



Humana Inc. Reports Financial Results for Fourth Quarter And Full Year 2006; Raises 2007 EPS Guidance

February 5, 2007

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- Raising 2007 EPS estimate to a range of \$4.00 to \$4.20
- 2006 EPS of \$2.90, above company's expectations
- 2006 consolidated revenues of \$21.4 billion, up nearly 50 percent
- Medical membership grew 4.2 million in 2006 to 11.3 million

LOUISVILLE, Ky.--(BUSINESS WIRE)--Feb. 5, 2007--Humana Inc. (NYSE:HUM) today reported \$0.92 in diluted earnings per common share (EPS) for the quarter ended December 31, 2006 (4Q06), above the company's previous guidance for EPS of \$0.84 to \$0.90. The 4Q06 EPS compares to \$0.37(a)(e) EPS for the quarter ended December 31, 2005 (4Q05). Excluding 4Q05 expenses of \$0.07 per share related to Hurricane Katrina(e), EPS for 4Q06 is up 109 percent(b) versus the prior year. The year-over-year improvement in the quarter results from substantial earnings increases from membership growth in the company's Government segment.

For the year ended December 31, 2006 (FY06), the company reported EPS of \$2.90(f) versus \$1.79(a)(d)(e)(g) for the year ended December 31, 2005 (FY05), an increase of 62 percent.

Humana now estimates EPS for the year ending December 31, 2007 (FY07E) in the range of \$4.00 to \$4.20 versus the company's previous estimate of \$3.90 to \$4.10. The company's revised outlook for 2007 equates to a growth rate of 38 to 45 percent over the FY06 EPS of \$2.90(f).

"Strong fourth quarter results capped off a record-breaking year in which Medicare membership growth dramatically increased Humana's size, geographic reach and brand awareness," said Michael B. McCallister, Humana's president and chief executive officer. "This enabled us to exceed our EPS estimates for the quarter and the year. Just as importantly, it positioned us for further progress in 2007, as shown by our raising full-year EPS guidance this morning."

Revenues - 4Q06 consolidated revenues rose 54 percent to \$5.66 billion from \$3.66 billion in 4Q05, with total premium and administrative services fees up 53 percent compared to the prior year's quarter. Investment income increased by 87 percent year over year in 4Q06 to \$79.9 million driven by higher invested balances during 4Q06 and the timing of venture capital investment gains in FY06 versus FY05. Other income increased to \$25.9 million in 4Q06 from \$4.6 million in 4Q05 primarily because of operations of the company's mail order pharmacy facility which opened during the first half of FY06.

FY06 consolidated revenues rose 49 percent to \$21.42 billion from \$14.42 billion in FY05 with total premium and administrative services fees up 48 percent compared to the prior year's period. Both the quarter and full year increases were primarily the result of higher enrollment in the company's Medicare Advantage plans and new 2006 revenues from stand-alone Prescription Drug Plans (PDPs) for Medicare beneficiaries.

Medical costs - The company's consolidated medical expense ratio (medical expenses as a percent of premium revenue or MER) of 83.2 percent in 4Q06 was 110 basis points higher than the 4Q05 MER of 82.1 percent(e) due to an increase in the Government Segment MER outweighing an improvement in that for the Commercial Segment. The change in MER in the Government Segment was primarily due to the stand-alone PDP results in 2006, as described more fully in the Government Segment results discussion below.

The consolidated MER for FY06 of 84.0 percent was 80 basis points higher than the FY05 consolidated MER of 83.2 percent(e), driven by the same factors impacting the fourth quarter year-over-year comparison.

Selling, general, & administrative (SG&A) expenses - The company's consolidated SG&A expense ratio (SG&A expenses as a percent of premiums plus administrative services fees) decreased to 14.7 percent for 4Q06 from 16.9 percent(a) in 4Q05. The year-over-year decline of 220 basis points was primarily the result of administrative cost leverage associated with revenues from higher average medical membership. Administrative spending associated with the 2007 open enrollment period for Medicare primarily led to a 160 basis-point increase in the consolidated SG&A expense ratio in 4Q06 compared to the third quarter of 2006.

The SG&A expense ratio for FY06 of 14.3 percent was 110 basis points lower than the FY05 ratio of 15.4 percent(a)(d)(e), primarily due to the administrative cost leverage provided by revenues from higher average medical membership. Additionally, the FY06 ratio improved year-over-year as a result of administrative costs in FY05 for the settlement of class action litigation(d) which did not recur in FY06.

Government Segment Results Summary

Pretax results:

- Government Segment pretax earnings were \$187.3 million in 4Q06 compared to \$55.8 million(a)(e) in 4Q05. This increase reflects higher earnings in the company's Medicare Advantage

plans resulting from significantly higher membership, partially offset by results for new Medicare PDP offerings in 2006.

- For FY06, pretax earnings for the Government Segment of \$513.8 million were 62 percent higher than FY05 pretax earnings for the segment of \$316.7 million(a)(d)(e) with the increase in results year over year primarily due to higher earnings in the company's Medicare Advantage plans resulting from significantly higher membership, partially offset by results for new Medicare PDP offerings in 2006. In addition, the year-over-year improvement was impacted by approximately \$39.3 million of FY05 expenses related to the settlement of class action litigation(d) and Hurricane Katrina(e) that did not recur in FY06.

Enrollment:

- Medicare Advantage membership grew to 1,002,600 at December 31, 2006, an increase of 444,800, or 80 percent, from December 31, 2005 and 9,600, or 1 percent, from September 30, 2006. The company's expanded participation in various Medicare products and markets combined with the company's increased sales and marketing efforts for these programs led to the higher membership level year over year. Medicare Advantage membership for January 2007 approximated 1.1 million members.
- Membership in the company's stand-alone PDPs totaled 3,536,600 at December 31, 2006. January 2007 stand-alone PDP membership also approximated 3.5 million.
- As expected, TRICARE membership of 2,880,000 at December 31, 2006 was essentially unchanged from both December 31, 2005 and September 30, 2006.
- Medicaid membership of 569,100 at December 31, 2006 increased 111,200 from December 31, 2005 and 156,500 from September 30, 2006 due primarily to the award of a new Puerto Rico regional ASO contract during 4Q06, partially offset by eligible Puerto Rico Medicaid members choosing to move into the Medicare Advantage program.

Revenues:

- Medicare Advantage premiums of \$2.30 billion in 4Q06 increased 89 percent compared to \$1.22 billion in 4Q05, primarily the result of the expanded geography across which Medicare Advantage products were offered together with higher enrollment in geographies where these products were offered in FY05. Medicare Advantage premiums per member increased 1 percent year over year during 4Q06, reflecting the shift in membership mix to a higher percentage of lower premium Private Fee-for-Service products.
- Medicare PDP premiums added \$882.0 million in new revenues in 4Q06 versus 4Q05.
- TRICARE premiums and administrative services fees during 4Q06 of \$660.4 million compared to \$585.3 million in 4Q05.

Medical Expenses:

- The Government Segment MER increased 240 basis points to 83.7 percent in 4Q06 compared to 81.3 percent(e) in the prior year's quarter. This increase is primarily the result of the

stand-alone PDPs first offered in January 2006.

- The FY06 MER for the company's stand-alone PDP business was 92.5 percent, primarily driven by a FY06 MER of 115.9 percent in the company's Complete plan offering.

SG&A Expenses:

- The Government Segment's SG&A expense ratio for 4Q06 of 12.3 percent was 330 basis points lower than that for 4Q05 of 15.6 percent(a) primarily driven by the expense leverage provided by revenues associated with higher average membership for this segment. On a sequential basis, the segment's SG&A expense ratio increased 220 basis points, primarily driven by the expenses associated with the 2007 Medicare open enrollment period.

Commercial Segment Results Summary

Pretax results:

- Commercial Segment pretax earnings were \$53.9 million in 4Q06 compared to \$38.9 million(a)(e) in 4Q05. Commercial Segment operating earnings in 4Q06 continue to reflect the company's commitment to underwriting discipline and the strategic shift to a higher mix of ASO members. Additionally, 4Q05 results included approximately \$15.9 million in expenses related to Hurricane Katrina(e) that did not recur in 4Q06.
- For FY06, pretax earnings for the Commercial Segment of \$248.2 million(f) were 188 percent higher than FY05 pretax earnings for the segment of \$86.2 million(a)(d)(e) primarily reflecting the absence of litigation(d) and Hurricane Katrina(e) expenses incurred in FY05 that did not recur in FY06 together with higher-than-usual annual venture capital gains, continued underwriting discipline, and year-over-year improvement in medical cost utilization trends.

Enrollment:

- Commercial Segment medical membership of 3,283,800 at December 31, 2006 increased approximately 113,000 or 4 percent, from December 31, 2005 and declined 8,100, or less than 1 percent, from September 30, 2006.
- Membership in the company's Smart plans and other consumer offerings increased year over year by 51,900 or 13 percent to 437,900 at December 31, 2006. Medical members in these products comprise over 13 percent of Commercial medical membership at December 31, 2006 compared to 12 percent at December 31, 2005.

Revenues:

- Premiums and administrative services fees for the Commercial Segment decreased 6 percent to \$1.57 billion in 4Q06 compared to \$1.67 billion in the prior year's quarter, as an increase in administrative services fees resulting from a 31 percent increase in ASO membership was more than offset by lower premiums due to declines in at-risk enrollment.
- Commercial Segment medical premiums for fully insured groups increased approximately 6 percent on a per-member basis during 4Q06 compared to 4Q05. This increase primarily reflects a higher percentage of lower-premium small group members in 4Q06

than in 4Q05.

Medical Expenses:

- In 4Q06, the Commercial Segment MER of 82.1 percent was 80 basis points lower than the 4Q05 MER of 82.9 percent(e), primarily reflecting improving medical cost utilization trends and the company's commitment to underwriting discipline.
- The company experienced commercial medical cost same-store trend components for FY06 as follows: inpatient hospital utilization - flat to 1 percent; inpatient and outpatient hospital rates - upper single digits; outpatient hospital utilization - low to mid single digits; physician - mid single digits; and pharmacy - high single digits to low double digits. This is also consistent with the same-store medical cost trend components the company is projecting for FY07.

SG&A Expenses:

- The Commercial Segment SG&A expense ratio of 20.8 percent for 4Q06 compares to 18.3 percent(a) in 4Q05, primarily the result of lower average fully-insured medical enrollment and an increase in the percentage of Commercial medical membership related to ASO. The segment's SG&A expense ratio increased 10 basis points from that for the third quarter of 2006.

Balance Sheet

- Cash and cash equivalents of \$1.74 billion increased \$559.1 million or 47 percent sequentially primarily as a result of an increase in operating cash flows during 4Q06.
- Parent company cash and investments increased to \$424.4 million at December 31, 2006 from \$419.6 million at December 31, 2005.
- Debt-to-total capitalization at December 31, 2006 was 29.4 percent, up 430 basis points from September 30, 2006 due primarily to 4Q06 borrowings against the company's credit facility.
- The company's working capital at December 31, 2006 included approximately \$738.7 million in net Part D risk-share payables to CMS associated with the company's Medicare Advantage and stand-alone PDP offerings.
- Days in claims payable declined one day on a sequential basis to 60.2 days at December 31, 2006 from 61.2 days at September 30, 2006. This sequential decline primarily related to the timing of payments to the company's pharmacy benefit manager.

Cash Flows from Operations

Cash flows provided by operations for 4Q06 of \$534.9 million compared to cash used in operations of \$250.8 million(a) in 4Q05. The company also evaluates operating cash flows on a non-GAAP basis(b)(c).

Cash flows from operations

(\$ in millions)	4Q06	4Q05(a)	FY06	FY05(a)
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GAAP cash flows provided by (used in) operations	\$534.9	(\$250.8)	\$1,686.7	\$610.1
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Timing of premium payment from CMS(c)	- 384.8	- 19.8		
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Non-GAAP cash flows provided
by operations(b)(c) \$534.9 \$134.0 \$1,686.7 \$629.9

Non-GAAP cash flows provided by operations rose to \$534.9 million in 4Q06 from \$134.0 million(a)(b)(c) in 4Q05 driven by growth in the company's Medicare operations including the associated increase in Part D risk-share payables to CMS.

Footnotes

(a) In accordance with Generally Accepted Accounting Principles (GAAP), Humana adopted the retrospective method for implementing new stock option accounting rules on January 1, 2006. Consequently, prior period results in this news release have been adjusted to retrospectively reflect the expensing of stock options.

(b) The company has included certain financial measures that are not in accordance with GAAP within this news release. The company believes that these non-GAAP measures, when presented in conjunction with comparable GAAP measures, are useful to both management and its investors in analyzing the company's ongoing business and operating performance. Internally, management uses these non-GAAP financial measures as indicators of business performance, as well as for operational planning and decision making purposes. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

(c) When reviewing and analyzing Humana's operating cash flows, company management applies the CMS premium payment in each month to match the corresponding disbursements. To do otherwise distorts meaningful analysis of the company's operating cash flow. Therefore, decisions such as management's forecasting and business plans regarding cash flow use this non-GAAP financial measure.

(d) On October 18, 2005, the company announced it had reached an agreement to settle a nationwide class action suit that had been pending in U.S. District Court in Miami for more than six years. Pursuant to the settlement, Humana's 3Q05 financial results included pretax expenses of \$72 million (\$45 million after tax or \$0.27 per share) in connection with the settlement and other related litigation costs.

(e) During the latter half of 2005, certain of Humana's operations were affected by the unusually harsh impact of Hurricane Katrina. Expenses related to Hurricane Katrina primarily stem from the company's efforts, in close cooperation with Departments of Insurance in the affected states, to help our members by offering participating-provider benefits at non-participating providers, paying claims for members who were unable at that time to meet their premium obligations and similar measures. Hurricane Katrina related pretax expenses of \$7 million (\$4 million after tax or \$0.03 per share) were included in the company's 3Q05 financial results with another \$20 million in pretax expenses (\$13 million after tax or \$0.07 per share) included in the company's 4Q05 financial results.

(f) During the first quarter of 2006, the company realized a gain on the sale of an investment totaling approximately \$52 million on a pretax basis, which was \$34 million higher than the pretax capital gains anticipated for 2006. The company, in turn, donated \$0.02 per share of the \$0.13 per share in excess capital gains to the Humana Foundation.

(g) During the first quarter of 2005, the company realized a favorable tax contingency of \$23 million or \$0.14 per share.

Conference Call & Virtual Slide Presentation

Humana will host a conference call, as well as a virtual slide presentation, at 9:00 a.m. eastern time today to discuss its financial results for the quarter and the company's expectations for future earnings. A live virtual presentation (audio with slides) may be accessed via Humana's Investor Relations page at www.humana.com. The company suggests web participants sign on approximately 15 minutes in advance of the call. The company also suggests web participants visit the site well in advance of the call to run a system test and to download any free software needed to view the presentation.

All parties interested in the audio-only portion of the conference call are invited to dial 888-625-7430. No password is required. The company suggests participants dial in approximately ten minutes in advance of the call. For those unable to participate in the live event, the virtual presentation archive will be available in the Historical Presentations section of the Investor Relations page at www.humana.com.

Cautionary Statement

This news release contains forward-looking statements and earnings guidance points. The forward-looking statements herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be significantly impacted by certain risks and uncertainties described in the following documents filed by Humana with the Securities and Exchange Commission:

- Form 10-K for the year ended December 31, 2005,
- Form 10-Qs for the quarters ended March 31, 2006, June 30, 2006, and September 30, 2006.

About Humana

Humana Inc., headquartered in Louisville, Kentucky, is one of the nation's largest publicly traded health benefits companies, with over 11 million medical members. Humana offers a diversified portfolio of health insurance products and related services - through traditional and consumer-choice plans - to employer groups, government-sponsored plans, and individuals.

Over its 46-year history, Humana has consistently seized opportunities to meet changing customer needs. Today, the company is a leader in consumer engagement, providing guidance that leads to lower costs and a better health plan experience throughout its diversified customer portfolio.

More information regarding Humana is available to investors via the Investor Relations page of the company's web site at www.humana.com, including copies of:

- Annual report to stockholders;
- Securities and Exchange Commission filings;
- Most recent investor conference presentation;
- Quarterly earnings news releases;
- Replay of most recent earnings release conference call;
- Calendar of events (includes upcoming earnings conference call dates, times, and access number, as well as planned interaction with research analysts and institutional investors);
- Corporate Governance information.

Humana Inc.

GAAP Guidance For the year ending December Comments
 Points as of 31, 2007
 February 5, 2007

 Diluted earnings FY07: \$4.00 to \$4.20 2007 growth rate of
 per common share 1Q07: \$0.35 to \$0.40 38% to 45%

Revenues Consolidated revenues: \$24
 billion to \$26 billion;
 Medicare Advantage: \$10.5
 billion to \$12.0 billion;
 Medicare stand-alone PDPs:
 \$3.0 billion to \$3.5
 billion;
 TRICARE: \$2.7 billion to \$3.0
 billion;
 Commercial: \$6.0 billion to
 \$7.0 billion

Ending medical Medicare Advantage:
 membership approximately 1,130,000 to
 1,200,000;
 Medicare stand-alone PDPs:
 approximately 3.6 million;
 TRICARE: No material change
 from prior year;
 Medicaid: No material change
 from prior year;
 Commercial: Up approximately Commercial represents
 50,000 to 75,000 from prior combined ASO and
 year fully insured medical
 membership

Medical costs Total Medicare products
 (Medicare Advantage and
 stand-alone PDP combined)
 MER in the range of 82% to
 84%;
 Commercial fully insured 2007 same-store trends
 groups: Medical cost trends for Commercial
 in the range of 5% to 6%; medical cost detailed
 premium yields in line with components are not
 medical cost trends anticipated to be
 materially different
 from 2006

Selling, general & Consolidated SG&A expense
administrative ratio of 13% to 14%
expenses

Investment income Investment income of \$280 2007 is not forecast
and interest million to \$290 million with to include any
expense no material benefit from material gains from
venture capital gains; venture capital
Interest expense of investments due to
approximately \$70 million fewer such
investments now held
by the company
Net investment income by Investment income (net
segment: of interest expense)
55% to 60% Government is recorded to the
Segment; 40% to 45% business segments
Commercial Segment based upon changes in
working capital that
fund cash available
for investment

Pretax results Total Medicare products Investment and other
(Medicare Advantage and income and interest
stand-alone PDP combined): expense are recorded
4% to 5% pretax margin at the segment level
including pretax income on but not at the line-
stand-alone PDP; of-business level
TRICARE: Approximately 3% to
4% pretax margin;
Commercial Segment: \$190
million to \$210 million
including no material
benefit from venture capital
gains

Cash flows from \$1.0 billion to \$1.8 billion Updated to reflect
operations detailed review of
12/31/06 balance
sheet and intricacies
of Part D risk-share
calculations

Capital Approximately \$200 million
expenditures

Effective tax rate Approximately 36% to 37%

Shares used in Approximately 171 million
computing EPS

Humana Inc.
Statistical Schedules
And
Supplementary Information
4Q06 Earnings Release

Statistical Schedules and Supplementary Information
4Q06 Earnings Release

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Humana Inc.

4th Quarter Consolidated Statements of Income

In thousands, except per common share results

Three Months Ended December 31,					

	Dollar		Percentage		

	2006	2005 (A)	Change	Change	

Revenues:					
Premiums	\$5,456,853	\$3,552,393	\$1,904,460	53.6%	
Administrative services fees	92,490	63,197	29,293	46.4%	
Investment income	79,937	42,856	37,081	86.5%	
Other revenue	25,939	4,634	21,305	459.8%	

Total revenues	5,655,219	3,663,080	1,992,139	54.4%	

Operating expenses:					
Medical	4,541,775	2,914,831	1,626,944	55.8%	
Selling, general and administrative	817,038	609,519	207,519	34.0%	
Depreciation	34,607	28,769	5,838	20.3%	
Other intangible amortization	4,812	4,958	(146)	-2.9%	

Total operating expenses	5,398,232	3,558,077	1,840,155	51.7%	

Income from operations	256,987	105,003	151,984	144.7%	
Interest expense	15,806	10,329	5,477	53.0%	

Income before income taxes	241,181	94,674	146,507	154.7%	
Provision for income taxes	86,160	32,898	53,262	161.9%	

Net income	\$155,021	\$61,776	\$93,245	150.9%	
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Basic earnings per common share	\$0.94	\$0.38	\$0.56	147.4%
Diluted earnings per common share	\$0.92	\$0.37	\$0.55	148.6%

Shares used in computing basic earnings per common share	165,338	162,405
Shares used in computing diluted earnings per common share	168,748	166,521

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Humana Inc.
YTD Consolidated Statements of Income
In thousands, except per common share results

Twelve Months Ended
December 31,

Dollar Percentage

2006 2005 (A) Change Change

Revenues:

Premiums	\$20,729,182	\$14,001,591	\$6,727,591	48.0%
Administrative services fees	341,211	259,437	\$81,774	31.5%
Investment income	291,880	142,976	\$148,904	104.1%
Other revenue	54,264	14,123	\$40,141	284.2%

Total revenues	21,416,537	14,418,127	\$6,998,410	48.5%
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Operating expenses:

Medical	17,421,204	11,651,470	\$5,769,734	49.5%
Selling, general and administrative	3,021,509	2,195,604	\$825,905	37.6%
Depreciation	128,634	105,051	\$23,583	22.4%
Other intangible amortization	19,964	23,807	(\$3,843)	-16.1%

Total operating expenses	20,591,311	13,975,932	\$6,615,379	47.3%
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Income from operations	825,226	442,195	\$383,031	86.6%
Interest expense	63,141	39,315	\$23,826	60.6%

Income before income

taxes	762,085	402,880	\$359,205	89.2%
Provision for income taxes	274,662	106,150	\$168,512	158.7%

Net income	\$487,423	\$296,730	\$190,693	64.3%
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Basic earnings per common share	\$2.97	\$1.83	\$1.14	62.3%
Diluted earnings per common share	\$2.90	\$1.79	\$1.11	62.0%

Shares used in computing basic earnings per common share	164,137	161,714
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Shares used in computing
diluted earnings per
common share 167,996 165,560

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Humana Inc.
Consolidated Balance Sheets
Dollars in thousands, except share amounts

	----- Dec. 31, 2006	----- Sept. 30, 2006	----- Dec. 31, 2005 (A)	----- Sequential Change Dollar	----- Percent
Assets					
Current assets:					
Cash and cash equivalents	\$1,740,304	\$1,181,234		\$732,016	
Investment securities	3,192,273	3,242,711		2,354,904	
Receivables, net:					
Premiums	667,657	729,949		723,190	
Administrative services fees	13,284	15,055		15,462	
Securities lending collateral	627,990	917,325		47,610	
Other	1,091,465	1,015,717		333,004	

Total current assets	7,332,973	7,101,991	4,206,186	\$230,982	3.3%
Property and equipment	545,004	518,930		484,412	
Other assets:					
Long-term investment securities	414,877	408,281		391,035	
Goodwill	1,310,631	1,307,231		1,264,575	
Other	524,011	569,718		523,406	

Total other assets	2,249,519	2,285,230	2,179,016		

Total assets	\$10,127,496	\$9,906,151	\$6,869,614	\$221,345	2.2%
=====					

Liabilities and					
Stockholders' Equity					
Current liabilities:					
Medical and other expenses payable	\$2,488,261	\$2,562,943		\$1,909,682	
Trade accounts payable and accrued expenses	1,626,658	1,477,977		560,550	
Book overdraft	293,605	281,244		280,005	
Securities lending payable	627,990	917,325		47,610	
Unearned revenues	155,298	146,320		120,489	
Current portion of long-term debt	-	-		301,254	

Total current liabilities	5,191,812	5,385,809	3,219,590	(\$193,997)	-3.6%
Long-term debt	1,269,100	970,144		513,790	

Other long-term liabilities	612,698	657,735	627,360		

Total liabilities	7,073,610	7,013,688	4,360,740	\$59,922	0.9%

Commitments and contingencies

Stockholders'

equity:

Preferred stock,

\$1 par;

10,000,000 shares

authorized, none

issued

- - -

Common stock,

\$0.16 2/3 par;

300,000,000

shares

authorized;

182,947,691

issued at

December 31,

2006

30,491

30,391

29,843

Capital in excess

of par value 1,357,077 1,333,503 1,235,888

Retained earnings 1,909,098 1,754,077 1,421,675

Accumulated other

comprehensive

(loss) income (13,205) (6,574) 24,832

Treasury stock, at

cost, 16,314,151

shares at

December 31, 2006 (229,575) (218,934) (203,364)

Total stockholders' equity	3,053,886	2,892,463	2,508,874	\$161,423	5.6%

Total liabilities

and stockholders'

equity \$10,127,496 \$9,906,151 \$6,869,614 \$221,345 2.2%

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Debt to total capitalization ratio

29.4%

25.1%

24.5%

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Humana Inc.

4th Quarter Consolidated Statements of Cash Flows

Dollars in thousands

Three Months Ended			
December 31,			

Dollar Percentage			
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2006	2005 (A)	Change	Change

Cash flows from operating

activities

Net income \$155,021 \$61,776

Adjustments to reconcile

net income to net cash
provided by (used in)

operating activities:

Depreciation and amortization	39,419	33,727
Stock-based compensation	8,157	7,716
Provision (benefit) for deferred income taxes	47,793	(9,784)
Changes in operating assets and liabilities excluding the effects of acquisitions:		
Receivables	64,063	(27,512)
Other assets	23,559	(32,675)
Medical and other expenses payable	(74,682)	92,456
Other liabilities	268,725	46,246
Unearned revenues	8,978	(413,419)
Other	(6,132)	(9,315)

Net cash provided by (used
in) operating activities 534,901 (250,784) \$785,685 313.3%

Cash flows from investing
activities

Acquisitions, net of cash acquired	(1,700)	(50,028)
Purchases of property and equipment	(56,549)	(53,528)
Proceeds from sales of property and equipment	171	1,849
Purchases of investment securities	(763,830)	(2,023,793)
Proceeds from maturities of investment securities	186,315	1,165,312
Proceeds from sales of investment securities	523,238	730,595
Change in securities lending collateral	289,335	69,943

Net cash provided by (used
in) investing activities 176,980 (159,650) \$336,630 210.9%

Cash flows from financing
activities

Receipts from CMS contract deposits	574,602	-
Withdrawals from CMS contract deposits	(753,855)	-
Borrowings under credit agreement	300,000	200,000
Debt issue costs	(184)	-
Change in book overdraft	12,361	21,572
Change in securities lending payable	(289,335)	(69,943)
Common stock repurchases	(10,641)	(293)
Tax benefit from stock- based compensation	8,048	4,287
Proceeds from stock option exercises and other	6,193	7,891

Net cash (used in) provided
by financing activities (152,811) 163,514 (\$316,325) -193.5%

Increase/(decrease) in cash
and cash equivalents 559,070 (246,920)
Cash and cash equivalents
at beginning of period 1,181,234 978,936

Cash and cash equivalents
at end of period \$1,740,304 \$732,016
=====

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Humana Inc.
YTD Consolidated Statements of Cash Flows
Dollars in thousands

Twelve Months Ended
December 31,

Dollar Percentage
2006 2005 (A) Change Change

Cash flows from operating
activities
Net income \$487,423 \$296,730
Adjustments to reconcile
net income to net cash
provided by operating
activities:
Depreciation and
amortization 148,598 128,858
Stock-based
compensation 32,558 30,153
Provision (benefit)
for deferred income
taxes 70,062 (39,007)
Changes in operating
assets and
liabilities
excluding the
effects of
acquisitions:
Receivables 58,554 (156,748)
Other assets (365,454) (63,962)
Medical and other
expenses payable 557,381 450,297
Other liabilities 734,718 25,617
Unearned revenues 29,870 (45,610)
Other (66,998) (16,246)

Net cash provided by
operating activities 1,686,712 610,082 \$1,076,630 176.5%

Cash flows from investing
activities
Acquisitions, net of cash
acquired (28,062) (402,844)
Purchases of property and
equipment (193,151) (165,846)

Proceeds from sales of property and equipment	9,623	4,497		
Purchases of investment securities	(4,269,221)	(3,717,916)		
Proceeds from maturities of investment securities	1,664,332	1,761,588		
Proceeds from sales of investment securities	1,742,793	1,723,015		
Change in securities lending collateral	(580,380)	30,230		

Net cash used in investing activities	(1,654,066)	(767,276)	(\$886,790)	-115.6%

Cash flows from financing activities				
Receipts from CMS contract deposits	2,002,451	-		
Withdrawals from CMS contract deposits	(2,124,717)	-		
Borrowings under credit agreement	550,000	494,000		
Repayments under credit agreement	(300,000)	(294,000)		
Proceeds from issuance of senior notes	498,545	-		
Repayment of senior notes	(300,000)	-		
Debt issue costs	(5,980)	-		
Change in book overdraft	13,600	87,945		
Change in securities lending payable	580,380	(30,230)		
Common stock repurchases	(26,211)	(2,364)		
Tax benefit from stock-based compensation	38,839	15,545		
Proceeds from stock option exercises and other	48,735	38,235		

Net cash provided by financing activities	975,642	309,131	\$666,511	215.6%

Increase in cash and cash equivalents	1,008,288	151,937		
Cash and cash equivalents at beginning of period	732,016	580,079		

Cash and cash equivalents at end of period	\$1,740,304	\$732,016		
	=====			

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Humana Inc.
Key Income Statement Ratios and Segment Operating Results
Dollars in thousands

Three Months Ended
December 31,

	Percentage			
	2006	2005 (A)	Difference	Change

Medical expense ratio				
Government Segment	83.7%	81.3%	2.4%	
Commercial Segment	82.1%	82.9%	-0.8%	
Consolidated	83.2%	82.1%	1.1%	
Selling, general, and administrative expense ratio				
Government Segment	12.3%	15.6%	-3.3%	
Commercial Segment	20.8%	18.3%	2.5%	
Consolidated	14.7%	16.9%	-2.2%	
Detail of Pretax Income				
Government Segment	\$187,288	\$55,805	\$131,483	235.6%
Commercial Segment	53,893	38,869	15,024	38.7%

Consolidated	\$241,181	\$94,674	\$146,507	154.7%
=====				
Detail of Pretax Margins				
Government Segment	4.6%	2.9%	1.7%	
Commercial Segment	3.3%	2.3%	1.0%	
Consolidated	4.3%	2.6%	1.7%	

Twelve Months Ended
December 31,

	Percentage			
	2006	2005 (A)	Difference	Change

Medical expense ratio				
Government Segment	85.0%	83.1%	1.9%	
Commercial Segment	81.7%	83.3%	-1.6%	
Consolidated	84.0%	83.2%	0.8%	
Selling, general, and administrative expense ratio				
Government Segment	11.8%	12.7%	-0.9%	
Commercial Segment	20.2%	18.5%	1.7%	
Consolidated	14.3%	15.4%	-1.1%	
Detail of Pretax Income				
Government Segment	\$513,845	\$316,676	\$197,169	62.3%
Commercial Segment	248,240	86,204	162,036	188.0%

Consolidated	\$762,085	\$402,880	\$359,205	89.2%
=====				
Detail of Pretax Margins				
Government Segment	3.5%	4.2%	-0.7%	
Commercial Segment	3.7%	1.3%	2.4%	
Consolidated	3.6%	2.8%	0.8%	

	Ending December 31, 2006	Average - 4Q 2005	Ending December 31, 2006
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Medical Membership:

Government Segment:

Medicare Advantage - HMO	457.9	457.1	427.9
Medicare Advantage - PPO	71.7	72.1	8.6
Medicare Advantage - PFFS	473.0	472.7	121.3

Total Medicare Advantage	1,002.6	1,001.9	557.8
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Medicare - PDP - Standard	2,097.2	2,093.9	-
Medicare - PDP - Enhanced	1,025.4	1,027.9	-
Medicare - PDP - Complete	414.0	418.1	-

Total Medicare stand-alone PDPs	3,536.6	3,539.9	-
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Total Medicare	4,539.2	4,541.8	557.8
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TRICARE insured	1,716.4	1,718.1	1,750.9
TRICARE ASO	1,163.6	1,158.7	1,138.2

Total TRICARE	2,880.0	2,876.8	2,889.1
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Medicaid insured	390.7	398.7	457.9
Medicaid ASO	178.4	121.0	-

Total Medicaid	569.1	519.7	457.9
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Total Government Segment	7,988.3	7,938.3	3,904.8
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Commercial Segment:

Fully insured medical:

Group	1,563.9	1,565.0	1,836.9
Individual	182.6	180.3	158.1
Medicare supplement	7.7	7.7	4.8

Total fully insured medical	1,754.2	1,753.0	1,999.8
ASO	1,529.6	1,526.4	1,171.0

Total Commercial Segment	3,283.8	3,279.4	3,170.8
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Total medical membership	11,272.1	11,217.7	7,075.6
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Specialty Membership (all
Commercial Segment)

Dental - fully insured	959.8	960.0	960.5
Dental - ASO	492.2	490.8	496.0

Total dental	1,452.0	1,450.8	1,456.5
Group life	436.8	437.1	429.2
Short-term disability	14.0	14.5	16.4

Total specialty membership	1,902.8	1,902.4	1,902.1
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Year-over-year Change		Ending	
		September 30,	
Amount	Percent	2006	

Medical Membership:

Government Segment:

Medicare Advantage - HMO	30.0	7.0%	455.4
Medicare Advantage - PPO	63.1	733.7%	71.1
Medicare Advantage - PFFS	351.7	289.9%	466.5

Total Medicare Advantage	444.8	79.7%	993.0
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Medicare - PDP - Standard	2,097.2	100.0%	2,081.7
Medicare - PDP - Enhanced	1,025.4	100.0%	1,021.6
Medicare - PDP - Complete	414.0	100.0%	417.7

Total Medicare stand-alone PDPs	3,536.6	100.0%	3,521.0
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Total Medicare	3,981.4	713.8%	4,514.0
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TRICARE insured	(34.5)	-2.0%	1,721.3
TRICARE ASO	25.4	2.2%	1,141.4

Total TRICARE	(9.1)	-0.3%	2,862.7
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Medicaid insured	(67.2)	-14.7%	412.6
Medicaid ASO	178.4	100.0%	-

Total Medicaid	111.2	24.3%	412.6
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Total Government Segment	4,083.5	104.6%	7,789.3
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Commercial Segment:

Fully insured medical:

Group	(273.0)	-14.9%	1,597.1
Individual	24.5	15.5%	175.4
Medicare supplement	2.9	60.4%	7.4

Total fully insured medical	(245.6)	-12.3%	1,779.9
ASO	358.6	30.6%	1,512.0

Total Commercial Segment	113.0	3.6%	3,291.9
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Total medical membership	4,196.5	59.3%	11,081.2
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Specialty Membership (all Commercial Segment)

Dental - fully insured	(0.7)	-0.1%	960.5
Dental - ASO	(3.8)	-0.8%	488.2

Total dental	(4.5)	-0.3%	1,448.7
Group life	7.6	1.8%	436.1
Short-term disability	(2.4)	-14.6%	14.9

Total specialty membership	0.7	0.0%	1,899.7
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Sequential Change	
Amount	Percent

Medical Membership:

Government Segment:

Medicare Advantage - HMO	2.5	0.5%
Medicare Advantage - PPO	0.6	0.8%
Medicare Advantage - PFFS	6.5	1.4%

Total Medicare Advantage	9.6	1.0%

Medicare - PDP - Standard	15.5	0.7%
Medicare - PDP - Enhanced	3.8	0.4%
Medicare - PDP - Complete	(3.7)	-0.9%

Total Medicare stand-alone PDPs	15.6	0.4%

Total Medicare	25.2	0.6%

TRICARE insured	(4.9)	-0.3%
TRICARE ASO	22.2	1.9%

Total TRICARE	17.3	0.6%

Medicaid insured	(21.9)	-5.3%
Medicaid ASO	178.4	100.0%

Total Medicaid	156.5	37.9%

Total Government Segment	199.0	2.6%

Commercial Segment:

Fully insured medical:		
Group	(33.2)	-2.1%
Individual	7.2	4.1%
Medicare supplement	0.3	4.1%

Total fully insured medical	(25.7)	-1.4%
ASO	17.6	1.2%

Total Commercial Segment	(8.1)	-0.2%

Total medical membership	190.9	1.7%
--------------------------	-------	------

Specialty Membership (all Commercial Segment)

Dental - fully insured	(0.7)	-0.1%
Dental - ASO	4.0	0.8%

Total dental	3.3	0.2%
Group life	0.7	0.2%
Short-term disability	(0.9)	-6.0%

Total specialty membership	3.1	0.2%

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Humana Inc.

4th Quarter Premiums and Administrative Services Fees Detail

Dollars in thousands, except per member per month

Three Months Ended					
December 31,					

		Dollar	Percentage		
	2006	2005	Change	Change	

Premium revenues					
Government Segment:					
Medicare Advantage	\$2,302,609	\$1,218,036	\$1,084,573	89.0%	
Medicare stand-alone					
PDPs	881,994	-	881,994	100.0%	

Total Medicare	3,184,603	1,218,036	1,966,567	161.5%	
TRICARE insured (C)	645,892	575,127	70,765	12.3%	
Medicaid insured	133,877	139,609	(5,732)	-4.1%	

Total Government Segment					
premiums	3,964,372	1,932,772	2,031,600	105.1%	

Commercial Segment:					
Fully insured medical	1,387,855	1,518,472	(130,617)	-8.6%	
Specialty	104,626	101,149	3,477	3.4%	

Total Commercial Segment					
premiums	1,492,481	1,619,621	(127,140)	-7.8%	

Total premium revenues	\$5,456,853	\$3,552,393	\$1,904,460	53.6%	
=====					

Administrative services
fees

TRICARE ASO (C)	\$14,548	\$10,189	\$4,359	42.8%	
Medicaid ASO	1,423	-	1,423	100.0%	

Total Government Segment	15,971	10,189	5,782	56.7%	
Commercial Segment	76,519	53,008	23,511	44.4%	

Total administrative					
services fees	\$92,490	\$63,197	\$29,293	46.4%	
=====					

Per Member per Month (B)
Three Months Ended December 31,

	2006	2005	

Premium revenues			
Government Segment:			
Medicare Advantage	\$766	\$755	
Medicare stand-alone PDPs	\$83	-	
Total Medicare			

TRICARE insured (C)	\$125	\$110
Medicaid insured	\$112	\$101
Total Government Segment premiums		
Commercial Segment:		
Fully insured medical	\$264	\$253
Specialty	\$21	\$20
Total Commercial Segment premiums		
Total premium revenues		

Administrative services fees		
TRICARE ASO (C)	\$4	\$3
Medicaid ASO	\$4	-
Total Government Segment		
Commercial Segment	\$13	\$11
Total administrative services fees		

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Humana Inc.
YTD Premiums and Administrative Services Fees Detail
Dollars in thousands, except per member per month

Twelve Months Ended
December 31,

		Dollar	Percentage
2006	2005	Change	Change

Premium revenues				
Government Segment:				
Medicare Advantage	\$8,499,064	\$4,590,362	\$3,908,702	85.2%
Medicare stand-alone				
PDPs	3,050,304	-	3,050,304	100.0%

Total Medicare	11,549,368	4,590,362	6,959,006	151.6%
TRICARE insured (C)	2,543,930	2,407,653	136,277	5.7%
Medicaid insured	520,520	548,714	(28,194)	-5.1%

Total Government				
Segment premiums	14,613,818	7,546,729	7,067,089	93.6%

Commercial Segment:				
Fully insured medical	5,704,378	6,068,115	(363,737)	-6.0%
Specialty	410,986	386,747	24,239	6.3%

Total Commercial				
Segment premiums	6,115,364	6,454,862	(339,498)	-5.3%

Total premium revenues	\$20,729,182	\$14,001,591	\$6,727,591	48.0%
=====				

Administrative services fees				
TRICARE ASO (C)	\$48,019	\$50,059	(\$2,040)	-4.1%
Medicaid ASO	1,423	-	1,423	100.0%

Total Government				
Segment	49,442	50,059	(617)	-1.2%
Commercial Segment	291,769	209,378	82,391	39.4%

Total administrative				

services fees	\$341,211	\$259,437	\$81,774	31.5%
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Per Member per Month (B)
Twelve Months Ended December 31,

2006	2005
------	------

Premium revenues

Government Segment:

Medicare Advantage	\$794	\$799
Medicare stand-alone PDPs	\$88	-
Total Medicare		
TRICARE insured (C)	\$123	\$115
Medicaid insured	\$104	\$97
Total Government Segment premiums		

Commercial Segment:

Fully insured medical	\$260	\$249
Specialty	\$21	\$20
Total Commercial Segment premiums		

Total premium revenues

Administrative services fees

TRICARE ASO (C)	\$3	\$4
Medicaid ASO	\$4	-
Total Government Segment		
Commercial Segment	\$12	\$10

Total administrative services fees

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Humana Inc.

Percentage of Ending Membership under Capitation Arrangements

Government Segment

December 31, 2006	Medicare Advantage	Medicare stand- alone PDPs	Medicare Govt. Segment	TRICARE	Medicaid	Total
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Capitated HMO hospital system based (D)	3.0%	-	-	-	0.4%	
Capitated HMO physician group based (D)	2.4%	-	-	26.1%	2.2%	
Risk-sharing (E)	27.9%	-	-	42.1%	6.4%	
All other membership	66.7%	100.0%	100.0%	31.8%	91.0%	

Total medical membership	100.0%	100.0%	100.0%	100.0%	100.0%	
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December 31, 2005

Capitated HMO hospital system based (D)	6.3%	-	-	-	0.9%
Capitated HMO physician group based (D)	4.2%	-	-	37.2%	5.0%
Risk-sharing (E)	41.3%	-	-	59.9%	12.9%

All other membership	48.2%	-	100.0%	2.9%	81.2%

Total medical membership	100.0%	-	100.0%	100.0%	100.0%
=====					

Commercial Segment

December 31, 2006	Fully insured	ASO Comm. Segment	Total Medical Membership	Total

Capitated HMO hospital system based (D)	1.9%	-	1.0%	0.6%
Capitated HMO physician group based (D)	1.7%	-	0.9%	1.8%
Risk-sharing (E)	1.5%	-	0.8%	4.8%
All other membership	94.9%	100.0%	97.3%	92.8%

Total medical membership	100.0%	100.0%	100.0%	100.0%
=====				

December 31, 2005

Capitated HMO hospital system based (D)	2.1%	-	1.3%	1.1%
Capitated HMO physician group based (D)	2.0%	-	1.2%	3.3%
Risk-sharing (E)	2.5%	-	1.6%	7.8%
All other membership	93.4%	100.0%	95.9%	87.8%

Total medical membership	100.0%	100.0%	100.0%	100.0%
=====				

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Humana Inc.
Detail of Medical and Other Expenses Payable Balance and Year-to-Date Changes
Dollars in thousands

	Dec. 31, 2006	Sept. 30, 2006	Dec. 31, 2005

Detail of medical and other expenses payable			
IBNR and other medical expenses payable (F)	\$1,686,051	\$1,715,791	\$1,125,205
TRICARE IBNR (G)	318,583	332,962	409,413
TRICARE other medical expenses payable (H)	94,699	95,593	88,443
Unprocessed claim inventories (I)	218,400	187,900	148,200
Processed claim inventories (J)	115,424	89,500	83,635
Payable to pharmacy benefit administrator (K)	55,104	141,197	54,786

Total medical and other expenses payable	\$2,488,261	\$2,562,943	\$1,909,682
=====			

Nine Months
 Year Ended Ended Year Ended
 Dec. 31, 2006 Sept. 30, 2006 Dec. 31, 2005

Year-to-date changes in
medical and other expenses
payable

Balances at January 1	\$1,909,682	\$1,909,682	\$1,422,010
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Acquisitions	21,198	21,198	37,375
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Incurred related to:

Current year (L)	17,696,654	13,163,725	11,765,662
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Prior years - non-

TRICARE (L)	(178,998)	(173,223)	(72,868)
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Prior years - TRICARE

(M)	(96,452)	(111,073)	(41,324)
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Total incurred	17,421,204	12,879,429	11,651,470
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Paid related to:

Current year	(15,532,079)	(10,912,017)	(9,979,449)
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Prior years	(1,331,744)	(1,335,349)	(1,221,724)
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Total paid	(16,863,823)	(12,247,366)	(11,201,173)
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Balances at end of period	\$2,488,261	\$2,562,943	\$1,909,682
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Humana Inc.

Medical Claims Reserves Statistics

Receipt Cycle Time (N)

	2006	2005	Percentage Change	Change
1st Quarter Average	16.1	16.6	(0.5)	-3.0%
2nd Quarter Average	15.8	15.9	(0.1)	-0.6%
3rd Quarter Average	16.0	16.7	(0.7)	-4.2%
4th Quarter Average	15.8	16.9	(1.1)	-6.5%
Full Year Average	15.9	16.5	(0.6)	-3.6%

Unprocessed Claims Inventories

Date	Estimated Valuation (000's)	Claim Item Counts	Number of Days on Hand
12/31/2004	\$115,300	394,400	3.7
3/31/2005	\$111,200	393,200	3.6
6/30/2005	\$119,500	443,600	4.0
9/30/2005	\$136,700	512,800	4.7

12/31/2005	\$148,200	498,400	4.6
3/31/2006	\$185,300	683,900	5.6
6/30/2006	\$193,700	702,000	4.8
9/30/2006	\$187,900	623,900	5.4
<hr/>			
12/31/2006	\$218,400	757,700	6.1
<hr/>			

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Humana Inc.

Medical Claims Reserves Statistics (Continued)

Days in Claims Payable (O)

Quarter Ended	Days in Claim		DCP			
	Payable (DCP)	Annual Change	Percentage Change	Excluding Annual Change	Percentage Change	Capitation Change
<hr/>						
12/31/2004	49.5	3.3	7.1%	54.8	1.6	3.0%
3/31/2005	50.5	3.1	6.5%	56.1	1.8	3.3%
6/30/2005	52.8	5.4	11.4%	58.6	4.5	8.3%
9/30/2005	54.0	2.2	4.2%	60.8	1.7	2.9%
12/31/2005	60.3	10.8	21.8%	66.6	11.8	21.5%
3/31/2006	59.1	8.6	17.0%	65.5	9.4	16.8%
6/30/2006	59.5	6.7	12.7%	65.5	6.9	11.8%
9/30/2006	61.2	7.2	13.3%	67.1	6.3	10.4%
<hr/>						
12/31/2006	60.2	(0.1)	-0.2%	66.5	(0.1)	-0.2%
<hr/>						

Year-to-Date Change in Days in Claims Payable (P) (Q)

2006 2005

DCP - 4th quarter of prior year	60.3	49.5
Components of year-to-date change in DCP:		
Change in claims receipt cycle time	(1.6)	0.2
Change in unprocessed claims inventories	1.7	1.0
Change in processed claims inventories	0.8	(0.4)
Change in TRICARE reserve balances	(2.1)	3.9
Change in pharmacy payment cutoff	(1.3)	1.5
Change in provider payables under risk arrangements	1.9	1.4
All other	0.5	3.2

DCP - current quarter 60.2 60.3

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Humana Inc.

4Q05 GAAP to Non-GAAP Reconciliation

Dollars in thousands, except EPS

	4Q06	4Q05		

	GAAP (A)		Adjustments Non-GAAP	

	Hurricane Katrina			

Consolidated				
Pretax income	\$241,181	\$94,674	\$20,314	\$114,988
Pretax margin	4.3%	2.6%	0.5%	3.1%
Net income	\$155,021	\$61,776	\$12,676	\$74,452
EPS	\$0.92	\$0.37	\$0.07	\$0.44
Growth rate vs. P/Y GAAP	148.6%			
Growth rate vs. P/Y Non-				

GAAP	109.1%			
MER	83.2%	82.1%	-0.6%	81.5%
SG&A ratio	14.7%	16.9%	-	16.9%

Government Segment

Pretax income	\$187,288	\$55,805	\$4,388	\$60,193
Pretax margin	4.6%	2.9%	0.2%	3.1%
MER	83.7%	81.3%	-0.2%	81.1%
SG&A ratio	12.3%	15.6%	-	15.6%

Commercial Segment

Pretax income	\$53,893	\$38,869	\$15,926	\$54,795
Pretax margin	3.3%	2.3%	0.9%	3.2%
MER	82.1%	82.9%	-1.0%	81.9%
SG&A ratio	20.8%	18.3%	-	18.3%

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Humana Inc.

YTD GAAP to Non-GAAP Reconciliation

Dollars in thousands, except EPS

FY06

GAAP	Adjustments	Non-GAAP
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Excess Net Realized
Capital Gains - 1Q06

Consolidated

Pretax income	\$762,085	(\$29,113)	\$732,972
Pretax margin	3.6%	-0.2%	3.4%
Net income	487,423	(\$18,167)	\$469,256
EPS	\$2.90	(\$0.11)	\$2.79
Growth rate	62.0%		38.1%
MER	84.0%	-	84.0%
SG&A ratio	14.3%	-	14.3%

Government Segment

Pretax income	\$513,845	(\$1,872)	\$511,973
Pretax margin	3.5%	-	3.5%
MER	85.0%	-	85.0%
SG&A ratio	11.8%	-	11.8%

Commercial Segment

Pretax income	\$248,240	(\$27,241)	\$220,999
Pretax margin	3.7%	-0.4%	3.3%
MER	81.7%	-	81.7%
SG&A ratio	20.2%	-0.1%	20.1%

FY05

GAAP (A)	Adjustments	Non-GAAP
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Realization Class Hurricane
of Tax Gain Action Katrina
Contingency Litigation
Settlement

Consolidated

Pretax income	\$402,880	-	\$71,850	\$27,013	\$501,743
Pretax margin	2.8%	-	0.5%	0.2%	3.5%
Net income	\$296,730	(\$22,800)	\$44,834	\$16,857	\$335,621

EPS	\$1.79	(\$0.14)	\$0.27	\$0.10	\$2.02
Growth rate					
MER	83.2%	-	-	-0.2%	83.0%
SG&A ratio	15.4%	-	-0.5%	-	14.9%

Government
Segment

Pretax income	\$316,676	-	\$33,360	\$5,917	\$355,953
Pretax margin	4.2%	-	0.4%	0.1%	4.7%
MER	83.1%	-	-	-0.1%	83.0%
SG&A ratio	12.7%	-	-0.5%	-	12.2%

Commercial
Segment

Pretax income	\$86,204	-	\$38,490	\$21,096	\$145,790
Pretax margin	1.3%	-	0.5%	0.3%	2.1%
MER	83.3%	-	-	-0.3%	83.0%
SG&A ratio	18.5%	-	-0.6%	-	17.9%

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Humana Inc.

2005 Quarters Adjusted to Reflect Retrospective Application of
Expensing Stock Options

In thousands, except per common share results

	1Q05		2Q05	
	Reported	Adjusted (A)	Reported	Adjusted (A)
Revenues	\$3,387,225	\$3,387,225	\$3,546,361	\$3,546,361
Pretax income (loss):				
Government	\$72,224	\$70,472	\$104,092	\$102,531
Commercial	49,463	46,208	25,215	22,317
Consolidated	\$121,687	\$116,680	\$129,307	\$124,848
Net income	\$109,795	\$106,735	\$84,137	\$81,412
Diluted earnings per common share	\$0.67	\$0.65	\$0.51	\$0.49
Shares used in computing diluted earnings per common share	164,179	164,496	164,908	165,149
SG&A expense ratio:				
Government	10.8%	10.9%	10.6%	10.6%
Commercial	17.6%	17.8%	17.5%	17.7%
Consolidated	14.1%	14.3%	13.8%	14.0%
Total assets	\$6,149,593	\$6,149,593	\$6,277,907	\$6,277,907
Total liabilities	\$3,949,788	\$3,916,471	\$3,961,719	\$3,927,862
Total stockholders' equity	\$2,199,805	\$2,233,122	\$2,316,188	\$2,350,045

Net cash provided by
(used in) operating

activities	\$99,228	\$95,573	\$181,857	\$179,287
Net cash used in investing activities	(\$451,322)	(\$451,322)	(\$59,909)	(\$59,909)
Net cash provided by (used in) financing activities	\$332,279	\$335,934	(\$78,422)	(\$75,852)

	3Q05		4Q05	
	Reported	Adjusted (A)	Reported	Adjusted (A)
Revenues	\$3,821,461	\$3,821,461	\$3,663,080	\$3,663,080
Pretax income (loss):				
Government	\$89,557	\$87,868	\$57,395	\$55,805
Commercial	(18,053)	(21,190)	41,821	38,869
Consolidated	\$71,504	\$66,678	\$99,216	\$94,674
Net income	\$49,944	\$46,807	\$64,607	\$61,776
Diluted earnings per common share	\$0.30	\$0.28	\$0.39	\$0.37
Shares used in computing diluted earnings per common share	166,037	166,076	166,371	166,521
SG&A expense ratio:				
Government	13.1%	13.2%	15.5%	15.6%
Commercial	20.0%	20.2%	18.1%	18.3%
Consolidated	16.2%	16.3%	16.7%	16.9%
Total assets	\$6,832,421	\$6,832,421	\$6,869,614	\$6,869,614
Total liabilities	\$4,466,451	\$4,432,166	\$4,395,509	\$4,360,740
Total stockholders' equity	\$2,365,970	\$2,400,255	\$2,474,105	\$2,508,874

Net cash provided by (used in) operating activities	\$591,039	\$586,006	(\$246,497)	(\$250,784)
Net cash used in investing activities	(\$96,395)	(\$96,395)	(\$159,650)	(\$159,650)
Net cash provided by (used in) financing activities	(\$119,498)	(\$114,465)	\$159,227	\$163,514

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Humana Inc.
2003 Through 2005 Adjusted to Reflect Retrospective Application of
Expensing Stock Options
In thousands, except per common share results

For the year ended December 31, 2005		For the year ended December 31, 2004	
Reported	Adjusted (A)	Reported	Adjusted (A)

Revenues	\$14,418,127	\$14,418,127	\$13,104,325	\$13,104,325
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Pretax income:

Government	\$323,268	\$316,676	\$273,840	\$269,063
Commercial	98,446	86,204	142,010	130,315

Consolidated	\$421,714	\$402,880	\$415,850	\$399,378
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Net income	\$308,483	\$296,730	\$280,012	\$269,947
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Diluted earnings

per common share	\$1.87	\$1.79	\$1.72	\$1.66
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Shares used in
computing diluted
earnings per
common share

165,374	165,560	162,456	162,905
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SG&A expense
ratio:

Government	12.6%	12.7%	12.2%	12.3%
Commercial	18.3%	18.5%	16.4%	16.5%
Consolidated	15.3%	15.4%	14.5%	14.6%

Total assets	\$6,869,614	\$6,869,614	\$5,657,617	\$5,657,617
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Total liabilities	\$4,395,509	\$4,360,740	\$3,567,493	\$3,533,369
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Total

stockholders'

equity	\$2,474,105	\$2,508,874	\$2,090,124	\$2,124,248
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Net cash provided

by operating

activities	\$625,627	\$610,082	\$347,809	\$344,061
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Net cash used in

investing

activities	(\$767,276)	(\$767,276)	(\$624,081)	(\$624,081)
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Net cash provided

by (used in)

financing

activities	\$293,586	\$309,131	(\$75,053)	(\$71,305)
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For the year ended
December 31, 2003

Reported Adjusted (A)

Revenues	\$12,226,311	\$12,226,311
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Pretax income:

Government	\$223,706	\$221,240
Commercial	121,010	114,973

Consolidated	\$344,716	\$336,213
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Net income	\$228,934	\$223,739
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Diluted earnings per common share	\$1.41	\$1.38
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Shares used in computing diluted earnings

per common share	161,960	162,406
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SG&A expense ratio:

Government	13.4%	13.5%
Commercial	16.9%	17.0%
Consolidated	15.4%	15.4%

Total assets	\$5,379,814	\$5,379,814
Total liabilities	\$3,543,865	\$3,510,842
Total stockholders' equity	\$1,835,949	\$1,868,972

Net cash provided by operating activities	\$413,140	\$397,921
Net cash used in investing activities	(\$382,837)	(\$382,837)
Net cash provided by (used in) financing activities	\$179,744	\$194,963

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Humana Inc.

Footnotes to Statistical Schedules and Supplementary Information
4Q06 Earnings Release

Footnote

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- (A) Adjusted to include stock-based compensation expense. Under SFAS 123R, which the company adopted effective January 1, 2006 using the modified retrospective method, stock-based compensation expense is recognized based on the grant date fair value over the vesting period.
 - (B) Computed based on average membership for the period (i.e., monthly ending membership during the period divided by the number of months in the period).
 - (C) TRICARE revenues are not contracted on a per member basis.
 - (D) In a limited number of circumstances, the company contracts with hospitals and physicians to accept financial risk for a defined set of HMO membership. In transferring this risk, the company prepaies these providers a monthly fixed-fee per member to coordinate substantially all of the medical care for their capitated HMO membership, including some health benefit administrative functions and claims processing. For these capitated HMO arrangements, the company generally agrees to reimbursement rates that target a medical expense ratio ranging from 82% to 89%. Providers participating in hospital-based capitated HMO arrangements generally receive a monthly payment for all of the services within their system for their HMO membership. Providers participating in physician-based capitated HMO arrangements generally have subcontracted specialist physicians and are responsible for reimbursing such hospitals and physicians for services rendered to their HMO membership.
 - (E) In some circumstances, the company contracts with physicians under risk-sharing arrangements whereby physicians have assumed some level of risk for all or a portion of the medical costs of their HMO membership. Although these arrangements do include capitation payments for services rendered, the company processes substantially all of the claims under these arrangements.
 - (F) IBNR represents an estimate of medical expenses payable for claims incurred but not reported (IBNR) at the balance sheet date. The level of IBNR is primarily impacted by membership levels, medical claim trends and the receipt cycle time, which represents the length of time between when a claim is initially incurred and when the claim form is received (i.e. a shorter time span results in lower reserves for claims IBNR). Other medical expenses payable includes amounts payable to providers under capitation arrangements.

- (G) TRICARE IBNR decreased since the prior year end due to favorable development as more fully discussed in Footnote M below.
- (H) TRICARE other medical expenses payable may include liabilities to subcontractors and/or risk share payables to the Department of Defense. The level of these balances may fluctuate from period to period due to the timing of payment (cutoff) and whether or not the balances are payables or receivables (receivables from the Department of Defense are classified as receivables in the company's balance sheet).
- (I) Unprocessed claim inventories represent the estimated valuation of claims received but not yet fully processed. TRICARE claim inventories are not included in this amount as an independent third party administrator processes all TRICARE medical claims on the company's behalf. Reserves for TRICARE unprocessed claims inventory are included in TRICARE IBNR.
- (J) Processed claim inventories represent the estimated valuation of processed claims that are in the post-claim-adjudication process, which consists of administrative functions such as audit and check batching and handling.
- (K) The balance due to the company's pharmacy benefit administrator fluctuates as a result of the number of business days in the last payment cycle of the month. Payment cycles are every 10 days (10th & 20th of month) and the last day of the month.
- (L) Amounts incurred related to prior years vary from previously estimated liabilities as the claims ultimately are settled. Negative amounts reported for incurred related to prior years result from claims being ultimately settled for amounts less than originally estimated (favorable development). There were no changes in the approach used to determine our estimate of claim reserves during the quarter.
- (M) Changes in estimates of TRICARE incurred claims for prior years recognized during 2006 and 2005 resulted primarily from claim costs and utilization levels developing favorably from the levels originally estimated for the second half of the prior year. As a result of substantial risk-sharing provisions with the Department of Defense and with subcontractors, any resulting impact on operations from the change in estimates of incurred related to prior years is substantially reduced, whether positive or negative.
- (N) The receipt cycle time measures the average length of time between when a claim was initially incurred and when the claim form was received. Receipt cycle time data for our largest claim processing platforms represents approximately 70% of the company's fully insured claims volume. Pharmacy claims are excluded from this measurement.
- (O) A common metric for monitoring medical claim reserve levels relative to the medical claims expense is days in claims payable, or DCP, which represents the medical claim liabilities at the end of the period divided by average medical expenses per day in the quarterly period. Since the company has some providers under capitation payment arrangements (which do not require a medical claim IBNR reserve), the company has also summarized this metric excluding capitation expense. In addition, this calculation excludes the impact of the company's stand-alone PDP business.
- (P) Excludes the impact of Medicare stand-alone PDPs.
- (Q) DCP fluctuates due to a number of issues, the more significant of which are detailed in the rollforward of DCP from the fourth quarter of the prior year. Growth in certain product lines can also impact DCP for the quarter since a provision for claims would not have been recorded for members that had

not yet enrolled earlier in the quarter, yet those members would have a provision and corresponding reserve recorded upon enrollment later in the quarter.

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