



Humana Reports Detailed Second Quarter 2007 Financial Results

July 30, 2007

[View Press Release in PDF format](#)

LOUISVILLE, Ky., Jul 30, 2007 (BUSINESS WIRE) -- Humana Inc. (NYSE: HUM):

- Full year EPS expected to grow more than 50 percent in 2007
- Lower administrative costs primarily from efficiency and productivity gains
- Improving medical expense ratios in both segments
- GAAP cash flows from operations up 33 percent year to date
- Non-GAAP cash flows from operations up 71 percent year to date

Humana Inc. (NYSE: HUM) today reported financial results for the quarter ended June 30, 2007 (2Q07) including diluted earnings per common share (EPS) of \$1.28, as announced in the company's July 18, 2007 press release. The company earned \$0.53 per share for the quarter ended June 30, 2006 (2Q06). The year-over-year improvement in second quarter results reflected higher operating earnings in both of the company's business segments, primarily driven by efficiency gains in its consolidated administrative costs as well as medical expense ratio improvement.

As also announced on July 18, 2007, the company estimates EPS for the year ending December 31, 2007 (FY07E) will be in the range of \$4.40 to \$4.50 versus \$2.90 for the year ended December 31, 2006 (FY06).

"An across-the-board focus on operational excellence led to an extremely strong second quarter," said Michael B. McCallister, Humana's president and chief executive officer. "These same dynamics are expected to fuel Humana's performance for the remainder of the year and position us well for growth into the future."

For the six months ended June 30, 2007 (1H07) the company reported \$1.70 in EPS compared to \$1.03 for the six months ended June 30, 2006 (1H06). Results for 1H06 included approximately \$0.19 per share of venture capital gains that did not recur in 1H07. The year-over-year increase in 1H07 financial results was primarily due to better operating performance in both business segments.

Revenues - 2Q07 consolidated revenues rose 19 percent to \$6.43 billion from \$5.41 billion in 2Q06, with total premium and administrative services fees up 18 percent compared to the prior year's quarter. This year-over-year increase was primarily driven by higher average Medicare membership versus 2Q06.

1H07 consolidated revenues rose 25 percent to \$12.63 billion from \$10.11 billion in 1H06 with total premium and administrative services fees up 25 percent compared to the prior year's period, also primarily driven by higher average enrollment in the company's Medicare plans.

Medical costs - The 2Q07 consolidated medical expense ratio (medical expenses as a percent of premium revenues or MER) of 83.4 percent was 170 basis points lower than the 2Q06 MER of 85.1 percent as a result of MER improvement in both the Government and Commercial segments.

The consolidated MER for 1H07 of 85.1 percent was 70 basis points higher than the 1H06 consolidated MER of 84.4 percent, as the year-over-year increase in the Government Segment MER resulting from the Medicare Part D claims pattern outweighed the improvement in the Commercial Segment MER.

Selling, general, & administrative (SG&A) expenses - The 2Q07 consolidated SG&A expense ratio (SG&A expenses as a percent of premiums, administrative services fees and other revenue) decreased 70 basis points to 13.0 percent for 2Q07 from 13.7 percent in 2Q06. The year-over-year decline was primarily the result of improving administrative cost efficiency and productivity gains associated with servicing the company's 11.3 million medical members.

The SG&A expense ratio for 1H07 of 13.2 percent was 160 basis points lower than that for 1H06 of 14.8 percent also primarily driven by efficiency and productivity gains.

Government Segment Results Summary

Pretax results:

-- Government Segment pretax earnings were \$288.8 million in 2Q07 compared to \$98.0 million in 2Q06. As expected, this primarily reflects a more normal MER pattern for the Part D benefit for 2007 as well as administrative cost efficiency associated with higher average Medicare medical membership. The extended enrollment period for this benefit during 2006 distorted the claims pattern associated with the beneficiaries' progression through the Part D benefit stages in the prior year.

-- For 1H07, pretax earnings for the Government Segment of \$306.7 million increased by \$187.1 million, or 157 percent versus 1H06 pretax earnings for the segment of \$119.6 million, primarily reflecting the same factors impacting the year-over-year comparison for the second quarter.

Enrollment:

-- Medicare Advantage membership grew to 1,133,700 at June 30, 2007, an increase of 173,900, or 18 percent, from June 30, 2006 and 20,300, or 2 percent, from March 31, 2007. Average Medicare Advantage membership for 2Q07 was up 28 percent compared to that for 2Q06. 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 both year over year and sequentially.

-- Membership in the company's stand-alone Prescription Drug Plans (PDPs) totaled 3,440,100 at June 30, 2007 compared to 3,458,800 at June 30, 2006 and 3,473,700 at March 31, 2007. Average stand-alone PDP membership was 21 percent higher in 2Q07 than 2Q06.

-- TRICARE membership of 2,868,200 at June 30, 2007 was essentially unchanged from both June 30, 2006 and March 31, 2007.

-- Medicaid membership of 567,600 at June 30, 2007 increased 149,100 from June 30, 2006 due primarily to the award of a new Puerto Rico regional ASO contract during the fourth quarter of 2006, partially offset by eligible Puerto Rico Medicaid members choosing to move into the Medicare Advantage program.

Premiums and administrative services fees:

-- Medicare Advantage premiums of \$2.80 billion in 2Q07 increased 33 percent compared to \$2.11 billion in 2Q06, primarily the result of higher average membership.

-- Medicare stand-alone Part D premiums of \$1.05 billion in 2Q07 increased 31 percent compared to \$801.8 million in 2Q06, primarily the result of higher average membership.

-- TRICARE premiums and administrative services fees during 2Q07 increased \$71.8 million to \$740.6 million compared to \$668.8 million in 2Q06.

Medical Expenses:

-- The Government Segment MER decreased 170 basis points to 84.3 percent in 2Q07 compared to 86.0 percent in the prior year's quarter. This decrease reflects a more normalized MER pattern for the Medicare Part D benefit for 2007. The extended enrollment period for this benefit during the prior year distorted the claims pattern associated with the beneficiaries' progression through the Part D benefit stages in 2006.

SG&A Expenses:

-- The Government Segment's SG&A expense ratio for 2Q07 of 10.0 percent was 150 basis points lower than that for 2Q06 of 11.5 percent primarily driven by efficiency and productivity gains associated with servicing higher average Medicare membership. The 2Q07 SG&A expense ratio was approximately 30 basis points lower than previously expected primarily due to improving staffing metrics and enhanced processes associated with servicing its Medicare business.

Commercial Segment Results Summary

Pretax results:

-- Commercial Segment pretax earnings were \$50.8 million in 2Q07 compared to \$42.3 million in 2Q06. Commercial Segment operating earnings in 2Q07 continue to reflect the company's commitment to underwriting discipline and strategic growth in select lines of business.

-- For 1H07, pretax earnings for the Commercial Segment of \$145.2 million were \$6.8 million, or 5 percent lower than 1H06 pretax earnings for the segment of \$152.0 million as a result of a \$45.3 million pretax gain associated with the sale of a venture capital investment that occurred in 1Q06.

Enrollment:

-- Commercial Segment medical membership of 3,278,700 at June 30, 2007 was essentially unchanged from both June 30, 2006 and March 31, 2007.

-- Membership in the company's Smart plans and other consumer offerings grew to 480,900 at June 30, 2007, an increase of 64,500, or 15 percent, from June 30, 2006 and 9,600, or 2 percent, from March 31, 2007. Medical members in these products comprise approximately 15 percent of Commercial medical membership at June 30, 2007 and March 31, 2007 compared to 13 percent at June 30, 2006.

Premiums and administrative services fees:

-- Premiums and administrative services fees for the Commercial Segment decreased 3 percent to \$1.59 billion in 2Q07 compared to \$1.64 billion in the prior year's quarter, primarily due to lower average commercial fully-insured membership, down 8 percent year over year, as well as a shift in business mix from fully-insured to ASO enrollment.

-- Commercial Segment medical premiums for fully-insured groups increased approximately 5 percent on a per-member basis during 2Q07 compared to 2Q06.

Medical Expenses:

-- In 2Q07, the Commercial Segment MER of 80.7 percent was 220 basis points lower than the 2Q06 MER of 82.9 percent, primarily reflecting improving medical cost utilization trends and the company's continued commitment to underwriting discipline.

SG&A Expenses:

-- The Commercial Segment SG&A expense ratio of 21.8 percent for 2Q07 compares to 18.7 percent in 2Q06, primarily the combined result of higher average ASO membership and administrative costs associated with increased business for the company's mail order pharmacy. Average ASO membership increased 8 percent versus the prior year's quarter.

Balance Sheet

-- Cash and cash equivalents of \$3.72 billion increased \$26.7 million or 1 percent sequentially. The early receipt of the April Medicare premium from the Centers for Medicare and Medicaid Services (CMS) during 1Q07 was essentially offset by the early receipt of the July Medicare premium from CMS during 2Q07.

-- Parent company cash and investments decreased to \$419.3 million at June 30, 2007 from \$424.4 million at December 31, 2006.

-- Unearned revenues of \$1.36 billion increased 2 percent from the March 31, 2007 balance of \$1.33 billion also due to the timing of the receipts of Medicare premiums from CMS.

-- Debt-to-total capitalization at June 30, 2007 was 26.1 percent, down 350 basis points from March 31, 2007 due primarily to the repayment of 1Q07 borrowings against the company's credit facility.

-- The company's working capital at June 30, 2007 included approximately \$690.2 million in net Part D risk-share payables to CMS associated with the company's Medicare Advantage and stand-alone PDP offerings. Approximately \$728.1 million of this net liability related to Part D plan offerings for the year ended December 31, 2006.

-- Days in claims payable excluding the impact of Medicare stand-alone PDPs were up slightly to 62.4 days at June 30, 2007 from 62.0 days at March 31, 2007.

Cash Flows from Operations

Cash flows provided by operations for 2Q07 of \$477.3 million compared to cash provided by operations of \$534.9 million in 2Q06.

Cash flows from operations

(\$ in millions) 2Q07 2Q06 1H07 1H06

Cash flows provided by operations

in accordance with Generally

Accepted Accounting Principles

(GAAP) \$477.3 \$534.9 \$2,051.7 \$1,542.8

Timing of premium payment from

CMS(a) (45.6) (257.2) (1,175.3) (1,031.7)

Non-GAAP cash flows provided by

operations(a)(b) \$431.7 \$277.7 \$876.4 \$511.1

The company also evaluates operating cash flows on a non-GAAP basis(a)(b). Non-GAAP cash flows provided by operations rose to \$431.7 million(a)(b) in 2Q07 from \$277.7 million(a)(b) in 2Q06 driven primarily by growth in the company's Medicare operations.

Footnotes

(a) 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.

(b) The company believes that this non-GAAP measure, when presented in conjunction with the comparable GAAP measure, is useful to both management and its investors in analyzing the company's ongoing business and operating performance. Internally, management uses this non-GAAP financial measure as an indicator 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.

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 may be accessed via the Historical Webcasts & Presentations section of the Investor Relations page at www.humana.com.

Cautionary Statement

This news release contains statements and earnings guidance points that are forward-looking. The forward-looking items herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking items 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, 2006,

-- Form 10-Q for the quarter ended March 31, 2007,

-- Form 8-Ks filed during 2007.

About Humana

Humana Inc., headquartered in Louisville, Kentucky, is one of the nation's largest publicly traded health benefits companies, with approximately 11.3 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 reports to stockholders;
- Securities and Exchange Commission filings;
- Most recent investor conference presentations;
- Quarterly earnings news releases;
- Replay of most recent earnings release conference calls;
- Calendar of events (includes upcoming earnings conference call dates and times, as well as planned interaction with research analysts and institutional investors);
- Corporate Governance information.

Humana Inc.

Guidance Points as of	For the year ending	Comments
July 30, 2007	December 31, 2007 (in accordance with Generally Accepted Accounting Principles)	

Diluted earnings per common share (EPS)	Full year 2007: \$4.40 to \$4.50 3Q07: \$1.45 to \$1.50
---	--

Revenues	Consolidated revenues: \$24.5 billion to \$25.5 billion;
----------	---

Premiums and ASO fees:
Medicare Advantage:
\$10.5 billion to \$11.0 billion;
Medicare stand-alone PDPs:
Approximately \$3.5 billion;
TRICARE:
Approximately \$3.0 billion;
Commercial: \$6.5 billion to \$7.0 billion;

Investment income:
\$290 million to \$300 million;

Other revenue: \$150 million to \$155 million
Other revenue primarily relates to revenues associated with the company's mail order pharmacy; related administrative costs are in SG&A expenses

Ending medical membership (fully-	Medicare Advantage: 1,120,000 to
-----------------------------------	----------------------------------

insured and ASO 1,130,000;
combined)

Medicare stand-alone
PDPs: 3.4 million to
3.5 million;

TRICARE: No material
change from prior
year;

Medicaid: Down
approximately 10,000;

Commercial: Up
approximately 50,000
to 75,000 from prior
year

Medical costs	Total Medicare products: MER in the range of 82.5% to 83.5%;	Medicare Advantage and stand-alone PDP combined
---------------	---	---

Commercial fully-
insured groups: 2007 secular Commercial
medical cost trend
Medical cost trends in components as follows:
the range of 4.5% to inpatient hospital
5.0%; premium yields utilization - flat to
in line with medical 1 percent; inpatient
cost trends and outpatient
hospital rates - mid
to upper single
digits; outpatient
hospital utilization -
low to mid single
digits; physician -
mid single digits; and
pharmacy - low double
digits.

Selling, general & administrative expenses	Consolidated SG&A expense ratio of 13% to 14%	SG&A expenses as a percent of premiums, administrative costs, and other revenue
--	---	--

Depreciation & amortization	Approximately \$185 million
--------------------------------	--------------------------------

Interest expense	Approximately \$70 million
------------------	-------------------------------

Pretax results	Total Medicare products: Approximately 5% pretax margin;	Medicare Advantage and stand-alone PDP combined
----------------	---	---

TRICARE: Approximately
3.5% pretax margin;

Commercial Segment: Includes no material
\$230 million to \$240 million benefit from venture
capital gains

Cash flows from operations \$1.2 billion to \$1.5 billion Includes accrual for estimated 2007 Part D risk-share payable in the range of zero to \$200 million

Capital expenditures million Approximately \$220 million

Effective tax rate 37% Approximately 36% to 37%

Shares used in computing EPS million Approximately 171 million

S-1

Humana Inc.
Statistical Schedules
And
Supplementary Information
2Q07 Earnings Release

S-2

Humana Inc.
Statistical Schedules and Supplementary Information
2Q07 Earnings Release

Contents

Page Description

S-3-4	Consolidated Statements of Income
S-5	Consolidated Balance Sheets
S-6-7	Consolidated Statements of Cash Flows
S-8	Key Income Statement Ratios and Segment Operating Results
S-9	Membership Detail
S-10-11	Premiums and Administrative Services Fees Detail
S-12	Percentage of Ending Membership under Capitation Arrangements
S-13-15	Medical Claims Reserves
S-16	Footnotes

S-3

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

Three Months Ended
June 30,

Dollar Percentage
2007 2006 Change Change

Revenues:

Premiums	\$6,223,250	\$5,264,475	\$958,775	18.2%
Administrative services fees	97,093	83,711	13,382	16.0%
Investment income	72,052	50,567	21,485	42.5%
Other revenue	34,402	8,416	25,986	308.8%
Total revenues	6,426,797	5,407,169	1,019,628	18.9%

Operating expenses:					
Medical	5,190,418	4,479,501	710,917	15.9%	
Selling, general and administrative	826,459	733,863	92,596	12.6%	
Depreciation	48,820	31,613	17,207	54.4%	
Other intangible amortization	5,444	4,983	461	9.3%	

Total operating expenses	6,071,141	5,249,960	821,181	15.6%	

Income from operations	355,656	157,209	198,447	126.2%	
Interest expense	16,066	16,887	(821)	-4.9%	

Income before income taxes	339,590	140,322	199,268	142.0%	
Provision for income taxes	122,744	50,833	71,911	141.5%	

Net income	\$216,846	\$89,489	\$127,357	142.3%	
=====					

Basic earnings per common share				
	\$1.30	\$0.55	\$0.75	136.4%
Diluted earnings per common share				
	\$1.28	\$0.53	\$0.75	141.5%

Shares used in computing basic earnings per common share		
	166,614	163,706
Shares used in computing diluted earnings per common share		
	169,596	167,536

S-4

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

Six Months Ended June 30,					

		Dollar	Percentage		
	2007	2006	Change	Change	

Revenues:					
Premiums	\$12,227,813	\$9,785,961	\$2,441,852	25.0%	
Administrative services fees	192,957	162,389	30,568	18.8%	
Investment income	145,579	149,469	(3,890)	-2.6%	
Other revenue	65,261	13,715	51,546	375.8%	

Total revenues	12,631,610	10,111,534	2,520,076	24.9%	

Operating expenses:					
Medical	10,404,418	8,263,427	2,140,991	25.9%	
Selling, general and administrative	1,647,069	1,474,749	172,320	11.7%	
Depreciation	84,329	61,465	22,864	37.2%	
Other intangible amortization	9,999	10,037	(38)	-0.4%	

Total operating expenses	12,145,815	9,809,678	2,336,137	23.8%	

Income from operations	485,795	301,856	183,939	60.9%
Interest expense	33,984	30,326	3,658	12.1%

Income before income taxes	451,811	271,530	180,281	66.4%
Provision for income taxes	163,724	98,326	65,398	66.5%

Net income	\$288,087	\$173,204	\$114,883	66.3%
------------	-----------	-----------	-----------	-------

Basic earnings per common share	\$1.73	\$1.06	\$0.67	63.2%
Diluted earnings per common share	\$1.70	\$1.03	\$0.67	65.0%

Shares used in computing basic earnings per common share	166,213	163,411
Shares used in computing diluted earnings per common share	169,276	167,430

S-5

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

	June 30, 2007	March 31, 2007	Sequential Dec. 31, 2006	Change Dollar Percent
Assets				
Current assets:				
Cash and cash equivalents	\$3,720,769	\$3,694,059	\$1,740,304	
Investment securities	3,323,536	3,154,920	3,192,273	
Receivables, net:				
Premiums	685,479	826,314	667,657	
Administrative services fees	12,074	10,806	13,284	
Securities lending collateral	1,346,065	1,049,195	627,990	
Other	1,318,003	1,135,298	1,091,465	
Total current assets	10,405,926	9,870,592	7,332,973	\$535,334 5.4%
Property and equipment, net	569,412	571,405	545,004	
Other assets:				
Long-term investment securities	400,775	380,138	414,877	
Goodwill	1,330,585	1,331,418	1,310,631	
Other	628,267	552,572	524,011	
Total other assets	2,359,627	2,264,128	2,249,519	

Total assets	\$13,334,965	\$12,706,125	\$10,127,496	\$628,840	4.9%
--------------	--------------	--------------	--------------	-----------	------

=====

Liabilities and
Stockholders'

Equity

Current

liabilities:

Medical and

other expenses

payable	\$2,954,146	\$2,886,214	\$2,488,261
---------	-------------	-------------	-------------

Trade accounts

payable and

accrued

expenses	2,084,463	1,977,465	1,626,658
----------	-----------	-----------	-----------

Book overdraft	289,646	284,572	293,605
----------------	---------	---------	---------

Securities

lending

payable	1,346,065	1,049,195	627,990
---------	-----------	-----------	---------

Unearned

revenues	1,355,017	1,330,325	155,298
----------	-----------	-----------	---------

Total current

liabilities	8,029,337	7,527,771	5,191,812	\$501,566	6.7%
-------------	-----------	-----------	-----------	-----------	------

Long-term debt	1,189,570	1,329,334	1,269,100
----------------	-----------	-----------	-----------

Other long-term

liabilities	740,560	689,493	612,698
-------------	---------	---------	---------

Total

liabilities	9,959,467	9,546,598	7,073,610	\$412,869	4.3%
-------------	-----------	-----------	-----------	-----------	------

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;

185,002,041

issued at June

30, 2007	30,833	30,746	30,491
----------	--------	--------	--------

Capital in

excess of par

value	1,422,370	1,393,582	1,357,077
-------	-----------	-----------	-----------

Retained

earnings	2,197,185	1,980,339	1,909,098
----------	-----------	-----------	-----------

Accumulated

other

comprehensive

loss	(38,112)	(8,378)	(13,205)
------	----------	---------	----------

Treasury stock,

at cost,

16,439,317

shares at June

30, 2007	(236,778)	(236,762)	(229,575)
----------	-----------	-----------	-----------

Total

stockholders'						
equity	3,375,498	3,159,527	3,053,886	\$215,971	6.8%	

Total						
liabilities and						
stockholders'						
equity	\$13,334,965	\$12,706,125	\$10,127,496	\$628,840	4.9%	

Debt-to-total			
capitalization			
ratio	26.1%	29.6%	29.4%

S-6

Humana Inc.
Consolidated Statements of Cash Flows
Dollars in thousands

Three Months Ended			
June 30,			
	Dollar	Percentage	
2007	2006	Change	Change

Cash flows from			
operating activities			
Net income	\$216,846	\$89,489	
Adjustments to			
reconcile net income			
to net cash provided			
by operating			
activities:			
Depreciation and			
amortization	54,264	36,596	
Stock-based			
compensation	10,462	8,471	
(Benefit) provision			
for deferred income			
taxes	(17,900)	2,479	
Changes in operating			
assets and			
liabilities			
excluding the			
effects of			
acquisitions:			
Receivables	139,567	3,104	
Other assets	(107,522)	(174,050)	
Medical and other			
expenses payable	67,932	266,956	
Other liabilities	75,771	57,967	
Unearned revenues	24,692	244,661	
Other	13,154	(818)	

Net cash provided by				
operating activities	477,266	534,855	(\$57,589)	-10.8%

Cash flows from		
investing activities		
Acquisitions, net of		
cash acquired	(224)	(25,818)
Purchases of property		
and equipment	(43,973)	(36,712)

Proceeds from sales of property and equipment	2	18		
Purchases of investment securities	(908,244)	(594,890)		
Proceeds from maturities of investment securities	212,471	100,289		
Proceeds from sales of investment securities	444,692	152,855		
Change in securities lending collateral	(296,870)	9,473		

Net cash used in investing activities	(592,146)	(394,785)	(\$197,361)	-50.0%

Cash flows from financing activities				
Receipts from CMS contract deposits	639,722	550,868		
Withdrawals from CMS contract deposits	(708,277)	(462,981)		
Borrowings under credit agreement	400,000	-		
Repayments under credit agreement	(510,000)	(300,000)		
Proceeds from issuance of senior notes	-	498,545		
Debt issue costs	-	(3,825)		
Change in book overdraft	5,074	(3,763)		
Change in securities lending payable	296,870	(9,473)		
Common stock repurchases	(16)	(4,832)		
Tax benefit from stock-based compensation	5,426	5,252		
Proceeds from stock option exercises and other	12,791	5,198		

Net cash provided by financing activities	141,590	274,989	(\$133,399)	-48.5%

Increase in cash and cash equivalents	26,710	415,059		
Cash and cash equivalents at beginning of period	3,694,059	1,843,405		

Cash and cash equivalents at end of period	\$3,720,769	\$2,258,464		
=====				

S-7

Humana Inc.
Consolidated Statements of Cash Flows
Dollars in thousands

Six Months Ended
June 30,

		Dollar	Percentage	
	2007	2006	Change	Change
Cash flows from operating activities				
Net income	\$288,087	\$173,204		
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	94,328	71,502		
Stock-based compensation	20,264	15,051		
Benefit for deferred income taxes	(24,011)	(1,226)		
Changes in operating assets and liabilities excluding the effects of acquisitions:				
Receivables	(16,612)	(42,957)		
Other assets	(126,467)	(359,300)		
Medical and other expenses payable	465,885	526,763		
Other liabilities	134,423	172,719		
Unearned revenues	1,199,719	1,044,850		
Other	16,131	(57,778)		
Net cash provided by operating activities	2,051,747	1,542,828	\$508,919	33.0%

Cash flows from investing activities				
Acquisitions, net of cash acquired	(27,005)	(25,931)		
Purchases of property and equipment	(114,717)	(81,973)		
Proceeds from sales of property and equipment	4,072	2,156		
Purchases of investment securities	(1,873,295)	(2,258,548)		
Proceeds from maturities of investment securities	769,956	1,010,397		
Proceeds from sales of investment securities	926,603	712,685		
Change in securities lending collateral	(718,075)	(193,239)		

Net cash used in investing activities	(1,032,461)	(834,453)	(\$198,008)	-23.7%
---------------------------------------	-------------	-----------	-------------	--------

Cash flows from financing activities				
Receipts from CMS contract deposits	1,483,359	1,045,062		
Withdrawals from CMS contract deposits	(1,223,982)	(736,425)		
Borrowings under credit				

agreement	710,000	100,000		
Repayments under credit agreement	(760,000)	(300,000)		
Proceeds from issuance of senior notes	-	498,545		
Debt issue costs	-	(3,825)		
Change in book overdraft	(3,959)	(8,181)		
Change in securities lending payable	718,075	193,239		
Common stock repurchases	(7,203)	(4,937)		
Tax benefit from stock-based compensation	14,554	13,656		
Proceeds from stock option exercises and other	30,335	20,939		

Net cash provided by financing activities	961,179	818,073	\$143,106	17.5%

Increase in cash and cash equivalents	1,980,465	1,526,448		
Cash and cash equivalents at beginning of period	1,740,304	732,016		

Cash and cash equivalents at end of period	\$3,720,769	\$2,258,464		
=====				

S-8

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

Three Months Ended				
June 30,				

		Percentage		
	2007	2006	Difference	Change

Medical expense ratio				
Government Segment		84.3%	86.0%	-1.7%
Commercial Segment		80.7%	82.9%	-2.2%
Consolidated		83.4%	85.1%	-1.7%
Selling, general, and administrative expense ratio				
Government Segment		10.0%	11.5%	-1.5%
Commercial Segment		21.8%	18.7%	3.1%
Consolidated		13.0%	13.7%	-0.7%
Detail of Pretax Income				
Government Segment	\$288,790	\$97,981	\$190,809	194.7%
Commercial Segment	50,800	42,341	8,459	20.0%

Consolidated	\$339,590	\$140,322	\$199,268	142.0%
=====				

Detail of Pretax Margins

Government Segment	6.0%	2.6%	3.4%
Commercial Segment	3.1%	2.5%	0.6%
Consolidated	5.3%	2.6%	2.7%

Six Months Ended
June 30,

		Percentage	
2007	2006	Difference	Change

Medical expense ratio

Government Segment	86.7%	85.8%	0.9%
Commercial Segment	80.1%	81.5%	-1.4%
Consolidated	85.1%	84.4%	0.7%

Selling, general, and administrative expense ratio

Government Segment	10.4%	12.5%	-2.1%
Commercial Segment	21.2%	19.5%	1.7%
Consolidated	13.2%	14.8%	-1.6%

Detail of Pretax Income

Government Segment	\$306,655	\$119,553	\$187,102	156.5%
Commercial Segment	145,156	151,977	(6,821)	-4.5%

Consolidated	\$451,811	\$271,530	\$180,281	66.4%
=====				

Detail of Pretax Margins

Government Segment	3.3%	1.8%	1.5%
Commercial Segment	4.4%	4.5%	-0.1%
Consolidated	3.6%	2.7%	0.9%

S-9

Humana Inc.
Membership Detail
In thousands

		Year-over-year	
Ending	Ending	Change	

June 30, Average	June 30,		
2007 - 2Q07	2006	Amount	Percent

Medical Membership:

Government Segment:

Medicare Advantage - HMO	452.4	454.2	457.0	(4.6)	-1.0%
Medicare Advantage - PPO	66.9	66.5	64.6	2.3	3.6%
Medicare Advantage - PFFS	614.4	611.9	438.2	176.2	40.2%

Total Medicare

Advantage	1,133.7	1,132.6	959.8	173.9	18.1%

Medicare - PDP - Standard	2,131.0	2,133.1	2,066.5	64.5	3.1%
---------------------------	---------	---------	---------	------	------

Medicare - PDP - Enhanced	1,075.9	1,075.2	977.2	98.7	10.1%
Medicare - PDP - Complete	233.2	235.7	415.1	(181.9)	-43.8%

Total Medicare stand-alone PDPs	3,440.1	3,444.0	3,458.8	(18.7)	-0.5%
---------------------------------	---------	---------	---------	--------	-------

Total Medicare	4,573.8	4,576.6	4,418.6	155.2	3.5%
----------------	---------	---------	---------	-------	------

TRICARE insured	1,717.6	1,719.4	1,732.6	(15.0)	-0.9%
TRICARE ASO	1,150.6	1,161.1	1,141.9	8.7	0.8%

Total TRICARE	2,868.2	2,880.5	2,874.5	(6.3)	-0.2%
---------------	---------	---------	---------	-------	-------

Medicaid insured	384.9	384.0	418.5	(33.6)	-8.0%
Medicaid ASO	182.7	181.7	-	182.7	100.0%

Total Medicaid	567.6	565.7	418.5	149.1	35.6%
----------------	-------	-------	-------	-------	-------

Total Government Segment	8,009.6	8,022.8	7,711.6	298.0	3.9%
--------------------------	---------	---------	---------	-------	------

Commercial Segment:

Fully-insured medical:

Group	1,533.0	1,530.1	1,716.4	(183.4)	-10.7%
Individual	205.0	200.3	170.0	35.0	20.6%
Medicare supplement	8.3	7.8	6.7	1.6	23.9%

Total fully-insured medical	1,746.3	1,738.2	1,893.1	(146.8)	-7.8%
ASO	1,532.4	1,525.8	1,420.8	111.6	7.9%

Total Commercial Segment	3,278.7	3,264.0	3,313.9	(35.2)	-1.1%
--------------------------	---------	---------	---------	--------	-------

Total medical membership	11,288.3	11,286.8	11,025.5	262.8	2.4%
--------------------------	----------	----------	----------	-------	------

Specialty Membership (all Commercial Segment)

Dental - fully-insured	978.1	979.9	955.6	22.5	2.4%
Dental - ASO	499.9	497.8	496.5	3.4	0.7%

Total dental	1,478.0	1,477.7	1,452.1	25.9	1.8%
Group life	439.8	439.2	427.2	12.6	2.9%
Short-term disability	12.2	12.5	15.6	(3.4)	-21.8%

Total specialty membership	1,930.0	1,929.4	1,894.9	35.1	1.9%
----------------------------	---------	---------	---------	------	------

Ending	Sequential Change
--------	-------------------

March 31,	
2007	Amount Percent

Medical Membership:

Government Segment:

Medicare Advantage - HMO	462.1	(9.7)	-2.1%
Medicare Advantage - PPO	64.6	2.3	3.6%
Medicare Advantage - PFFS	586.7	27.7	4.7%

Total Medicare Advantage	1,113.4	20.3	1.8%
--------------------------	---------	------	------

Medicare - PDP - Standard	2,146.2	(15.2)	-0.7%
---------------------------	---------	--------	-------

Medicare - PDP - Enhanced	1,084.0	(8.1)	-0.7%
Medicare - PDP - Complete	243.5	(10.3)	-4.2%

Total Medicare stand-alone PDPs	3,473.7	(33.6)	-1.0%

Total Medicare	4,587.1	(13.3)	-0.3%

TRICARE insured	1,712.9	4.7	0.3%
TRICARE ASO	1,165.5	(14.9)	-1.3%

Total TRICARE	2,878.4	(10.2)	-0.4%

Medicaid insured	384.0	0.9	0.2%
Medicaid ASO	175.4	7.3	4.2%

Total Medicaid	559.4	8.2	1.5%

Total Government Segment	8,024.9	(15.3)	-0.2%

Commercial Segment:			
Fully-insured medical:			
Group	1,528.6	4.4	0.3%
Individual	192.1	12.9	6.7%
Medicare supplement	7.4	0.9	12.2%

Total fully-insured medical	1,728.1	18.2	1.1%
ASO	1,529.4	3.0	0.2%

Total Commercial Segment	3,257.5	21.2	0.7%

Total medical membership	11,282.4	5.9	0.1%
=====			

Specialty Membership (all Commercial Segment)

Dental - fully-insured	980.5	(2.4)	-0.2%
Dental - ASO	503.7	(3.8)	-0.8%

Total dental	1,484.2	(6.2)	-0.4%
Group life	437.9	1.9	0.4%
Short-term disability	13.1	(0.9)	-6.9%

Total specialty membership	1,935.2	(5.2)	-0.3%
=====			

S-10

Humana Inc.

Premiums and Administrative Services Fees Detail
Dollars in thousands, except per member per month

Per Member per Month(A) Three Months					

Three Months Ended				Ended	
June 30,				June 30,	

Dollar		Percentage			
2007	2006	Change	Change	2007	2006

Premium
revenues
Government
Segment:
Medicare
Advantage \$2,804,438 \$2,109,406 \$695,032 32.9% \$825 \$792
Medicare
stand-alone
PDPs 1,051,259 801,755 249,504 31.1% \$102 \$94

Total
Medicare 3,855,697 2,911,161 944,536 32.4%
TRICARE
insured(B) 725,040 657,627 67,413 10.3% \$141 \$127
Medicaid
insured 132,486 129,158 3,328 2.6% \$115 \$102

Total
Government
Segment
premiums 4,713,223 3,697,946 1,015,277 27.5%

Commercial
Segment:
Fully-insured
medical 1,402,082 1,464,646 (62,564) -4.3% \$269 \$259
Specialty 107,945 101,883 6,062 5.9% \$22 \$21

Total
Commercial
Segment
premiums 1,510,027 1,566,529 (56,502) -3.6%

Total premium
revenues \$6,223,250 \$5,264,475 \$958,775 18.2%
=====

Administrative
services fees
TRICARE ASO(B) \$15,535 \$11,144 \$4,391 39.4% \$4 \$3
Medicaid ASO 2,136 - 2,136 100.0% \$4 -

Total
Government
Segment 17,671 11,144 6,527 58.6%
Commercial
Segment 79,422 72,567 6,855 9.4% \$13 \$13

Total
administrative
services fees \$97,093 \$83,711 \$13,382 16.0%
=====

S-11

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

Per
Member
per

	Six Months Ended June 30,		Month(A) Six Months June 30,	Ended		
	2007	2006	Dollar Change	Percentage Change	2007	2006
Premium revenues						
Government Segment:						
Medicare Advantage	\$5,547,149	\$3,830,249	\$1,716,900	44.8%	\$828	\$808
Medicare stand-alone PDPs	1,957,685	1,316,912	640,773	48.7%	\$94	\$96
Total Medicare	7,504,834	5,147,161	2,357,673	45.8%		
TRICARE insured(B)	1,452,255	1,258,381	193,874	15.4%	\$141	\$121
Medicaid insured	261,811	258,625	3,186	1.2%	\$113	\$101
Total Government Segment premiums	9,218,900	6,664,167	2,554,733	38.3%		
Commercial Segment:						
Fully-insured medical	2,792,887	2,918,578	(125,691)	-4.3%	\$269	\$259
Specialty	216,026	203,216	12,810	6.3%	\$22	\$21
Total Commercial Segment premiums	3,008,913	3,121,794	(112,881)	-3.6%		
Total premium revenues	\$12,227,813	\$9,785,961	\$2,441,852	25.0%		
Administrative services fees						
TRICARE ASO(B)	\$29,829	\$22,335	\$7,494	33.6%	\$4	\$3
Medicaid ASO	4,232	-	4,232	100.0%	\$4	-
Total Government Segment	34,061	22,335	11,726	52.5%		
Commercial Segment	158,896	140,054	18,842	13.5%	\$13	\$12
Total administrative services fees	\$192,957	\$162,389	\$30,568	18.8%		

Humana Inc.
Percentage of Ending Membership under Capitation Arrangements

Government Segment					
June 30, 2007	Medicare stand-alone	Total			
	Advantage	PDPs	Govt. TRICARE	Medicaid	Segment
Capitated HMO hospital system based(C)	2.5%	-	-	-	0.3%
Capitated HMO physician group based(C)	2.0%	-	-	26.0%	2.1%
Risk-sharing(D)	24.3%	-	-	41.4%	6.4%
All other membership	71.2%	100.0%	100.0%	32.6%	91.2%
Total medical membership	100.0%	100.0%	100.0%	100.0%	100.0%

June 30, 2006

Capitated HMO hospital system based(C)	3.4%	-	-	-	0.4%
Capitated HMO physician group based(C)	2.5%	-	-	34.7%	2.2%
Risk-sharing(D)	27.9%	-	-	64.6%	7.0%
All other membership	66.2%	100.0%	100.0%	0.7%	90.4%
Total medical membership	100.0%	100.0%	100.0%	100.0%	100.0%

Commercial Segment				
June 30, 2007	Fully-insured	Total Comm. ASO	Total Medical Segment	Total Medical Membership
Capitated HMO hospital system based(C)	1.4%	-	0.8%	0.5%
Capitated HMO physician group based(C)	1.5%	-	0.8%	1.8%
Risk-sharing(D)	1.5%	-	0.8%	4.8%
All other membership	95.6%	100.0%	97.6%	92.9%
Total medical membership	100.0%	100.0%	100.0%	100.0%

June 30, 2006

Capitated HMO hospital system based(C)	1.8%	-	1.1%	0.6%
Capitated HMO physician group based(C)	1.7%	-	1.0%	1.8%
Risk-sharing(D)	2.3%	-	1.3%	5.3%

All other membership	94.2%	100.0%	96.6%	92.3%

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

S-13

Humana Inc.

Detail of Medical and Other Expenses Payable Balance and Year-to-Date Changes

Dollars in thousands

	June 30, 2007	March 31, 2007	December 31, 2006	

Detail of medical and other expenses payable				
IBNR and other medical expenses payable(E)	\$2,028,722	\$1,869,209	\$1,686,051	
TRICARE IBNR (F)	308,112	361,786	318,583	
TRICARE other medical expenses payable(G)	100,975	97,994	94,699	
Unprocessed claim inventories(H)	211,300	222,300	218,400	
Processed claim inventories(I)	142,171	135,241	115,424	
Payable to pharmacy benefit administrator(J)	162,866	199,684	55,104	

Total medical and other expenses payable	\$2,954,146	\$2,886,214	\$2,488,261	
=====				

Three			
Six Months	Months		
Ended	Ended	Year Ended	
June 30,	March 31,	December 31,	
2007	2007	2006	

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

Balances at January 1	\$2,488,261	\$2,488,261	\$1,909,682
Acquisitions	-	-	21,198
Incurred related to:			
Current year(K)	10,574,111	5,370,722	17,696,654
Prior years - non-TRICARE(K)	(156,032)	(148,777)	(178,998)
Prior years - TRICARE(L)	(13,661)	(7,945)	(96,452)

Total incurred	10,404,418	5,214,000	17,421,204

Paid related to:			
Current year	(8,275,133)	(3,800,981)	(15,532,079)
Prior years	(1,663,400)	(1,015,066)	(1,331,744)

Total paid	(9,938,533)	(4,816,047)	(16,863,823)

Balances at end of period	\$2,954,146	\$2,886,214	\$2,488,261
=====			

Humana Inc.

Medical Claims Reserves Statistics

Receipt Cycle Time(M)

	2007	2006	Percentage Change	
1st Quarter Average	15.6	16.1	(0.5)	-3.1%
2nd Quarter Average	15.6	15.8	(0.2)	-1.3%
3rd Quarter Average	-	16.0	N/A	N/A
4th Quarter Average	-	15.8	N/A	N/A
Full Year Average	15.6	15.9	(0.3)	-1.9%

Unprocessed Claims Inventories

Date	Estimated Valuation (000's)	Number of Claim Item Counts	Days on Hand
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
12/31/2006	\$218,400	757,700	6.1
3/31/2007	\$222,300	747,200	5.5
6/30/2007	\$211,300	751,600	4.9

Humana Inc.

Medical Claims Reserves Statistics (Continued)

Days in Claims Payable(N)

Quarter Ended	Days in Claim	DCP	Payable Annual Change	Percentage Change	Excluding Annual Change	Percentage Change
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%
12/31/2006	60.2	(0.1)	-0.2%	66.5	(0.1)	-0.2%
3/31/2007	62.0	2.9	4.9%	67.8	2.3	3.5%
6/30/2007	62.4	2.9	4.9%	69.7	4.2	6.4%

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

2007	2006
DCP - 4th quarter of prior	

year	60.2	60.3
Components of year-to-date		
change in DCP:		
Change in claims receipt		
cycle time	(0.8)	(1.6)
Change in unprocessed		
claims inventories	(0.2)	1.7
Change in processed claims		
inventories	0.6	0.8
Change in TRICARE reserve		
balances	(0.1)	(2.1)
Change in pharmacy payment		
cutoff	-	(1.3)
Change in provider		
payables under risk		
arrangements	2.5	1.9
All other	0.2	0.5

DCP - current quarter	62.4	60.2
	=====	

S-16

Humana Inc.

Footnotes to Statistical Schedules and Supplementary Information
2Q07 Earnings Release

Footnote

-
- (A) 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).
- (B) TRICARE revenues are not contracted on a per-member basis.
- (C) 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 prepays 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. 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 physicians and hospitals for services rendered to their HMO membership.
- (D) 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.
- (E) 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.
- (F) TRICARE IBNR primarily fluctuates due to medical expense inflation

and changes in the utilization of benefits.

- (G) 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).
- (H) 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.
- (I) 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.
- (J) 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.
- (K) 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.
- (L) Changes in estimates of TRICARE incurred claims for prior years result 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.
- (M) 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 70% to 75% of the company's fully-insured claims volume. Pharmacy claims are excluded from this measurement.
- (N) 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.
- (O) Excludes the impact of Medicare stand-alone PDPs.
- (P) 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.

Humana Inc.
Investor Relations:
Regina Nethery, 502-580-3644
Rnethery@humana.com
or
Corporate Communications:
Tom Noland, 502-580-3674
Tnoland@humana.com