4	110.2	258.6	150.8	116.7	267.5
Deferred income taxes	227.7	115.6	343.3	257.5	138.5	396.0
Other long-term assets	359.2	-	359.2	356.2	-	356.2
Separate Accounts assets	9.4	12,209.2	12,218.6	9.1	11,847.7	11,856.8
Total assets	<u>\$ 19,551.4</u>	<u>\$ 21,840.0</u>	<u>\$ 41,391.4</u>	<u>\$ 19,554.4</u>	<u>\$ 21,395.8</u>	<u>\$ 40,950.2</u>
<b>Liabilities and shareholders' equity</b>						
Current liabilities:						
Health care costs payable	\$ 1,915.0	\$ -	\$ 1,915.0	\$ 1,888.7	\$ -	\$ 1,888.7
Future policy benefits	87.9	727.3	815.2	86.3	724.8	811.1
Unpaid claims	633.8	.5	634.3	623.9	.4	624.3
Unearned premiums	172.9	11.7	184.6	197.8	5.9	203.7
Policyholders' funds	434.5	510.3	944.8	426.5	618.0	1,044.5
Collateral payable under securities loan agreements	480.4	543.0	1,023.4	428.6	398.8	827.4
Income taxes payable	275.9	(9.8)	266.1	171.9	(17.2)	154.7
Accrued expenses and other current liabilities	1,252.4	411.0	1,663.4	1,458.0	355.1	1,813.1
Total current liabilities	<u>5,252.8</u>	<u>2,194.0</u>	<u>7,446.8</u>	<u>5,281.7</u>	<u>2,085.8</u>	<u>7,367.5</u>
Future policy benefits	1,881.9	6,190.7	8,072.6	1,864.9	6,220.8	8,085.7
Unpaid claims	1,164.0	-	1,164.0	1,159.4	-	1,159.4
Policyholders' funds	601.8	900.2	1,502.0	612.1	917.6	1,529.7
Long-term debt	1,627.3	-	1,627.3	1,613.7	-	1,613.7
Other long-term liabilities	1,098.8	86.0	1,184.8	1,344.2	69.2	1,413.4
Separate Accounts liabilities	9.4	12,209.2	12,218.6	9.1	11,847.7	11,856.8
Total liabilities	<u>11,636.0</u>	<u>21,580.1</u>	<u>33,216.1</u>	<u>11,885.1</u>	<u>21,141.1</u>	<u>33,026.2</u>
<b>Shareholders' equity</b>						
Total shareholders' equity	<u>7,915.4</u>	<u>259.9</u>	<u>8,175.3</u>	<u>7,669.3</u>	<u>254.7</u>	<u>7,924.0</u>
Total liabilities and shareholder's equity	<u>\$ 19,551.4</u>	<u>\$ 21,840.0</u>	<u>\$ 41,391.4</u>	<u>\$ 19,554.4</u>	<u>\$ 21,395.8</u>	<u>\$ 40,950.2</u>

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

	Three Months Ended								
	Mar. 31, 2004			Mar. 31, 2003			Dec. 31, 2003		
	Health Care and Group Insurance	Large Case Pensions	Total	Health Care and Group Insurance	Large Case Pensions	Total	Health Care and Group Insurance	Large Case Pensions	Total
Cash flows from operating activities:									
Net income	\$ 357.7	\$ 8.1	\$ 365.8	\$ 320.2	\$ 9.8	\$ 330.0	\$ 241.4	\$ 8.1	\$ 249.5
Adjustments to reconcile net income to net cash provided by (used for) operating activities:									
Income from discontinued operations	(40.0)	-	(40.0)	-	-	-	-	-	-
Amortization of other acquired intangible assets	12.7	-	12.7	12.7	-	12.7	12.7	-	12.7
Depreciation and other amortization	35.1	-	35.1	41.9	-	41.9	38.7	-	38.7
Amortization (accretion) of net investment premium (discount)	11.7	.1	11.8	10.2	1.9	12.1	16.5	(1.3)	15.2
Net realized capital (gains) losses	(23.0)	(3.1)	(26.1)	(17.1)	(4.6)	(21.7)	(17.1)	1.7	(15.4)
Cash flow from operating activities before balance sheet changes	354.2	5.1	359.3	367.9	7.1	375.0	292.2	8.5	300.7
Changes in assets and liabilities:									
(Increase) decrease in accrued investment income	(1.6)	1.7	.1	(5.7)	3.6	(2.1)	(6.1)	2.2	(3.9)
(Increase) decrease in premiums due and other receivables	(28.2)	(.5)	(28.7)	57.5	(1.3)	56.2	93.7	(1.1)	92.6
Net change in income taxes	200.7	4.8	205.5	127.8	.4	128.2	68.0	(7.3)	60.7
Net change in other assets and other liabilities	(452.4) (1)	13.9	(438.5)	(282.0)	11.3	(270.7)	7.5	(4.2)	3.3
Net increase (decrease) in health care and insurance liabilities	32.2	(58.7)	(26.5)	(232.7)	(69.5)	(302.2)	18.6	(77.8)	(59.2)
Other, net	(5.5)	(6.3)	(11.8)	(3.9)	(19.2)	(23.1)	(4.5)	(9.4)	(13.9)
<b>Net cash provided by (used for) operating activities</b>	<u>99.4</u>	<u>(40.0)</u>	<u>59.4</u>	<u>28.9</u>	<u>(67.6)</u>	<u>(38.7)</u>	<u>469.4</u>	<u>(89.1)</u>	<u>380.3</u>
Cash flows from investing activities:									
Proceeds from sales and investment maturities	2,347.6	1,009.6	3,357.2	3,428.8	2,405.1	5,833.9	2,405.5	1,435.6	3,841.1
Cost of investments	(2,862.2)	(876.0)	(3,738.2)	(3,464.6)	(2,100.7)	(5,565.3)	(2,985.3)	(1,318.8)	(4,304.1)
Increase in property and equipment	(34.2)	-	(34.2)	(26.3)	-	(26.3)	(42.7)	-	(42.7)
Cash used for acquisition, net of cash acquired	-	-	-	-	-	-	(53.5)	-	(53.5)
<b>Net cash (used for) provided by investing activities</b>	<u>(548.8)</u>	<u>133.6</u>	<u>(415.2)</u>	<u>(62.1)</u>	<u>304.4</u>	<u>242.3</u>	<u>(676.0)</u>	<u>116.8</u>	<u>(559.2)</u>
Cash flows from financing activities:									
Withdrawals of investment contracts, net	-	(156.2)	(156.2)	-	(101.1)	(101.1)	-	(98.0)	(98.0)
Common shares issued under benefit plans	140.4	-	140.4	35.7	-	35.7	45.4	-	45.4
Common shares repurchased	(363.8)	-	(363.8)	(13.7)	-	(13.7)	(109.3)	-	(109.3)
Dividends paid to shareholders	-	-	-	-	-	-	(6.1)	-	(6.1)
Other, net	3.7	6.3	10.0	(3.7)	(.3)	(4.0)	(7.4)	7.4	-
<b>Net cash (used for) provided by financing activities</b>	<u>(219.7)</u>	<u>(149.9)</u>	<u>(369.6)</u>	<u>18.3</u>	<u>(101.4)</u>	<u>(83.1)</u>	<u>(77.4)</u>	<u>(90.6)</u>	<u>(168.0)</u>
Net (decrease) increase in cash and cash equivalents	(669.1)	(56.3)	(725.4)	(14.9)	135.4	120.5	(284.0)	(62.9)	(346.9)
Cash and cash equivalents, beginning of period	1,328.3	105.1	1,433.4	1,668.1	134.8	1,802.9	1,612.3	168.0	1,780.3
<b>Cash and cash equivalents, end of period</b>	<u>\$ 659.2</u>	<u>\$ 48.8</u>	<u>\$ 708.0</u>	<u>\$ 1,653.2</u>	<u>\$ 270.2</u>	<u>\$ 1,923.4</u>	<u>\$ 1,328.3</u>	<u>\$ 105.1</u>	<u>\$ 1,433.4</u>

(1) Includes severance and facilities reserve payments of approximately \$17 million and voluntary pension plan contributions of approximately \$245 million pretax (approximately \$159 million after-tax) for the three months ended March 31, 2004.

**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, 2004</b>	<b>Mar. 31, 2003</b>	<b>Dec. 31, 2003</b>
<b>Reconciliation to Income from continuing operations before income taxes</b>				
Operating earnings, excluding interest expense, amortization of other acquired intangible assets and favorable development	(A)	\$ 481.7	\$ 364.9	\$ 351.6
Favorable development of prior-period health care cost estimates		41.0	164.0	43.0
Operating earnings, excluding interest expense and amortization of other acquired intangible assets	(B)	522.7	528.9	394.6
Interest expense		(25.5)	(25.9)	(25.9)
Amortization of other acquired intangible assets		(12.7)	(12.7)	(12.7)
Net realized capital gains		26.1	21.7	15.4
Income from continuing operations before income taxes (GAAP measure)	(C)	<u>\$ 510.6</u>	<u>\$ 512.0</u>	<u>\$ 371.4</u>
<b>Reconciliation to Income from continuing operations</b>				
Operating earnings, excluding interest expense, amortization of other acquired intangible assets and favorable development	(D)	\$ 306.6	\$ 233.9	\$ 237.1
Favorable development of prior-period health care cost estimates, net of tax		27.0	107.0	28.0
Operating earnings, excluding interest expense and amortization of other acquired intangible assets	(E)	333.6	340.9	265.1
Interest expense, net of tax		(16.5)	(16.8)	(16.9)
Amortization of other acquired intangible assets, net of tax		(8.3)	(8.2)	(8.3)
Net realized capital gains, net of tax		17.0	14.1	9.6
Income from continuing operations (GAAP measure)	(F)	<u>\$ 325.8</u>	<u>\$ 330.0</u>	<u>\$ 249.5</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains	(G)	\$ 4,795.2	\$ 4,444.8	\$ 4,559.4
Net realized capital gains		26.1	21.7	15.4
Total revenue (GAAP measure)	(H)	<u>\$ 4,821.3</u>	<u>\$ 4,466.5</u>	<u>\$ 4,574.8</u>
<b>Operating margin</b>				
Pretax operating margin	(B)/(G)	10.9 %	11.9 %	8.7 %
Pretax operating margin - Adjusted	(A)/(G)	10.0 %	8.2 %	7.7 %
Pretax operating margin (GAAP measure)	(C)/(H)	10.6 %	11.5 %	8.1 %
After-tax operating margin	(E)/(G)	7.0 %	7.7 %	5.8 %
After-tax operating margin - Adjusted	(D)/(G)	6.4 %	5.3 %	5.2 %
After-tax operating margin (GAAP measure)	(F)/(H)	6.8 %	7.4 %	5.5 %

**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>2004</u>	<u>Mar. 31,</u> <u>2003</u>	<u>Dec. 31,</u> <u>2003</u>
<b><u>Aetna Inc.</u></b>				
Total operating expenses (GAAP measure)	(A)	<u>\$ 983.7</u>	<u>\$ 1,020.4</u>	<u>\$ 1,023.3</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains	(B)	\$ 4,795.2	\$ 4,444.8	\$ 4,559.4
Net realized capital gains		26.1	21.7	15.4
Total revenue (GAAP measure)	(C)	<u>\$ 4,821.3</u>	<u>\$ 4,466.5</u>	<u>\$ 4,574.8</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(A)/(B)	20.5 %	23.0 %	22.4 %
Total operating expenses as a % of total revenue (GAAP measure)	(A)/(C)	20.4 %	22.8 %	22.4 %
<b><u>Health Care</u></b>				
Total operating expenses (GAAP measure)	(D)	<u>\$ 924.2</u>	<u>\$ 962.5</u>	<u>\$ 962.5</u>
<b>Reconciliation of Revenue</b>				
Revenue, excluding net realized capital gains	(E)	\$ 4,135.9	\$ 3,801.5	\$ 3,917.8
Net realized capital gains		10.9	13.3	8.4
Total revenue (GAAP measure)	(F)	<u>\$ 4,146.8</u>	<u>\$ 3,814.8</u>	<u>\$ 3,926.2</u>
<b>Operating expenses as a % of revenue</b>				
Operating expenses as a % of revenue	(D)/(E)	22.3 %	25.3 %	24.6 %
Total operating expenses as a % of total revenue (GAAP measure)	(D)/(F)	22.3 %	25.2 %	24.5 %

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

		<b>Three Months Ended</b>		
		<b>Mar. 31, 2004</b>	<b>Mar. 31, 2003</b>	<b>Dec. 31, 2003</b>
<b><u>Group Insurance</u></b>				
Total operating expenses (GAAP measure)	(A)	<u>\$ 54.5</u>	<u>\$ 52.8</u>	<u>\$ 55.9</u>
<b><u>Reconciliation of Revenue</u></b>				
Revenue, excluding net realized capital gains	(B)	\$ 472.8	\$ 453.6	\$ 459.3
Net realized capital gains		<u>12.1</u>	<u>3.8</u>	<u>8.7</u>
Total revenue (GAAP measure)	(C)	<u>\$ 484.9</u>	<u>\$ 457.4</u>	<u>\$ 468.0</u>
<b><u>Operating expenses as a % of revenue</u></b>				
Operating expenses as a % of revenue	(A)/(B)	11.5 %	11.6 %	12.2 %
Total operating expenses as a % of total revenue (GAAP measure)	(A)/(C)	11.2 %	11.5 %	11.9 %
<b><u>Large Case Pensions</u></b>				
Total operating expenses (GAAP measure)	(D)	<u>\$ 5.0</u>	<u>\$ 5.1</u>	<u>\$ 4.9</u>
<b><u>Reconciliation of Revenue</u></b>				
Revenue, excluding net realized capital gains (losses)	(E)	\$ 186.5	\$ 189.7	\$ 182.3
Net realized capital gains (losses)		<u>3.1</u>	<u>4.6</u>	<u>(1.7)</u>
Total revenue (GAAP measure)	(F)	<u>\$ 189.6</u>	<u>\$ 194.3</u>	<u>\$ 180.6</u>
<b><u>Operating expenses as a % of revenue</u></b>				
Operating expenses as a % of revenue	(D)/(E)	2.7 %	2.7 %	2.7 %
Total operating expenses as a % of total revenue (GAAP measure)	(D)/(F)	2.6 %	2.6 %	2.7 %

## Definitions

**Adjusted** noted on a financial statistic indicates that the statistic excludes favorable development of prior-period health care 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.

**Selling Expenses** are comprised of broker commissions, the variable component of our internal sales force compensation and premium taxes.

**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.

**Commercial** includes HMO, POS, PPO and Indemnity products.