

# news release

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## **Anthem, Inc. and Trigon Healthcare, Inc. Report Second Quarter Earnings**

- **Anthem's second quarter 2002 EPS of \$0.99 increased 32%**
- **Trigon, which merged into Anthem on July 31, 2002, reported second quarter 2002 EPS of \$1.29, an increase of 29%**

**Indianapolis, IN – August 5, 2002** – Anthem, Inc. (NYSE: ATH) today reported that net income for the second quarter of 2002 increased 47% to \$106.2 million, or \$1.01 per share, compared with net income of \$72.4 million, or \$0.70 per share, for the second quarter of 2001. Excluding net realized gains, losses, and non-recurring items in both periods, and on a FAS 142 comparable basis, net income for the second quarter of 2002 increased 34% to \$104.5 million, or \$0.99 per share, compared with net income of \$78.0 million, or \$0.75 per share, for the second quarter of 2001.

Net income for the first six months of 2002 increased 44% to \$206.0 million, or \$1.96 per share, compared with net income of \$143.0 million, or \$1.38 per share, for the same period of 2001. Excluding net realized gains, losses, and other non-recurring items, and on a FAS 142 comparable basis, net income for the first six months of 2002 increased 40% to \$202.2 million, or \$1.92 per share, compared with \$144.6 million, or \$1.39 per share, for the same period of 2001.

“Solid performance across each of our operating segments has resulted in the highest consolidated operating margin in Anthem’s history. While we are pleased with the significant progress we have made, we also remain confident that our higher than expected membership growth and financial discipline will position us to deliver continued momentum into the second half of 2002 and 2003.” said Larry C. Glasscock, president and chief executive officer of Anthem, Inc.

"As our ongoing growth indicates, Trigon stands out as the first choice in health care in Virginia," said Tom Snead, Trigon's former chief executive officer and now the president of Anthem's newly established Southeast region. "As the newest member of the Anthem family, Trigon will continue to deliver the same dedication to excellence, choice and local control that has been the hallmark of our success over the past seven decades of service in this state."

### **Anthem's Consolidated Highlights**

- Operating revenue increased 13% to \$2.8 billion, compared with the second quarter of 2001. The increase was primarily attributable to disciplined pricing and solid membership growth across each line of business.
- Membership exceeded 8.3 million members at June 30, 2002, representing a 7% increase compared with the second quarter of 2001. Membership increased 6% compared with December 31, 2001. The growth for both time periods was primarily due to growth in National Accounts and Individual businesses, coupled with membership retention in excess of 90%.

- Operating margin reached 4.2%, the highest in Anthem's history, as operating gain increased 62%, to \$118.6 million, compared with the second quarter of 2001. All operating segments contributed to the solid earnings growth, particularly the East segment, which improved by \$27.1 million.
- Commercial premium yields increased by approximately 14%, while commercial medical costs increased by approximately 13% during the 12-month period ended June 30, 2002. Medical costs continue to be driven by increased pharmacy costs and outpatient service utilization.
- The administrative expense ratio improved 50 basis points, to 19.2%, compared with 19.7% in the second quarter of 2001. The improvement continued to reflect operating revenue growth that significantly outpaced growth in administrative expenses.
- The benefit expense ratio improved 160 basis points, to 83.6%, compared with the second quarter of 2001. The improvement was primarily due to the exit from the TRICARE business in May 2001 and lower than expected medical cost trends, particularly in the East segment.
- Days in claims payable were 62.6 days at June 30, 2002, down 1.6 days from March 31, 2002. Increases in the Midwest and West segments partially offset declines in the East segment, which was impacted by provider settlements and seasonality of claims payments.
- For the six months ended June 2002, operating cash flow was \$243.4 million, or 18% higher than net income.

## Anthem's Operating Segment Highlights

### Midwest Segment Highlights

The Midwest segment is comprised of health benefit and related business for members in Indiana, Kentucky and Ohio.

(\$ in Millions)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating Revenue	\$1,508.6	\$1,246.8	21%	\$2,960.4	\$2,466.7	20%
Operating Gain	\$61.5	\$42.2	46%	\$115.6	\$85.0	36%
Operating Margin	4.1%	3.4%	70 bp	3.9%	3.4%	50 bp
Membership (in 000s)	5,132	4,826	6%			

- Operating revenue increased 21% compared with the second quarter of 2001, primarily due to disciplined pricing actions in Local Large Group and Small Group businesses and membership growth in Local Large Group business.
- The 46% increase in operating gain compared with the prior year's quarter was primarily due to growth in operating revenues that outpaced the growth in administrative expenses, with particularly strong underwriting results in the Local Large Group business.
- Membership has increased 6% compared with both June 30, 2001 and December 31, 2001. Membership growth in both periods was primarily due to enrollment gains in National and Individual businesses.

### East Segment Highlights

The East segment is comprised of health benefit and related business for members in Connecticut, New Hampshire and Maine.

(\$ in Millions)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating Revenue	\$993.8	\$883.8	12%	\$1,979.1	\$1,758.7	13%
Operating Gain	\$52.9	\$25.8	105%	\$95.1	\$48.4	96%
Operating Margin	5.3%	2.9%	240 bp	4.8%	2.8%	200 bp
Membership (in 000s)	2,346	2,216	6%			

- Operating revenue increased 12% compared with the second quarter of 2001, primarily due to disciplined pricing actions in the Local Large and Small Group businesses.
- Operating gain improved 105% compared with the second quarter of 2001, as the segment reached a record-high operating margin of 5.3%. This growth was driven primarily by lower than expected medical cost trends across the region, with the Local Large Group business showing the most significant improvement in underwriting results.
- Membership increased by 6% compared with June 30, 2001 and 4% since December 31, 2001, primarily due to growth in National Accounts for both periods.

### West Segment Highlights

The West segment is comprised of health benefit and related business for members in Colorado and Nevada.

(\$ in Millions)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating Revenue	\$236.0	\$180.4	31%	\$457.2	\$356.9	28%
Operating Gain	\$10.1	\$2.9	–	\$17.6	\$3.1	–
Operating Margin	4.3%	1.6%	270 bp	3.8%	0.9%	290 bp
Membership (in 000s)	843	737	14%			

- Operating revenue increased 31% compared with the second quarter of 2001, despite the loss of revenues associated with the exit from Medicare + Choice business as of December 31, 2001. The increase in revenue was primarily due to disciplined pricing actions in Local Large Group business.
- Operating gain reached \$10.1 million, resulting in a 4.3% operating margin, and a 270 basis point improvement over the second quarter of 2001. The increase in operating gain was primarily due to significant improvement in the administrative expense ratio as fixed costs were leveraged over a larger membership base. Improved results and membership growth in National Accounts contributed to the solid results.

- Membership increased 14% compared with June 30, 2001 and 10% compared with December 31, 2001, primarily due to growth in National Accounts and Individual businesses during both periods.

### Specialty Segment Highlights

The Specialty segment includes pharmacy benefit management, group life, dental, behavioral health, and vision operations of the company.

(\$ in Millions)	Three Months Ended June 30			Six Months Ended June 30		
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating Revenue	\$126.9	\$96.4	32%	\$247.0	\$185.5	33%
Operating Gain	\$12.8	\$8.4	52%	\$25.2	\$15.9	58%
Operating Margin	10.1%	8.7%	140 bp	10.2%	8.6%	160 bp

- Operating revenue increased 32% compared with the second quarter of 2001, primarily due to a 31% increase in mail order prescription volume at Anthem Prescription Management (APM).
- Operating gain increased 52% compared with the second quarter of 2001. Operating margin improved 140 basis points, to 10.1%, also primarily driven by the increased mail order prescription volume at APM.
- Anthem acquired certain assets of PRO Behavioral Health, a Colorado-based company, on June 1, 2002. Anthem plans to build its behavioral health business upon what PRO has already accomplished. PRO will begin the administration of behavioral health benefits to Anthem Blue Cross and Blue Shield customers in Colorado at the beginning of next year.

### Other Segment Highlights

The Other segment includes AdminaStar Federal, a subsidiary that administers Medicare programs, and Anthem Alliance, a subsidiary that provided health benefits and administration for retired military enrollees and their dependents in the TRICARE program, until TRICARE was sold on May 31, 2001. The segment also includes intersegment revenue and expense eliminations and corporate expenses not allocated to operating segments.

(\$ in Millions)	Three Months Ended June 30			Six Months Ended June 30		
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating Loss	(\$18.7)	(\$5.9)	-	(\$28.3)	(\$19.1)	(48%)

- Operating loss was higher in the second quarter of 2002 compared with the same period in 2001, primarily due to higher incentive compensation expenses associated with better than expected financial results, coupled with the absence of income from the TRICARE business, which was divested in May of 2001.

## Trigon's Operating Highlights

- Beginning August 1, 2002, the financial results for Trigon will be included in Anthem's consolidated results. Second quarter 2002 financial results and membership for Trigon have been provided on a stand-alone basis and are consistent with Trigon's previous reporting classifications.
- Trigon's net income for the quarter was \$29.8 million, or \$0.80 per share, compared with \$26.5 million or \$0.71 per share, in the prior year. Net income, excluding after-tax net realized losses, increased 29% for the quarter to \$48.0 million, or \$1.29 per share, compared with the \$37.2 million, or \$1.00 per share, reported in the second quarter of 2001.
- Total revenues from operations grew by approximately 15% to \$819.9 million compared to \$712.4 million in the prior year. This was driven by increases of 16% in fully-insured premium revenues, 13% in fee income from self-funded business, and 67% in other operating revenue primarily from its disease management subsidiary, Health Management Corporation. Total enrollment grew by 6% to nearly 2.2 million members, reflecting continued solid growth in both fully-insured and self-funded products.
- Commercial medical expenses as a percentage of commercial premium revenues was 78.6% for the second quarter compared with 81.4% in the previous year. Selling, general and administrative costs as a percentage of premiums and premium equivalents were 12.1%, flat with the previous year.

## Earnings Outlook

- The company increased its expectations on an Anthem stand-alone basis for full year 2002 earnings per share to \$3.90 to \$4.00, from \$3.85 to \$3.95. This reflects a 23% to 26% growth compared with 2001 on a FAS 142 comparable basis and excludes realized gains, losses and non-recurring items. Anthem's stand-alone earnings per share in the third quarter of 2002 are expected to be \$0.97 to \$1.02 on a comparable basis.
- The acquisition of Trigon is expected to reduce Anthem's revised stand-alone earnings per share for full year 2002 by approximately \$0.05, with roughly half impacting the third quarter of 2002.
- The combined company is expected to report earnings per share growth of at least 15% for full year 2003, compared with Anthem's stand-alone expectations for 2002. The Trigon acquisition is expected to be neutral to the 2003 earnings per share results.

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### **Anthem's Basis of Presentation:**

1. All earnings per share amounts are on a diluted basis.
2. Earnings per share calculations for the current period were based on 103.0 million basic and 105.5 million diluted shares.
3. The 2001 non-recurring item excluded from net income is the after-tax impact of demutualization expenses. Also included in realized gains was the \$25 million gain on the sale of TRICARE, which was a non-recurring item.
4. Operating revenue is defined as premiums plus administrative fees and other revenue.
5. Operating gain is defined as operating revenue less benefit expense and administrative expense. Net investment income, net realized gains on investments, interest expense, amortization of goodwill and

other intangible assets, demutualization expenses, gain on the sale of TRICARE, income tax expense, and minority interest are not included.

6. Consistent with Financial Accounting Standard (FAS) 142, "Goodwill and Other Intangible Assets", goodwill amortization has not been expensed after January 1, 2002.

## **About Anthem**

Anthem, Inc. is an Indiana-domiciled publicly traded company that, through its subsidiary companies, provides health care benefits and services to more than 10 million members. Anthem is the fifth largest publicly traded health benefits company in the United States and is the Blue Cross and Blue Shield licensee for Indiana, Kentucky, Ohio, Connecticut, New Hampshire, Colorado, Nevada, Maine and Virginia, excluding the Northern Virginia suburbs of Washington, D.C. As of December 31, 2001, Anthem had assets of \$6 billion and operating revenues of \$10 billion. More information about Anthem is available at [www.anthem.com](http://www.anthem.com).

## **Conference Call and Webcast**

The investment community and general public are invited to participate in a joint conference call and live webcast that will be held on Monday, August 5, 2002, at 8:30 a.m. Eastern Daylight Time (EDT), where management will discuss their respective second quarter earnings results. The conference call can be accessed at Anthem's web site, [www.anthem.com](http://www.anthem.com) under Investor Relations. Please visit the website at least 15 minutes in advance.

## **Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

*This press release contains certain forward-looking information about Anthem, Inc. ("Anthem"), that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Anthem, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: those discussed and identified in public filings with the Securities and Exchange Commission ("SEC") made by Anthem; trends in health care costs and utilization rates; our ability to secure sufficient premium rate increases; competitor pricing below market trends of increasing costs; increased government regulation of health benefits and managed care; significant acquisitions or divestitures by major competitors; introduction and utilization of new prescription drugs and technology; a downgrade in our financial strength ratings; litigation targeted at health benefits companies; our ability to contract with providers consistent with past practice; our ability to achieve expected synergies and operating efficiencies in our acquisition of Trigon Healthcare, Inc. ("Trigon") and to successfully integrate our operations; our expectations regarding the accounting and tax treatments of the transactions and the value of the transaction consideration; and general economic downturns. You are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Anthem does not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. You are also urged to carefully review and consider the various disclosures in Anthem's various SEC filings, including but not limited to the registration statement on*

Form S-4, including the joint proxy statement/prospectus constituting a part thereof, filed by Anthem on June 7, 2002, Anthem's Annual Report on Form 10-K for the year ended December 31, 2001, and Anthem's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.

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**Anthem, Inc.**  
**Membership Summary**

<i>(In Thousands)</i>	June 30, 2002	June 30, 2001	Dec. 31, 2001	% Change	
				June 30, 2001	Dec. 31, 2001
Local Large Group	2,807	2,786	2,827	1%	(1%)
Small Group	820	807	813	2%	1%
Individual	755	674	701	12%	8%
National Accounts <sup>1</sup>	3,255	2,877	2,903	13%	12%
Medicare + Choice	103	101	97	2%	6%
Federal Employee Program	447	426	423	5%	6%
Medicaid	134	108	119	24%	13%
<b>Total</b>	<b>8,321</b>	<b>7,779</b>	<b>7,883</b>	<b>7%</b>	<b>6%</b>
<b>Funding Arrangement</b>					
Self-Funded	4,380	4,039	4,052	8%	8%
Fully Insured	3,941	3,740	3,831	5%	3%
<b>Total</b>	<b>8,321</b>	<b>7,779</b>	<b>7,883</b>	<b>7%</b>	<b>6%</b>

<sup>1</sup> Includes BlueCard members of 2,056 as of June 30, 2002, 1,610 as of June 30, 2001, and 1,626 as of December 31, 2001.

**Anthem, Inc.**  
**Consolidated Statements of Income**  
**(Unaudited)**

(\$ In Millions, Except Per Share Data)	Three Months Ended June 30		% Change
	2002	2001	
Operating revenue and premium equivalents	\$3,961.9	\$3,493.0	13%
Premiums	\$2,601.9	\$2,273.9	14%
Administrative fees	216.1	217.3	(1%)
Other revenue	19.8	11.1	78%
Total operating revenue	2,837.8	2,502.3	13%
Benefit expense	2,174.8	1,936.7	12%
Administrative expense	544.4	492.2	11%
Total operating expense	2,719.2	2,428.9	12%
Operating gain	118.6	73.4	62%
Net investment income	59.7	55.1	8%
Net realized gains (losses) on investments	2.6	(24.1)	–
Gain on sale of subsidiary operations (TRICARE)	–	25.0	–
Interest expense	17.5	13.6	29%
Amortization of goodwill and other intangible assets	4.1	8.0	(49%)
Demutualization expenses	–	2.4	–
Income before income taxes and minority interest	159.3	105.4	51%
Income taxes	52.8	34.2	54%
Minority interest (credit)	0.3	(1.2)	–
Net income	\$106.2	\$72.4	47%
Less: net realized gain (loss) on investments (net of tax)	1.7	(15.7)	–
Less: gain on sale of subsidiary operations (TRICARE) (net of tax)	–	16.3	–
Add: demutualization expenses	–	2.4	–
Add: Pre-FAS 142 amortization (net of tax)	–	3.8	–
Adjusted net income	\$104.5	\$78.0	34%
Diluted per share data:			
Net income	\$1.01	\$0.70	44%
Less: net realized gain (loss) on investments (net of tax)	0.02	(0.16)	–
Less: gain on sale of subsidiary operations (TRICARE) (net of tax)	–	0.16	–
Add: demutualization expenses	–	0.02	–
Add: Pre-FAS 142 amortization (net of tax)	–	0.03	–
Adjusted net income per share	\$0.99	\$0.75	32%
Diluted shares (in millions)	105.5	103.8	2%
Benefit expense ratio	83.6%	85.2%	(160) bp
Administrative expense ratio calculated using total operating revenue	19.2%	19.7%	(50) bp
Operating margin	4.2%	2.9%	130 bp

**Anthem, Inc.**  
**Consolidated Statements of Income**  
**(Unaudited)**

(\$ In Millions, Except Per Share Data)

	Six Months Ended		% Change
	June 30		
	2002	2001	
Operating revenue and premium equivalents	\$7,755.1	\$6,883.1	13%
Premiums	\$5,131.4	\$4,542.8	13%
Administrative fees	417.1	430.3	(3%)
Other revenue	37.9	22.6	68%
Total operating revenue	5,586.4	4,995.7	12%
Benefit expense	4,311.2	3,870.8	11%
Administrative expense	1,050.0	991.6	6%
Total operating expense	5,361.2	4,862.4	10%
Operating gain	225.2	133.3	69%
Net investment income	120.2	109.0	10%
Net realized gains (losses) on investments	5.9	(10.9)	-
Gain on sale of subsidiary operations (TRICARE)	-	25.0	-
Interest expense	35.1	28.0	25%
Amortization of goodwill and other intangible assets	7.4	15.7	(53%)
Demutualization expenses	-	3.0	-
Income before income taxes and minority interest	308.8	209.7	47%
Income taxes	102.0	68.6	49%
Minority interest (credit)	0.8	(1.9)	-
Net income	\$206.0	\$143.0	44%
Less: net realized gain (loss) on investments (net of tax)	3.8	(7.1)	-
Less: gain on sale of subsidiary operations (TRICARE) (net of tax)	-	16.3	-
Add: demutualization expenses	-	3.0	-
Add: Pre-FAS 142 amortization (net of tax)	-	7.8	-
Adjusted net income	\$202.2	\$144.6	40%
Diluted per share data:			
Net income	\$1.96	\$1.38	42%
Less: net realized gain (loss) on investments (net of tax)	0.04	(0.07)	-
Less: gain on sale of subsidiary operations (TRICARE) (net of tax)	-	0.16	-
Add: demutualization expenses	-	0.03	-
Add: Pre-FAS 142 amortization (net of tax)	-	0.07	-
Adjusted net income per share	\$1.92	\$1.39	38%
Diluted shares (in millions)	105.2	103.8	1%
Benefit expense ratio	84.0%	85.2%	(120) bp
Administrative expense ratio calculated using total operating revenue	18.8%	19.8%	(100) bp
Operating margin	4.0%	2.7%	130 bp

**Anthem, Inc.**  
**Consolidated Balance Sheets**

(\$ In Millions)

	June 30, 2002 (Unaudited)	December 31, 2001
<b>Assets</b>		
Current assets:		
Investments available-for-sale, at fair value	\$4,000.0	\$4,071.8
Cash and cash equivalents	665.7	406.4
Receivables, net	946.0	790.5
Other current assets	58.5	31.2
<b>Total current assets</b>	<b>5,670.2</b>	<b>5,299.9</b>
Property and equipment	396.5	402.3
Goodwill and other intangible assets	471.9	467.4
Other noncurrent assets	102.8	107.0
<b>Total assets</b>	<b>\$6,641.4</b>	<b>\$6,276.6</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Policy liabilities	\$1,829.6	\$1,716.5
Unearned income	302.7	320.6
Accounts payable and accrued expenses	247.3	331.0
Bank overdrafts	304.7	310.7
Income taxes payable	30.5	52.4
Other current liabilities	377.3	231.4
<b>Total current liabilities</b>	<b>3,092.1</b>	<b>2,962.6</b>
Long term debt, less current maturities (including \$220.2 of equity security units)	819.3	818.0
Retirement benefits	98.4	96.1
Other noncurrent liabilities	400.9	339.9
<b>Total liabilities</b>	<b>4,410.7</b>	<b>4,216.6</b>
<b>Shareholders' equity</b>		
Common stock	1.1	1.1
Additional paid in capital	1,957.1	1,960.8
Retained earnings	234.8	55.7
Unearned restricted stock compensation	(6.4)	-
Accumulated other comprehensive income	44.1	42.4
<b>Total shareholders' equity</b>	<b>2,230.7</b>	<b>2,060.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$6,641.4</b>	<b>\$6,276.6</b>

**Anthem, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

(\$ In Millions)	Six Months Ended June 30	
	2002	2001
<b>Operating activities</b>		
Net income	\$206.0	\$143.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized (gains)/losses on investments	(5.9)	10.9
Gain on sale of subsidiary operations (TRICARE)	–	(25.0)
Depreciation, amortization and accretion	55.9	61.2
Deferred income taxes	29.9	16.9
Loss on sale of assets	–	2.9
Changes in operating assets and liabilities, net of effect of purchases and divestitures:		
Restricted cash and investments	(0.8)	(3.3)
Receivables	(67.8)	12.2
Other assets	(13.3)	(3.7)
Policy liabilities	113.2	27.0
Unearned income	(17.9)	64.7
Accounts payable and accrued expenses	(83.7)	6.7
Other liabilities	58.5	(63.4)
Income taxes	(30.7)	12.5
Net cash provided by continuing operations	243.4	262.6
Net cash used in discontinued operations	–	(1.5)
Cash provided by operating activities	243.4	261.1
<b>Investing activities</b>		
Purchases of investments	(1,446.3)	(1,957.9)
Sales or maturities of investments	1,559.0	1,721.4
Sale (purchase) of subsidiaries, net of cash sold	(18.1)	42.3
Proceeds from sale of property and equipment	1.5	0.9
Purchases of property and equipment	(42.9)	(32.2)
Cash used in investing activities	53.2	(225.5)
<b>Financing activities</b>		
Repurchase and retirement of common stock	(37.5)	–
Adjustment to payments to eligible statutory members in the demutualization	0.2	–
Cash provided by financing activities	(37.3)	–
Change in cash and cash equivalents	259.3	35.6
Cash and cash equivalents at beginning of period	406.4	203.3
Cash and cash equivalents at end of period	\$665.7	\$238.9

**Trigon Healthcare, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

(\$ In Thousands, Except Per Share Data)

	Three Months Ended June 30		% Change
	2002	2001	
<b>Revenues</b>			
Premium and fee revenues			
Commercial	\$612,274	\$528,493	16%
Federal Employee Program	140,262	126,249	11%
Amounts attributable to self-funded arrangements	486,885	412,165	18%
Less: amounts attributable to claims under self-funded arrangements	(426,878)	(358,907)	19%
	<u>812,543</u>	<u>708,000</u>	15%
Investment income	24,036	26,810	(10%)
Net realized losses	(27,988)	(16,532)	69%
Other revenues	7,396	4,428	67%
Total revenues	<u>815,987</u>	<u>722,706</u>	13%
<b>Expenses</b>			
Medical and other benefit costs			
Commercial	481,063	430,393	12%
Federal Employee Program	134,614	119,466	13%
	<u>615,677</u>	<u>549,859</u>	12%
Selling, general and administrative expenses	151,463	129,566	17%
Interest expense	1,632	3,565	(54%)
Total expenses	<u>768,772</u>	<u>682,990</u>	13%
Income before income taxes and minority interest	47,215	39,716	19%
Income tax expense	14,911	13,121	14%
Income before minority interest	32,304	26,595	21%
Minority interest	2,509	126	-
Net Income	<u>\$29,795</u>	<u>\$26,469</u>	13%
<b>Earnings per share</b>			
Basic net income	<u>\$0.83</u>	<u>\$0.73</u>	
Diluted net income	<u>\$0.80</u>	<u>\$0.71</u>	
Diluted net income excluding realized losses <sup>(1)</sup>	<u>\$1.29</u>	<u>\$1.00</u>	
<b>Weighted average number of common shares outstanding (in thousands)</b>			
Basic	<u>35,998</u>	<u>36,181</u>	
Diluted	<u>37,212</u>	<u>37,216</u>	
<sup>(1)</sup> Calculation of net income excluding realized losses			
Net income	\$29,795	\$26,469	
Less: net realized losses, net of taxes of 35%	(18,192)	(10,746)	
Net income excluding realized losses	<u>\$47,987</u>	<u>\$37,215</u>	

**Trigon Healthcare, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

(\$ In Thousands, Except Per Share Data)	Six Months Ended		% Change
	June 30		
	2002	2001	
<b>Revenues</b>			
Premium and fee revenues			
Commercial	\$1,211,885	\$1,042,383	16%
Federal Employee Program	284,700	259,990	10%
Amounts attributable to self-funded arrangements	946,392	798,454	19%
Less: amounts attributable to claims under self-funded arrangements	(824,922)	(692,378)	19%
	1,618,055	1,408,449	15%
Investment income	48,567	54,554	(11)%
Net realized losses	(38,567)	(22,807)	69%
Other revenues	13,607	10,673	27%
Total revenues	1,641,662	1,450,869	13%
<b>Expenses</b>			
Medical and other benefit costs			
Commercial	970,316	848,435	14%
Federal Employee Program	273,277	248,214	10%
	1,243,593	1,096,649	13%
Selling, general and administrative expenses	293,432	257,989	14%
Interest expense	3,239	7,745	(58)%
Total expenses	1,540,264	1,362,383	13%
Income before income taxes and minority interest	101,398	88,486	15%
Income tax expense	32,574	29,505	10%
Income before minority interest	68,824	58,981	17%
Minority interest	3,792	112	–
Net Income	\$65,032	\$58,869	10%
<b>Earnings per share</b>			
Basic net income	\$1.81	\$1.60	
Diluted net income	\$1.76	\$1.56	
Diluted net income excluding realized losses <sup>(1)</sup>	\$2.43	\$1.95	
<b>Weighted average number of common shares outstanding (in thousands)</b>			
Basic	35,852	36,733	
Diluted	37,039	37,818	
<sup>(1)</sup> Calculation of net income excluding realized losses			
Net income	\$65,032	\$58,869	
Less: net realized losses, net of taxes of 35%	(25,069)	(14,825)	
Net income excluding realized losses	\$90,101	\$73,694	

**Trigon Healthcare, Inc.**  
**Consolidated Balance Sheet Data**

<i>(\$ In Thousands)</i>	June 30, 2002 (Unaudited)	December 31, 2001
Cash and investments	\$1,714,773	\$1,838,524
Total assets	2,528,286	2,582,464
Commercial paper	99,929	299,660
Total liabilities	1,402,082	1,562,044
Shareholders' equity	1,126,204	1,020,420

**Trigon Healthcare, Inc.**  
**Enrollment Data**

	June 30		% Change
	2002	2001	
<b>Health Insurance</b>			
Commercial			
PAR	112,784	126,692	(11%)
PPO	546,380	509,011	7%
HMO	303,217	285,246	6%
Medicaid HMO	64,838	58,465	11%
Medicare supplement	113,794	120,562	(6%)
Total commercial	1,141,013	1,099,976	4%
Self-funded	826,235	756,272	9%
Total health Insurance	1,967,248	1,856,248	6%
<b>Government</b>			
Federal Employee Program (PPO)	226,817	222,425	2%
Total	2,194,065	2,078,673	6%