
Aetna

2003 Second Quarter

Financial Supplement

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This document is supplemental to the Company's second quarter 2003 earnings press release and should be read in conjunction therewith and in conjunction with the Company's June 30, 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 David Entrekin, Vice President - Investor Relations, Aetna Inc., 151 Farmington Avenue, RW3H, Hartford, Connecticut 06156. Telephone: 860-273-7830. Email: entrekind@aetna.com.

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

	Three Months Ended					Six Months Ended		
	Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Change Jun. 30, 2003 - Jun. 30, 2002	Change Jun. 30, 2003 - Mar. 31, 2002	Jun. 30, 2003	Jun. 30, 2002	Change Jun. 30, 2003 - Jun. 30, 2002
<u>Operating Earnings from Continuing Operations *</u>								
Operating Earnings	\$ 203.9	\$ 91.3	\$ 315.9	123.3 %	(35.5) %	\$ 519.8	\$ 156.2	232.8 %
Operating Earnings per Common Share	\$ 1.28	\$.59	\$ 2.03	116.9 %	(36.9) %	\$ 3.31	\$ 1.03	221.4 %
Cash Operating Earnings	\$ 212.2	\$ 123.2	\$ 324.1	72.2 %	(34.5) %	\$ 536.3	\$ 220.1	143.7 %
Cash Operating Earnings per Common Share	\$ 1.33	\$.80	\$ 2.09	66.3 %	(36.4) %	\$ 3.41	\$ 1.46	133.6 %
<u>Pretax Operating Margin *</u>								
Aetna Inc., including favorable development of prior-period medical cost estimates	8.1 %	4.2 %	11.9 %	3.9 pts.	(3.8) pts.	10.0 %	3.7 %	6.3 pts.
Aetna Inc. - Adjusted	8.1 %	3.0 %	8.2 %	5.1 pts.	(.1) pts.			
<u>After-tax Operating Margin *</u>								
Aetna Inc., including favorable development of prior-period medical cost estimates	5.1 %	2.9 %	7.7 %	2.2 pts.	(2.6) pts.	6.4 %	2.5 %	3.9 pts.
Aetna Inc. - Adjusted	5.1 %	2.0 %	5.3 %	3.1 pts.	(.2) pts.			
<u>Operating Expenses as % of Revenue *</u>								
Aetna Inc.	22.7 %	21.1 %	23.0 %	1.6 pts.	(.3) pts.	22.8 %	20.8 %	2.0 pts.
Health Care	25.0 %	23.2 %	25.3 %	1.8 pts.	(.3) pts.	25.2 %	22.8 %	2.4 pts.
Group Insurance	12.0 %	10.2 %	11.6 %	1.8 pts.	.4 pts.	11.8 %	10.4 %	1.4 pts.
Large Case Pensions	2.4 %	2.3 %	2.7 %	.1 pts.	(.3) pts.	2.5 %	2.2 %	.3 pts.
<u>Revenue by Segment *</u>								
Health Care	\$ 3,800.0	\$ 4,349.6	\$ 3,801.5	(12.6) %	-	\$ 7,601.5	\$ 8,931.3	(14.9) %
Group Insurance	457.7	438.8	453.6	4.3 %	.9 %	911.3	876.9	3.9 %
Large Case Pensions	193.7	230.4	189.7	(15.9) %	2.1 %	383.4	469.9	(18.4) %
Total Revenue	<u>\$ 4,451.4</u>	<u>\$ 5,018.8</u>	<u>\$ 4,444.8</u>	(11.3) %	.1 %	<u>\$ 8,896.2</u>	<u>\$ 10,278.1</u>	(13.4) %
<u>Net Investment Income by Segment</u>								
Health Care	\$ 58.6	\$ 74.4	\$ 65.8	(21.2) %	(10.9) %	\$ 124.4	\$ 150.2	(17.2) %
Group Insurance	68.8	68.9	66.0	(.1) %	4.2 %	134.8	135.0	(.1) %
Large Case Pensions	145.9	174.9	144.2	(16.6) %	1.2 %	290.1	350.4	(17.2) %
Total Net Investment Income	<u>\$ 273.3</u>	<u>\$ 318.2</u>	<u>\$ 276.0</u>	(14.1) %	(1.0) %	<u>\$ 549.3</u>	<u>\$ 635.6</u>	(13.6) %

* 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 (losses), income from discontinued operations and cumulative effect adjustment. 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 and operating margins) excluding changes to prior-period medical 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 and 11-13.

Refer to page 14 for definitions of terms used.

Financial Statistics (Continued)
(\$ in Millions)

		Three Months Ended					Six Months Ended		
		Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Change Jun. 30, 2003 - Jun. 30, 2002	Change Jun. 30, 2003 - Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002	Change Jun. 30, 2003 - Jun. 30, 2002
Health Care Premiums									
Health Care Risk	(A)	\$ 3,276.1	\$ 3,817.5	\$ 3,269.0	(14.2) %	.2 %	\$ 6,545.1	\$ 7,862.3	(16.8) %
Commercial Risk	(B)	\$ 3,044.6	\$ 3,557.4	\$ 3,045.2	(14.4) %	-	\$ 6,089.8	\$ 7,323.7	(16.8) %
Medicare HMO	(C)	\$ 231.5	\$ 255.3	\$ 223.8	(9.3) %	3.4 %	\$ 455.3	\$ 529.3	(14.0) %
Health Care Costs									
<u>Health Care Risk</u>									
Health care costs (GAAP measure)	(D)	\$ 2,553.4	\$ 3,189.7	\$ 2,367.9			\$ 4,921.3	\$ 6,637.9	
Favorable development of prior-period medical cost estimates		3.0 (1)	65.0	164.0					
Health care costs - Adjusted	(E)	<u>\$ 2,556.4</u>	<u>\$ 3,254.7</u>	<u>\$ 2,531.9</u>					
<u>Commercial Risk</u>									
Health care costs (GAAP measure)	(F)	\$ 2,345.5	\$ 2,973.8	\$ 2,191.3			\$ 4,536.8	\$ 6,200.5	
Favorable development of prior-period medical cost estimates		9.0	55.0	152.0					
Health care costs - Adjusted	(G)	<u>\$ 2,354.5</u>	<u>\$ 3,028.8</u>	<u>\$ 2,343.3</u>					
<u>Medicare HMO</u>									
Health care costs (GAAP measure)	(H)	\$ 207.9	\$ 211.5	\$ 176.9			\$ 384.8	\$ 432.0	
(Unfavorable) favorable development of prior-period medical cost estimates		(6.0)	10.0	12.0					
Health care costs - Adjusted	(I)	<u>\$ 201.9</u>	<u>\$ 221.5</u>	<u>\$ 188.9</u>					
Health Care Medical Cost Ratios *									
Health Care Risk (GAAP measure)	(D)/(A)	77.9 %	83.6 %	72.4 %	(5.7) pts.	5.5 pts.	75.2 %	84.4 %	(9.2) pts.
Health Care Risk - Adjusted	(E)/(A)	78.0 %	85.3 %	77.5 %	(7.3) pts.	.5 pts.			
Commercial Risk (GAAP measure)	(F)/(B)	77.0 %	83.6 %	72.0 %	(6.6) pts.	5.0 pts.	74.5 %	84.7 %	(10.2) pts.
Commercial Risk - Adjusted	(G)/(B)	77.3 %	85.1 %	77.0 %	(7.8) pts.	.3 pts.			
Medicare HMO (GAAP measure)	(H)/(C)	89.8 %	82.8 %	79.0 %	7.0 pts.	10.8 pts.	84.5 %	81.6 %	2.9 pts.
Medicare HMO - Adjusted	(I)/(C)	87.2 %	86.8 %	84.4 %	.4 pts.	2.8 pts.			
Health Care Costs Payable		\$ 1,904.4	\$ 2,413.1	\$ 1,961.6					
Days Claims Payable		67.9	68.8	74.6					

(1) Refer to footnote 1 on page 4.

Refer to page 14 for definitions of terms used.

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

Operating Earnings

	Three Months Ended			Six Months Ended	
	Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002
Operating earnings from continuing operations					
Health Care before amortization of other acquired intangible assets	\$ 184.0	\$ 100.2	\$ 301.5	\$ 485.5	\$ 176.9
Amortization of other acquired intangible assets	(8.3)	(31.9)	(8.2)	(16.5)	(63.9)
Health Care	175.7	68.3	293.3	469.0	113.0
Group Insurance	35.4	36.3	32.6	68.0	69.3
Large Case Pensions	9.4	6.9	6.8	16.2	13.2
Corporate Interest Expense	(16.6)	(20.2)	(16.8)	(33.4)	(39.3)
Operating earnings from continuing operations	\$ 203.9	\$ 91.3	\$ 315.9	\$ 519.8	\$ 156.2
Weighted average common shares - basic	153,180,761	148,908,828	150,981,679	152,085,422	146,960,876
Weighted average common shares - diluted	159,626,738	154,831,692	155,404,140	157,154,652	151,256,715
Operating earnings from continuing operations per common share					
Excluding other items	\$ 1.28	\$.59	\$ 2.03	\$ 3.31	\$ 1.03
Including other items	\$.81	\$.51	\$ 2.03	\$ 2.83	\$ 1.08
Net Income (Loss)					
Operating earnings from continuing operations, excluding other items	\$ 203.9	\$ 91.3	\$ 315.9	\$ 519.8	\$ 156.2
Other items:					
Health Care Segment:					
Physician class action settlement	(75.0)	-	-	(75.0)	-
Income tax reserve release (prior period related)	-	-	-	-	19.8
Severance and facilities charge	-	(17.5)	-	-	(17.5)
Large Case Pensions Segment:					
Reduction of reserve for anticipated future losses on discontinued products	-	5.4	-	-	5.4
Operating earnings from continuing operations, including other items	128.9	79.2	315.9	444.8	163.9
Net realized capital gains	9.5	29.0	14.1	23.6	32.3
Income from continuing operations	138.4	108.2	330.0	468.4	196.2
Income from discontinued operations (1)	-	-	-	-	50.0
Income before cumulative effect adjustment	138.4	108.2	330.0	468.4	246.2
Cumulative effect adjustment (2)	-	-	-	-	(2,965.7)
Net income (loss)	\$ 138.4	\$ 108.2	\$ 330.0	\$ 468.4	\$ (2,719.5)
Net income (loss) per common share	\$.87	\$.70	\$ 2.12	\$ 2.98	\$ (17.98)

(1) During the six months ended June 30, 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) from Continuing Operations by Segment
(\$ in Millions)

Three Months Ended June 30, 2003	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Revenue:					
Premiums	\$ 3,276.1	\$ 380.3	\$ 44.1	\$ -	\$ 3,700.5
Administrative services contract fees	463.5	7.7	-	-	471.2
Net investment income	58.6	68.8	145.9	-	273.3
Other income	1.8	.9	3.7	-	6.4
Total revenue, excluding net realized capital gains *	<u>3,800.0</u>	<u>457.7</u>	<u>193.7</u>	<u>-</u>	<u>4,451.4</u>
Benefits and expenses:					
Health care costs (1)	2,553.4	-	-	-	2,553.4
Current and future benefits	-	351.5	174.4	-	525.9
Operating expenses	950.2	54.9	4.6	-	1,009.7
Interest expense	-	-	-	25.5	25.5
Amortization of other acquired intangible assets	12.7	-	-	-	12.7
Total benefits and expenses	<u>3,516.3</u>	<u>406.4</u>	<u>179.0</u>	<u>25.5</u>	<u>4,127.2</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other item	283.7	51.3	14.7	(25.5)	324.2
Income taxes (benefits)	108.0	15.9	5.3	(8.9)	120.3
Operating earnings (loss) from continuing operations, excluding other item	175.7	35.4	9.4	(16.6)	203.9
Physician class action settlement, net of tax	(75.0)	-	-	-	(75.0)
Operating earnings (loss) from continuing operations, including other item	100.7	35.4	9.4	(16.6)	128.9
Net realized capital gains, net of tax	5.3	1.1	3.1	-	9.5
Income (loss) from continuing operations	<u>\$ 106.0</u>	<u>\$ 36.5</u>	<u>\$ 12.5</u>	<u>\$ (16.6)</u>	<u>\$ 138.4</u>
Three Months Ended June 30, 2002					
Revenue:					
Premiums	\$ 3,817.5	\$ 360.8	\$ 50.7	\$ -	\$ 4,229.0
Administrative services contract fees	454.4	8.2	-	-	462.6
Net investment income	74.4	68.9	174.9	-	318.2
Other income	3.3	.9	4.8	-	9.0
Total revenue, excluding net realized capital gains (losses) *	<u>4,349.6</u>	<u>438.8</u>	<u>230.4</u>	<u>-</u>	<u>5,018.8</u>
Benefits and expenses:					
Health care costs (2)	3,189.7	-	-	-	3,189.7
Current and future benefits	-	340.6	214.4	-	555.0
Operating expenses	1,010.7	44.8	5.4	-	1,060.9
Interest expense	-	-	-	31.2	31.2
Amortization of other acquired intangible assets	49.1	-	-	-	49.1
Total benefits and expenses	<u>4,249.5</u>	<u>385.4</u>	<u>219.8</u>	<u>31.2</u>	<u>4,885.9</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	100.1	53.4	10.6	(31.2)	132.9
Income taxes (benefits)	31.8	17.1	3.7	(11.0)	41.6
Operating earnings (loss) from continuing operations, excluding other items	68.3	36.3	6.9	(20.2)	91.3
Severance and facilities charge, net of tax	(17.5)	-	-	-	(17.5)
Reduction of reserve for anticipated future losses on discontinued products, net of tax	-	-	5.4	-	5.4
Operating earnings (loss) from continuing operations, including other items	50.8	36.3	12.3	(20.2)	79.2
Net realized capital gains (losses), net of tax	28.2	(1.5)	2.3	-	29.0
Income (loss) from continuing operations	<u>\$ 79.0</u>	<u>\$ 34.8</u>	<u>\$ 14.6</u>	<u>\$ (20.2)</u>	<u>\$ 108.2</u>

(1) Includes favorable development of prior-period medical cost estimates of approximately \$9 million pretax (approximately \$6 million after tax) for Commercial HMO and unfavorable development of prior-period medical cost estimates of approximately \$6 million pretax (approximately \$4 million after tax) for Medicare HMO, or net favorable development of prior-period medical cost estimates of approximately \$3 million pretax (approximately \$2 million after tax) in the Health Care Segment.

(2) Includes favorable development of prior-period medical cost estimates of approximately \$65 million pretax (approximately \$42 million after tax) in the Health Care Segment.

* Refer to pages 11-13 for reconciliations of revenue calculated under GAAP for all periods.

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

Six Months Ended June 30, 2003	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Revenue:					
Premiums	\$ 6,545.1	\$ 756.1	\$ 85.9	\$ -	\$ 7,387.1
Administrative services contract fees	928.1	18.6	-	-	946.7
Net investment income	124.4	134.8	290.1	-	549.3
Other income	3.9	1.8	7.4	-	13.1
Total revenue, excluding net realized capital gains *	<u>7,601.5</u>	<u>911.3</u>	<u>383.4</u>	<u>-</u>	<u>8,896.2</u>
Benefits and expenses:					
Health care costs	4,921.3	-	-	-	4,921.3
Current and future benefits	-	705.1	348.4	-	1,053.5
Operating expenses	1,912.7	107.7	9.7	-	2,030.1
Interest expense	-	-	-	51.4	51.4
Amortization of other acquired intangible assets	25.4	-	-	-	25.4
Total benefits and expenses	<u>6,859.4</u>	<u>812.8</u>	<u>358.1</u>	<u>51.4</u>	<u>8,081.7</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other item	742.1	98.5	25.3	(51.4)	814.5
Income taxes (benefits)	273.1	30.5	9.1	(18.0)	294.7
Operating earnings (loss) from continuing operations, excluding other item	<u>469.0</u>	<u>68.0</u>	<u>16.2</u>	<u>(33.4)</u>	<u>519.8</u>
Physician class action settlement, net of tax	(75.0)	-	-	-	(75.0)
Operating earnings (loss) from continuing operations, including other item	<u>394.0</u>	<u>68.0</u>	<u>16.2</u>	<u>(33.4)</u>	<u>444.8</u>
Net realized capital gains, net of tax	13.9	3.6	6.1	-	23.6
Income (loss) from continuing operations	<u>\$ 407.9</u>	<u>\$ 71.6</u>	<u>\$ 22.3</u>	<u>\$ (33.4)</u>	<u>\$ 468.4</u>
Six Months Ended June 30, 2002					
Revenue:					
Premiums	\$ 7,862.3	\$ 723.4	\$ 110.0	\$ -	\$ 8,695.7
Administrative services contract fees	910.6	16.6	-	-	927.2
Net investment income	150.2	135.0	350.4	-	635.6
Other income	8.2	1.9	9.5	-	19.6
Total revenue, excluding net realized capital gains *	<u>8,931.3</u>	<u>876.9</u>	<u>469.9</u>	<u>-</u>	<u>10,278.1</u>
Benefits and expenses:					
Health care costs	6,637.9	-	-	-	6,637.9
Current and future benefits	-	684.1	438.5	-	1,122.6
Operating expenses	2,032.2	90.9	10.5	-	2,133.6
Interest expense	-	-	-	60.5	60.5
Amortization of other acquired intangible assets	98.3	-	-	-	98.3
Total benefits and expenses	<u>8,768.4</u>	<u>775.0</u>	<u>449.0</u>	<u>60.5</u>	<u>10,052.9</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	162.9	101.9	20.9	(60.5)	225.2
Income taxes (benefits)	49.9	32.6	7.7	(21.2)	69.0
Operating earnings (loss) from continuing operations, excluding other items	<u>113.0</u>	<u>69.3</u>	<u>13.2</u>	<u>(39.3)</u>	<u>156.2</u>
Income tax reserve release (prior period related)	19.8	-	-	-	19.8
Severance and facilities charge, net of tax	(17.5)	-	-	-	(17.5)
Reduction of reserve for anticipated future losses on discontinued products, net of tax	-	-	5.4	-	5.4
Operating earnings (loss) from continuing operations, including other items	<u>115.3</u>	<u>69.3</u>	<u>18.6</u>	<u>(39.3)</u>	<u>163.9</u>
Net realized capital gains, net of tax	30.7	.2	1.4	-	32.3
Income (loss) from continuing operations	<u>\$ 146.0</u>	<u>\$ 69.5</u>	<u>\$ 20.0</u>	<u>\$ (39.3)</u>	<u>\$ 196.2</u>

* Refer to pages 11-13 for reconciliations of revenue calculated under GAAP for all periods.

Health Care and Group Insurance Enrollment
(Members in Thousands)

	June 30, 2003			June 30, 2002			Risk % Change	Total % Change	December 31, 2002			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
Medical:													
Commercial													
HMO (1)	3,303	1,403	4,706	4,535	1,340	5,875	(27.2)	(19.9)	3,948	1,349	5,297	(16.3)	(11.2)
POS	103	2,181	2,284	116	2,546	2,662	(11.2)	(14.2)	101	2,514	2,615	2.0	(12.7)
PPO	752	3,554	4,306	769	3,180	3,949	(2.2)	9.0	753	3,171	3,924	(.1)	9.7
Indemnity	87	1,420	1,507	117	1,546	1,663	(25.6)	(9.4)	106	1,517	1,623	(17.9)	(7.1)
Total Commercial	4,245	8,558	12,803	5,537	8,612	14,149	(23.3)	(9.5)	4,908	8,551	13,459	(13.5)	(4.9)
Medicare HMO	108	-	108	125	-	125	(13.6)	(13.6)	117	-	117	(7.7)	(7.7)
Medicaid HMO	-	116	116	11	164	175	(100.0)	(33.7)	-	102	102	-	13.7
Total Medical	4,353	8,674	13,027	5,673	8,776	14,449	(23.3)	(9.8)	5,025	8,653	13,678	(13.4)	(4.8)
Total Dental	4,458	6,835	11,293	4,707	7,162	11,869	(5.3)	(4.9)	4,740	7,027	11,767	(5.9)	(4.0)
Group Insurance:													
Group Life			9,381			9,577		(2.0)			9,274		1.2
Disability			2,118			2,289		(7.5)			2,210		(4.2)
Long-Term Care			199			177		12.4			180		10.6
Total Group Insurance			11,698			12,043		(2.9)			11,664		.3

	June 30, 2003			June 30, 2002			Risk % Change	Total % Change	December 31, 2002			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
Regions:													
Northeast	1,036	1,233	2,269	1,218	1,258	2,476	(14.9)	(8.4)	1,126	1,267	2,393	(8.0)	(5.2)
Mid-Atlantic	881	1,485	2,366	1,001	1,514	2,515	(12.0)	(5.9)	942	1,506	2,448	(6.5)	(3.3)
Southeast	747	1,434	2,181	940	1,412	2,352	(20.5)	(7.3)	847	1,395	2,242	(11.8)	(2.7)
North Central	396	2,051	2,447	609	2,045	2,654	(35.0)	(7.8)	487	2,032	2,519	(18.7)	(2.9)
Southwest	527	1,309	1,836	766	1,319	2,085	(31.2)	(11.9)	669	1,247	1,916	(21.2)	(4.2)
West	699	1,158	1,857	1,070	1,222	2,292	(34.7)	(19.0)	888	1,201	2,089	(21.3)	(11.1)
Other	67	4	71	69	6	75	(2.9)	(5.3)	66	5	71	1.5	-
Total Medical	4,353	8,674	13,027	5,673	8,776	14,449	(23.3)	(9.8)	5,025	8,653	13,678	(13.4)	(4.8)
Risk/ASC %	33.4%	66.6%	100.0%	39.3%	60.7%	100.0%	(5.9) pts.		36.7%	63.3%	100.0%	(3.3) pts.	

(1) At June 30, 2003, Commercial HMO includes 1,000 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 1,142 thousand at June 30, 2002.

Refer to page 14 for definitions of terms used.

Consolidated Balance Sheets
(\$ in Millions)

	Jun. 30,	Dec. 31,		Jun. 30,	Dec. 31,
	2003	2002 (1)		2003	2002 (1)
Assets			Liabilities and shareholders' equity		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,866.5	\$ 1,802.9	Health care costs payable	\$ 1,904.4	\$ 2,194.1
Investment securities	14,543.8	14,013.5	Future policy benefits	688.1	778.1
Other investments	266.6	358.0	Unpaid claims	632.8	590.0
Premiums receivable, net	372.5	392.0	Unearned premiums	133.2	184.1
Other receivables, net	308.8	286.2	Policyholders' funds	1,211.7	1,072.2
Accrued investment income	220.2	214.3	Collateral payable under securities loan agreements	828.2	969.0
Collateral received under securities loan agreements	828.2	969.0	Income taxes payable	242.6	322.5
Loaned securities	811.3	948.2	Accrued expenses and other current liabilities	<u>1,698.0</u>	<u>1,608.8</u>
Deferred income taxes	251.6	311.3	Total current liabilities	<u>7,339.0</u>	<u>7,718.8</u>
Other current assets	<u>195.4</u>	<u>163.9</u>			
Total current assets	<u>19,664.9</u>	<u>19,459.3</u>	Future policy benefits	8,334.2	8,333.3
			Unpaid claims	1,182.6	1,177.8
Long-term investments	1,756.4	1,754.9	Policyholders' funds	1,590.1	1,867.3
Mortgage loans	1,348.4	1,514.9	Long-term debt	1,640.4	1,633.2
Investment real estate	312.2	308.8	Other long-term liabilities	1,624.9	1,672.9
Reinsurance recoverables	1,226.2	1,251.8	Separate Accounts liabilities	<u>11,169.9</u>	<u>10,664.2</u>
Goodwill, net	3,618.4	3,618.4	Total liabilities	<u>32,881.1</u>	<u>33,067.5</u>
Other acquired intangible assets, net	521.5	546.9			
Property and equipment, net	226.9	244.8	Shareholders' equity		
Deferred income taxes	399.2	472.5	Common stock and additional paid-in capital	4,162.9	4,070.9
Other long-term assets	334.2	211.0	Accumulated other comprehensive loss (2)	(313.7)	(470.4)
Separate Accounts assets	<u>11,169.9</u>	<u>10,664.2</u>	Retained earnings	<u>3,847.9</u>	<u>3,379.5</u>
			Total shareholders' equity	<u>7,697.1</u>	<u>6,980.0</u>
Total assets	<u>\$ 40,578.2</u>	<u>\$ 40,047.5</u>	Total liabilities and shareholders' equity	<u>\$ 40,578.2</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 \$435.2 million and \$282.0 million at June 30, 2003 and December 31, 2002, respectively and a minimum pension liability of (\$755.2) million at June 30, 2003 and December 31, 2002.

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

	Health Care and Group Insurance (1)	Large Case Pensions	Total		Health Care and Group Insurance (1)	Large Case Pensions	Total
Assets				Liabilities and equity			
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	Equity			
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			Six Months Ended	
	Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002
Cash flows from operating activities:					
Net income (loss)	\$ 138.4	\$ 108.2	\$ 330.0	\$ 468.4	\$ (2,719.5)
Adjustments to reconcile net income (loss) to net cash used for operating activities:					
Cumulative effect adjustment	-	-	-	-	2,965.7
Income from discontinued operations	-	-	-	-	(50.0)
Severance and facilities charge	-	27.0	-	-	27.0
Physician class action settlement charge	115.4	-	-	115.4	-
Amortization of other acquired intangible assets	12.7	49.1	12.7	25.4	98.3
Depreciation and other amortization	32.9	40.0	41.9	74.8	81.6
Amortization (accretion) of net investment premium (discount)	12.6	(8)	12.1	24.7	(5.0)
Net realized capital gains	(14.6)	(45.4)	(21.7)	(36.3)	(50.8)
Cash flow from operating activities before balance sheet changes	297.4	178.1	375.0	672.4	347.3
Changes in assets and liabilities:					
(Increase) decrease in accrued investment income	(3.8)	11.0	(2.1)	(5.9)	8.7
(Increase) decrease in premiums due and other receivables	(3.1)	56.4	56.2	53.1	199.7
Net change in income taxes	(169.3)	11.8	128.2	(41.1)	11.1
Net change in other assets and other liabilities	16.7 (1)	26.5	(270.7)	(254.0)	(27.6)
Net decrease in health care and insurance liabilities	(172.5) (2)	(299.4)	(302.2)	(474.7)	(780.4)
Other, net	(11.2)	8.4	(23.1)	(34.3)	18.8
Net cash used for operating activities	<u>(45.8)</u>	<u>(7.2)</u>	<u>(38.7)</u>	<u>(84.5)</u>	<u>(222.4)</u>
Cash flows from investing activities:					
Proceeds from sales and investment maturities	3,366.1	4,005.2	5,833.9	9,200.0	9,663.2
Cost of investments	(3,224.7)	(4,113.5)	(5,565.3)	(8,790.0)	(9,184.2)
Increase in property and equipment	(40.8)	(38.6)	(26.3)	(67.1)	(69.0)
Net cash provided by (used for) investing activities	<u>100.6</u>	<u>(146.9)</u>	<u>242.3</u>	<u>342.9</u>	<u>410.0</u>
Cash flows from financing activities:					
Withdrawals of investment contracts, net	(113.3)	(111.2)	(101.1)	(214.4)	(211.4)
Repayment of short-term debt	-	-	-	-	(109.7)
Common shares issued under benefit plans	173.1	185.6	35.7	208.8	215.0
Common shares repurchased	(175.5)	(104.3)	(13.7)	(189.2)	(104.3)
Other, net	4.0	-	(4.0)	-	-
Net cash used for financing activities	<u>(111.7)</u>	<u>(29.9)</u>	<u>(83.1)</u>	<u>(194.8)</u>	<u>(210.4)</u>
Net increase (decrease) in cash and cash equivalents	(56.9)	(184.0)	120.5	63.6	(22.8)
Cash and cash equivalents, beginning of period	1,923.4	1,559.4	1,802.9	1,802.9	1,398.2
Cash and cash equivalents, end of period	<u>\$ 1,866.5</u>	<u>\$ 1,375.4</u>	<u>\$ 1,923.4</u>	<u>\$ 1,866.5</u>	<u>\$ 1,375.4</u>
Net cash used for operating activities (above)	\$ (45.8)	\$ (7.2)	\$ (38.7)	\$ (84.5)	\$ (222.4)
Change in reserves for Large Case Pensions	(70.7)	(78.7)	(69.5)	(140.2)	(177.3)
Adjusted cash flow from operating activities	<u>\$ 24.9</u>	<u>\$ 71.5</u>	<u>\$ 30.8</u>	<u>\$ 55.7</u>	<u>\$ (45.1)</u>

(1) Includes approximately \$50 million of severance and facilities reserve payments.

(2) Includes approximately \$50 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)

		Three Months Ended			Six Months Ended	
		Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002
Reconciliation to Income from continuing operations before income taxes						
Cash operating earnings, excluding interest expense, other items and favorable development	(A)	\$ 359.4	\$ 148.2	\$ 364.9		
Favorable development of prior-period medical cost estimates		3.0 (1)	65.0	164.0		
Cash operating earnings, excluding interest expense and other items	(B)	362.4	213.2	528.9	\$ 891.3	\$ 384.0
Interest expense		(25.5)	(31.2)	(25.9)	(51.4)	(60.5)
Amortization of other acquired intangible assets		(12.7)	(49.1)	(12.7)	(25.4)	(98.3)
Physician class action settlement		(115.4)	-	-	(115.4)	-
Severance and facilities charge		-	(27.0)	-	-	(27.0)
Reduction of reserve for anticipated future losses on discontinued products		-	8.3	-	-	8.3
Net realized capital gains		14.6	45.4	21.7	36.3	50.8
Income from continuing operations before income taxes (GAAP measure)	(C)	\$ 223.4	\$ 159.6	\$ 512.0	\$ 735.4	\$ 257.3
Reconciliation to Income from continuing operations						
Cash operating earnings, excluding interest expense, other items and favorable development	(D)	\$ 226.8	\$ 101.4	\$ 233.9		
Favorable development of prior-period medical cost estimates, net of tax		2.0 (1)	42.0	107.0		
Cash operating earnings, excluding interest expense and other items	(E)	228.8	143.4	340.9	\$ 569.7	\$ 259.4
Interest expense, net of tax		(16.6)	(20.2)	(16.8)	(33.4)	(39.3)
Cash operating earnings, excluding other items	(F)	212.2	123.2	324.1	536.3	220.1
Amortization of other acquired intangible assets, net of tax		(8.3)	(31.9)	(8.2)	(16.5)	(63.9)
Operating earnings, excluding other items	(G)	203.9	91.3	315.9	519.8	156.2
Physician class action settlement, net of tax		(75.0)	-	-	(75.0)	-
Income tax reserve release (prior period related)		-	-	-	-	19.8
Severance and facilities charge, net of tax		-	(17.5)	-	-	(17.5)
Reduction of reserve for anticipated future losses on discontinued products, net of tax		-	5.4	-	-	5.4
Operating earnings, including other items	(H)	128.9	79.2	315.9	444.8	163.9
Net realized capital gains, net of tax		9.5	29.0	14.1	23.6	32.3
Income from continuing operations (GAAP measure)	(I)	\$ 138.4	\$ 108.2	\$ 330.0	\$ 468.4	\$ 196.2
Reconciliation of Revenue						
Revenue, excluding net realized capital gains	(J)	\$ 4,451.4	\$ 5,018.8	\$ 4,444.8	\$ 8,896.2	\$ 10,278.1
Net realized capital gains		14.6	45.4	21.7	36.3	50.8
Total revenue (GAAP measure)	(K)	\$ 4,466.0	\$ 5,064.2	\$ 4,466.5	\$ 8,932.5	\$ 10,328.9
Weighted average common shares - diluted	(L)	159,626,738	154,831,692	155,404,140	157,154,652	151,256,715
<u>Operating earnings per common share:</u>						
Cash operating earnings	(F)/(L)	\$ 1.33	\$.80	\$ 2.09	\$ 3.41	\$ 1.46
Operating earnings, excluding other items	(G)/(L)	\$ 1.28	\$.59	\$ 2.03	\$ 3.31	\$ 1.03
Operating earnings, including other items	(H)/(L)	\$.81	\$.51	\$ 2.03	\$ 2.83	\$ 1.08
Income from continuing operations (GAAP measure)	(I)/(L)	\$.87	\$.70	\$ 2.12	\$ 2.98	\$ 1.30
<u>Operating margin</u>						
Pretax operating margin	(B)/(J)	8.1 %	4.2 %	11.9 %	10.0 %	3.7 %
Pretax operating margin - Adjusted	(A)/(J)	8.1 %	3.0 %	8.2 %		
Pretax operating margin (GAAP measure)	(C)/(K)	5.0 %	3.2 %	11.5 %	8.2 %	2.5 %
After-tax operating margin	(E)/(J)	5.1 %	2.9 %	7.7 %	6.4 %	2.5 %
After-tax operating margin - Adjusted	(D)/(J)	5.1 %	2.0 %	5.3 %		
After-tax operating margin (GAAP measure)	(I)/(K)	3.1 %	2.1 %	7.4 %	5.2 %	1.9 %

(1) Refer to footnote 1 on page 4.

Refer to page 14 for definitions of terms used.

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

		Three Months Ended			Six Months Ended	
		Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002
Aetna Inc.						
Reconciliation of Operating Expenses						
Operating expenses, excluding physician class action settlement and severance and facilities charge	(A)	\$ 1,009.7	\$ 1,060.9	\$ 1,020.4	\$ 2,030.1	\$ 2,133.6
Physician class action settlement		115.4	-	-	115.4	-
Severance and facilities charge		-	27.0	-	-	27.0
Total operating expenses (GAAP measure)	(B)	<u>\$ 1,125.1</u>	<u>\$ 1,087.9</u>	<u>\$ 1,020.4</u>	<u>\$ 2,145.5</u>	<u>\$ 2,160.6</u>
Reconciliation of Revenue						
Revenue, excluding net realized capital gains	(C)	\$ 4,451.4	\$ 5,018.8	\$ 4,444.8	\$ 8,896.2	\$ 10,278.1
Net realized capital gains		14.6	45.4	21.7	36.3	50.8
Total revenue (GAAP measure)	(D)	<u>\$ 4,466.0</u>	<u>\$ 5,064.2</u>	<u>\$ 4,466.5</u>	<u>\$ 8,932.5</u>	<u>\$ 10,328.9</u>
Operating expenses as a % of revenue						
Operating expenses as a % of revenue	(A)/(C)	22.7 %	21.1 %	23.0 %	22.8 %	20.8 %
Total operating expenses as a % of total revenue (GAAP measure)	(B)/(D)	25.2 %	21.5 %	22.8 %	24.0 %	20.9 %
Health Care						
Reconciliation of Operating Expenses						
Operating expenses, excluding physician class action settlement and severance and facilities charge	(E)	\$ 950.2	\$ 1,010.7	\$ 962.5	\$ 1,912.7	\$ 2,032.2
Physician class action settlement		115.4	-	-	115.4	-
Severance and facilities charge		-	27.0	-	-	27.0
Total operating expenses (GAAP measure)	(F)	<u>\$ 1,065.6</u>	<u>\$ 1,037.7</u>	<u>\$ 962.5</u>	<u>\$ 2,028.1</u>	<u>\$ 2,059.2</u>
Reconciliation of Revenue						
Revenue, excluding net realized capital gains	(G)	\$ 3,800.0	\$ 4,349.6	\$ 3,801.5	\$ 7,601.5	\$ 8,931.3
Net realized capital gains		8.0	44.1	13.3	21.3	48.2
Total revenue (GAAP measure)	(H)	<u>\$ 3,808.0</u>	<u>\$ 4,393.7</u>	<u>\$ 3,814.8</u>	<u>\$ 7,622.8</u>	<u>\$ 8,979.5</u>
Operating expenses as a % of revenue						
Operating expenses as a % of revenue	(E)/(G)	25.0 %	23.2 %	25.3 %	25.2 %	22.8 %
Total operating expenses as a % of total revenue (GAAP measure)	(F)/(H)	28.0 %	23.6 %	25.2 %	26.6 %	22.9 %

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

(\$ in Millions)

		Three Months Ended			Six Months Ended	
		Jun. 30, 2003	Jun. 30, 2002	Mar. 31, 2003	Jun. 30, 2003	Jun. 30, 2002
Group Insurance						
Reconciliation of Operating Expenses						
Total operating expenses (GAAP measure)	(A)	<u>\$ 54.9</u>	<u>\$ 44.8</u>	<u>\$ 52.8</u>	<u>\$ 107.7</u>	<u>\$ 90.9</u>
Reconciliation of Revenue						
Revenue, excluding net realized capital gains (losses)	(B)	\$ 457.7	\$ 438.8	\$ 453.6	\$ 911.3	\$ 876.9
Net realized capital gains (losses)		<u>1.8</u>	<u>(2.3)</u>	<u>3.8</u>	<u>5.6</u>	<u>.4</u>
Total revenue (GAAP measure)	(C)	<u>\$ 459.5</u>	<u>\$ 436.5</u>	<u>\$ 457.4</u>	<u>\$ 916.9</u>	<u>\$ 877.3</u>
Operating expenses as a % of revenue						
Operating expenses as a % of revenue	(A)/(B)	12.0 %	10.2 %	11.6 %	11.8 %	10.4 %
Total operating expenses as a % of total revenue (GAAP measure)	(A)/(C)	11.9 %	10.3 %	11.5 %	11.7 %	10.4 %
 Large Case Pensions						
Reconciliation of Operating Expenses						
Total operating expenses (GAAP measure)	(D)	<u>\$ 4.6</u>	<u>\$ 5.4</u>	<u>\$ 5.1</u>	<u>\$ 9.7</u>	<u>\$ 10.5</u>
Reconciliation of Revenue						
Revenue, excluding net realized capital gains	(E)	\$ 193.7	\$ 230.4	\$ 189.7	\$ 383.4	\$ 469.9
Net realized capital gains		<u>4.8</u>	<u>3.6</u>	<u>4.6</u>	<u>9.4</u>	<u>2.2</u>
Total revenue (GAAP measure)	(F)	<u>\$ 198.5</u>	<u>\$ 234.0</u>	<u>\$ 194.3</u>	<u>\$ 392.8</u>	<u>\$ 472.1</u>
Operating expenses as a % of revenue						
Operating expenses as a % of revenue	(D)/(E)	2.4 %	2.3 %	2.7 %	2.5 %	2.2 %
Total operating expenses as a % of total revenue (GAAP measure)	(D)/(F)	2.3 %	2.3 %	2.6 %	2.5 %	2.2 %

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 or unfavorable 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.