

news release

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Anthem, Inc. Reports Record Results for Fourth Quarter and Full Year 2001

- **Earnings per share increased 56% in the fourth quarter and 51% for the full year before net realized gains and non-recurring items**
- **Operating gain increased 67% in the fourth quarter and 74% for the full year**
- **Same store membership increased 10% to 7.9 million in 2001**
- **Operating cash flow exceeded \$650 million in 2001**
- **Board approves \$400 million stock repurchase program**
- **EPS guidance for 2002 increased by \$0.10, to \$3.65 - \$3.75 per share**

Indianapolis, IN – February 6, 2002 – Anthem, Inc. (NYSE: ATH) today reported that net income for the fourth quarter of 2001 increased 21% to \$87.7 million, or \$0.85 per share, compared with net income of \$72.2 million, or \$0.70 per share, for the fourth quarter of 2000. Net income, excluding net realized gains and other non-recurring items, for the fourth quarter of 2001 increased 56% to \$99.0 million, or \$0.95 per share, compared with \$63.8 million, or \$0.61 per share, for the fourth quarter of 2000.

Full year net income increased 51% to \$342.2 million, or \$3.30 per share, compared with net income of \$226.0 million, or \$2.18 per share, for full year 2000. Net income, excluding net realized gains and other non-recurring items, increased 51% to \$314.1 million, or \$3.03 per share, compared with \$209.1 million, or \$2.01 per share, for full year 2000.

“This was Anthem’s first quarter as a public company and we are very pleased with the results. We are confident that our strategy to grow profitable enrollment while maintaining a disciplined focus on our business operations should assure continued momentum in our future results,” said Larry C. Glasscock, president and chief executive officer of Anthem, Inc.

Consolidated Highlights

- Operating revenue increased 12% to \$2.6 billion in the fourth quarter of 2001, compared with the fourth quarter of 2000. The increase was primarily attributable to same store membership growth of approximately 10%, coupled with disciplined pricing. For the full year 2001, operating revenue was \$10.1 billion, an increase of 18% over the prior year.

- The benefit expense ratio increased 80 basis points, to 82.7% in the fourth quarter of 2001, compared with the fourth quarter of 2000. For full year 2001, the benefit expense ratio improved 20 basis points to 84.5%, compared with the same period in 2000. Days in claims payable were 64.4 days at December 31, 2001, up 0.9 days from September 30, 2001.
- The administrative expense ratio improved 290 basis points to 20.1% in the fourth quarter of 2001, compared with 23.0% in the same period of 2000. The improvement reflects growth in operating revenue and membership gains without corresponding increases in administrative expenses. For the full year 2001, the administrative expense ratio improved 160 basis points to 19.6%.
- Operating gain was \$107.1 million in the fourth quarter of 2001, an increase of 67% compared with an operating gain of \$64.2 million in the same period of 2000. For the full year 2001, operating gain increased 74% to \$319.5 million, compared with \$184.1 million for the full year 2000. All operating segments contributed to the strong earnings growth in 2001.
- The strength in operating gain and revenue growth resulted in a 4.1% operating margin in the fourth quarter of 2001, which was the best quarterly operating margin reported by Anthem in its history. For the full year 2001, operating margin was 3.2%, a 100 basis point improvement compared to the full year 2000.

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 December 31			Twelve Months Ended December 31		
	<u>2001</u>	<u>2000</u>	<u>Change</u>	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating Revenue	\$1,332.0	\$1,166.8	14%	\$5,093.0	\$4,460.5	14%
Operating Gain	\$42.2	\$27.3	55%	\$161.5	\$87.8	84%
Operating Margin	3.2%	2.3%	90 bp	3.2%	2.0%	120 bp
Membership (in 000s)	4,854	4,454*	9%			

*Excludes 128,000 TRICARE members

- Fourth quarter of 2001 operating revenue increased 14% compared to the fourth quarter of 2000, primarily due to premium rate increases and membership growth in Local Large Group and Small Group businesses.
- Operating gain was \$42.2 million in the fourth quarter of 2001, an increase of 55% compared to the same period in 2000. The improvement was primarily due to revenue growth and enhanced operational efficiency.
- On a same store basis, membership increased 9% in 2001. Membership increases were primarily due to favorable retention and growth across all customer segments.

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 December 31			Twelve Months Ended December 31		
	<u>2001</u>	<u>2000</u>	<u>Change</u>	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating Revenue	\$967.5	\$844.1	15%	\$3,667.3	\$2,921.9	26%
Operating Gain	\$50.1	\$39.6	27%	\$128.8	\$103.8	24%
Operating Margin	5.2%	4.7%	50 bp	3.5%	3.6%	(10) bp
Membership (in 000s)	2,260	2,093	8%			

- Operating revenue increased 15%, to \$967.5 million, in the fourth quarter of 2001, compared with the fourth quarter of 2000. This growth was primarily due to premium rate increases in the Local Large Group business and membership growth across all customer segments.
- Operating gain in the fourth quarter of 2001 reached \$50.1 million, a 27% improvement compared with the same period in 2000. This growth was driven by improved underwriting results in Local Large Group business, exiting the Medicare + Choice market on January 1, 2001, and profitable enrollment growth, particularly in New Hampshire.
- Membership at December 31, 2001 grew by 8%, compared with December 31, 2000, reflecting growth in Local Large Group, National Accounts, and Small Group businesses.

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 December 31			Twelve Months Ended December 31		
	<u>2001</u>	<u>2000</u>	<u>Change</u>	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating Revenue	\$206.1	\$163.1	26%	\$774.4	\$622.4	24%
Operating Gain	\$9.8	\$1.1	-	\$20.1	\$2.5	-
Operating Margin	4.8%	0.7%	410 bp	2.6%	0.4%	220 bp
Membership (in 000s)	769	595	29%			

- Fourth quarter of 2001 operating revenue increased 26% compared with the same period in 2000, due to membership growth in both Local Large and Small Group businesses, coupled with premium rate increases.
- Fourth quarter of 2001 operating gain reached \$9.8 million resulting in a 4.8% operating margin. This was the best quarterly performance reported in this segment since the acquisition of Blue Cross and Blue Shield of Colorado/Nevada in November 1999. The significant improvement in operating gain was primarily due to the 29% increase in membership and improved underwriting results.

- Membership at December 31, 2001 was 769,000, an increase of 29% in 2001 primarily due to expansion in National Accounts and Local Large Group businesses.

Specialty Segment Highlights

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

(\$ in Millions)	Three Months Ended			Twelve Months Ended		
	December 31			December 31		
	<u>2001</u>	<u>2000</u>	<u>Change</u>	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating Revenue	\$110.3	\$88.0	25%	\$396.1	\$332.3	19%
Operating Gain	\$7.9	\$10.9	(28%)	\$32.9	\$24.9	32%
Operating Margin	7.2%	12.4%	(520) bp	8.3%	7.5%	80 bp

- Operating revenue increased 25% in the fourth quarter of 2001, compared with the fourth quarter of 2000, primarily due to the introduction in early 2001 of pharmacy benefit management services to the recent acquisitions of Colorado/Nevada and Maine.
- Operating gain decreased 28% in the fourth quarter of 2001 compared with the fourth quarter of 2000, reflecting administrative start-up costs associated with the newly formed Vision business unit, and full absorption of costs not previously required to support the Specialty businesses, which became a separate reportable segment during 2001. The full year 2001 improvement compared with 2000 is primarily due to increased mail order prescription volume and the termination of a large life group.

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 military enrollees and their dependents in the TRICARE program that 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			Twelve Months Ended		
	December 31			December 31		
	<u>2001</u>	<u>2000</u>	<u>Change</u>	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating Loss	(\$2.9)	(\$14.7)	80%	(\$23.8)	(\$34.9)	32%

- Operating loss was lower in the fourth quarter of 2001 compared with the same period in 2000, primarily due to lower unallocated discretionary corporate expenses in 2001 and higher incentive compensation associated with above target consolidated results in 2000.

2002 Earnings Outlook

The company increased its 2002 earnings per share expectation to \$3.65 - \$3.75, including the impact of FAS 142. This reflects at least 15% growth on a comparable basis after taking into account a benefit of \$0.15 related to amortization of goodwill in both 2001 and 2002. Earnings per share in the first quarter of 2002 is expected to be \$0.80 - \$0.85. The number of shares used to compute diluted earnings per share was 103.8 million for current and prior periods, while 105.0 million shares have been estimated for full year 2002.

\$400 Million Stock Repurchase Program

Anthem's Board of Directors approved a common stock repurchase program. Under the program, management has been authorized to purchase up to \$400 million worth of shares, subject to business and market conditions. Shares may be repurchased in the open market and in negotiated transactions during the next twelve months. The impact of any share repurchases have not been reflected in management's 2002 earnings per share expectations noted above.

Basis of Presentation:

1. All earnings per share amounts are on a diluted basis.
2. Same store membership growth excludes 128,000 members associated with the TRICARE business which was sold in 2001.
3. Earnings per share calculations for current and prior periods were based on 103.8 million diluted shares. The components of the 103.8 million are as follows: Anthem issued 48.1 million common shares to eligible statutory members and 55.2 million shares in the initial public offering, for a total of 103.3 million common shares issued and outstanding. Anthem issued 100 stock options to all non-executive employees in conjunction with the initial public offering, which contributed 0.3 million diluted shares for the fourth quarter. Additionally, the dilutive impact of the \$230 million of equity security units issued during the initial public offering was 0.2 million shares.
4. The non-recurring items excluded from net income are the after-tax impact of gain on disposition of the TRICARE operations on May 31, 2001 and demutualization expenses in 2001.
5. Operating revenue is defined as premiums plus administrative fees and other revenue.
6. 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, gain on sale of subsidiary operations, demutualization expenses, and income tax expense are not included.

Conference call information is available on Anthem's web site, www.anthem.com, under Investor Relations.

This press release contains certain forward-looking information. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include: 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; and general economic downturns. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Anthem undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures made by Anthem, found in Anthem's final Prospectus dated October 29, 2001, for the initial public offering, and in its periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission, which attempt to advise interested parties of the factors which affect Anthem's business.

Anthem, Inc.
Membership Summary

(in Thousands)	Dec. 31, 2001	Dec. 31, 2000	Sept. 30, 2001	% Change	
				Dec. 31, 2000	Sept. 30, 2001
Local Large Group	2,827	2,634	2,800	7%	1%
Small Group	813	775	818	5%	(1%)
Individual	701	650	688	8%	2%
National Accounts ¹	2,903	2,468	2,890	18%	–
Medicare + Choice	97	106	100	(8%)	(3%)
Federal Employee Program	423	407	426	4%	(1%)
Medicaid	119	102	112	17%	6%
Total without TRICARE	7,883	7,142	7,834	10%	1%
TRICARE ²	–	128	–	(100%)	–
Total with TRICARE	7,883	7,270	7,834	8%	1%
Funding Arrangement					
Self-Funded	4,052	3,481	4,048	16%	–
Fully Insured	3,831	3,789	3,786	1%	1%
Total	7,883	7,270	7,834	8%	1%

¹ Includes BlueCard members of 1,626 as of December 31, 2001, 1,320 as of December 31, 2000, and 1,617 as of September 30, 2001.

² TRICARE operations were sold effective May 31, 2001.

Anthem, Inc.
Consolidated Statements of Income

(\$ in millions, except per share data)	Three Months Ended December 31		% Change
	2001	2000	
Operating revenue and premium equivalents	\$3,628.8	\$3,133.3	16%
Premiums	\$2,378.7	\$2,100.9	13%
Administrative fees	195.3	205.6	(5%)
Other revenue	20.4	11.1	84%
Total operating revenue	2,594.4	2,317.6	12%
Benefit expense	1,967.1	1,719.7	14%
Administrative expense	520.2	533.7	(3%)
Total operating expense	2,487.3	2,253.4	10%
Operating gain	107.1	64.2	67%
Net investment income	68.2	54.4	25%
Net realized gains (losses) on investments	(0.4)	12.8	-
Interest expense	18.4	13.5	36%
Amortization of goodwill and other intangible assets	7.7	8.9	(13%)
Demutualization expenses	11.0	-	-
Income before income taxes and minority interest	137.8	109.0	26%
Income taxes	50.2	35.9	40%
Minority interest (credit)	(0.1)	0.9	-
Net income	\$87.7	\$72.2	21%
Diluted per share data:			
Net income	\$0.85	\$0.70	21%
Less: net realized gain on investments	-	0.09	-
Plus: demutualization expenses	0.10	-	-
Adjusted net income	\$0.95	\$0.61	56%
Diluted shares (in millions)	103.8	103.8	-
Benefit expense ratio	82.7%	81.9%	80 bp
Administrative expense ratio:			
Calculated using operating revenue	20.1%	23.0%	(290 bp)
Calculated using operating revenue and premium equivalents	14.3%	17.0%	(270 bp)
Operating margin	4.1%	2.8%	130 bp

Anthem, Inc.
Consolidated Statements of Income

<i>(\$ in millions, except per share data)</i>	Twelve Months Ended December 31		% Change
	2001	2000	
Operating revenue and premium equivalents	\$14,057.4	\$11,800.1	19%
Premiums	\$9,244.8	\$7,737.3	19%
Administrative fees	817.3	755.6	8%
Other revenue	58.2	50.6	15%
Total operating revenue	10,120.3	8,543.5	18%
Benefit expense	7,814.7	6,551.0	19%
Administrative expense	1,986.1	1,808.4	10%
Total operating expense	9,800.8	8,359.4	17%
Operating gain	319.5	184.1	74%
Net investment income	238.6	201.6	18%
Net realized gains on investments	60.8	25.9	–
Gain on sale of subsidiary operations (TRICARE)	25.0	–	–
Interest expense	60.2	54.7	10%
Amortization of goodwill and other intangible assets	31.5	27.1	16%
Demutualization expenses	27.6	–	–
Income before income taxes and minority interest	524.6	329.8	59%
Income taxes	183.4	102.2	79%
Minority interest (credit)	(1.0)	1.6	–
Net income	\$342.2	\$226.0	51%
Diluted per share data:			
Net income	\$3.30	\$2.18	51%
Less: net realized gain on investments	0.38	0.17	–
Less: gain on sale of TRICARE	0.16	–	–
Plus: demutualization expenses	0.27	–	–
Adjusted net income	\$3.03	\$2.01	51%
Diluted shares (in millions)	103.8	103.8	–
Benefit expense ratio	84.5%	84.7%	(20 bp)
Administrative expense ratio:			
Calculated using operating revenue	19.6%	21.2%	(160 bp)
Calculated using operating revenue and premium equivalents	14.1%	15.3%	(120 bp)
Operating margin	3.2%	2.2%	100 bp

Anthem, Inc.
Consolidated Balance Sheets

	December 31	
<i>(\$ in millions)</i>	2001	2000
Assets		
Current assets:		
Investments available-for-sale, at fair value	\$4,071.8	\$3,511.3
Cash and cash equivalents	406.4	203.3
Receivables, net	790.5	856.6
Other current assets	31.2	53.1
Total current assets	5,299.9	4,624.3
Property and equipment	402.3	428.8
Goodwill and other intangible assets	467.4	498.9
Other noncurrent assets	107.0	156.5
Total assets	\$6,276.6	\$5,708.5
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities	\$1,716.5	\$1,723.5
Unearned income	320.6	260.2
Accounts payable and accrued expenses	331.0	303.7
Bank overdrafts	310.7	250.5
Income taxes payable	52.4	22.6
Other current liabilities	231.4	237.5
Total current liabilities	2,962.6	2,798.0
Long term debt, less current maturities	818.0	597.5
Retirement benefits	96.1	175.1
Other noncurrent liabilities	339.9	218.1
Total liabilities	4,216.6	3,788.7
Shareholders' equity		
Common stock	1.1	-
Additional paid in capital	1,960.8	-
Retained earnings	55.7	1,848.6
Accumulated other comprehensive income	42.4	71.2
Total shareholders' equity	2,060.0	1,919.8
Total liabilities and shareholders' equity	\$6,276.6	\$5,708.5

Anthem, Inc.
Consolidated Statements of Cash Flows

<i>(\$ in millions)</i>	Twelve Months Ended December 31	
	2001	2000
Operating activities		
Net income	\$342.2	\$226.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized gains on investments	(60.8)	(25.9)
Gain on sale of subsidiary operations	(25.0)	–
Depreciation, amortization and accretion	120.5	102.1
Deferred income taxes	71.4	36.6
Loss on sale of assets	3.1	0.5
Changes in operating assets and liabilities, net of effect of purchases and divestitures:		
Receivables	(28.0)	(70.7)
Policy liabilities	155.7	124.1
Unearned income	66.7	22.3
Other assets and liabilities	13.9	271.7
Net cash provided by continuing operations	659.7	686.7
Net cash used in discontinued operations	(5.1)	(2.2)
Cash provided by operating activities	654.6	684.5
Investing activities		
Purchases of investments	(3,957.3)	(3,544.8)
Sales or maturities of investments	3,484.6	2,925.2
Purchase of subsidiaries, net of cash acquired	(4.1)	(85.1)
Sale of subsidiaries, net of cash sold	45.0	5.4
Proceeds from sale of property and equipment	4.1	11.5
Purchases of property and equipment	(70.4)	(73.3)
Cash used in investing activities	(498.1)	(761.1)
Financing activities		
Proceeds from long term borrowings	–	295.9
Payments on long term borrowings	–	(220.4)
Net proceeds from common stock issued in initial public offering	1,890.4	–
Net proceeds from issuance of equity security units	219.8	–
Payments to eligible statutory members in the demutualization	(2,063.6)	–
Cash provided by financing activities	46.6	75.5
Change in cash and cash equivalents	203.1	(1.1)
Cash and cash equivalents at beginning of period	203.3	204.4
Cash and cash equivalents at end of period	\$406.4	\$203.3