UNITEDHEALTH GRP. NYSE-UNH

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
48.29	10.4	(Trailing: 10.8, Median: 17.0)	0.73	1.3%	VALUE LINE

TIMELINESS	2	Raised 7/30/10
SAFETY	2	Lowered 9/21/07
TECHNICAL	3	Raised 12/9/11

BETA 1.00 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+140%)	25%
Low	85	(+75%)	16%

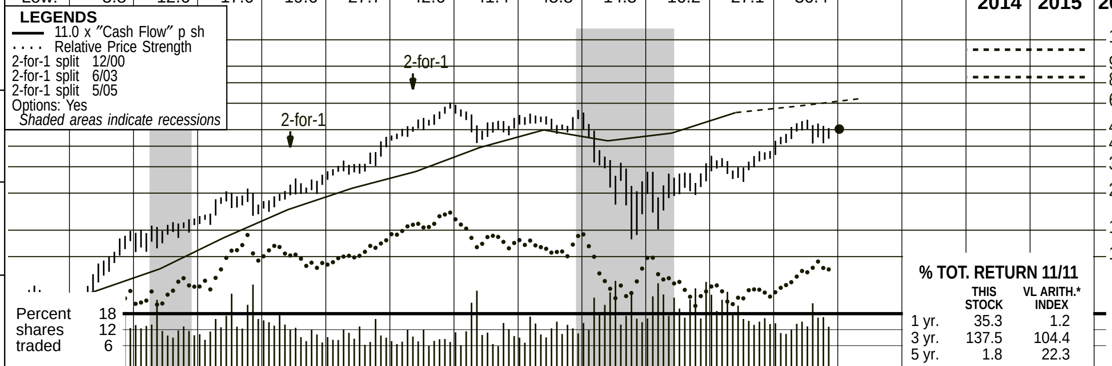
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	1	0	0
Options	4	2	2	2	4	0	1	0	1
to Sell	4	4	2	2	4	1	1	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	320	372	339
to Sell	400	389	431
Hld's(000)	931187	927077	924443

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	15.9	18.2	25.3	29.3	44.4	64.6	62.9	59.5	57.9	33.3	38.1	53.5
Low:	5.8	12.6	17.0	19.6	27.7	42.6	41.4	45.8	14.5	16.2	27.1	36.4



% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	35.3	1.2
3 yr.	137.5	104.4
5 yr.	1.8	22.3

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.05	6.81	7.71	11.79	14.60	16.65	19.00	20.89	24.72	28.94	33.41	53.19	60.20	67.60	75.97	86.70	***94.85***	***103.15***	Revenues per sh	***153.20***
.34	.31	.38	.45	.59	.75	.95	1.34	1.82	2.30	2.76	3.59	4.35	3.86	4.20	5.25	***5.65***	***6.15***	"Cash Flow" per sh	***8.80***
.26	.22	.28	.33	.40	.53	.70	1.06	1.48	1.97	2.48	2.97	3.42	2.95	3.24	4.10	***4.55***	***4.90***	Earnings per sh A	***7.30***
--	--	--	--	--	.01	.01	.01	.01	.02	.03	.03	.03	.03	.03	.41	***.61***	***.65***	Div'ds Decl'd per sh B	***.70***
.08	.11	.12	.14	.15	.19	.34	.35	.30	.27	.37	.54	.70	.66	.64	.81	***.95***	***1.00***	Cap'l Spending per sh	***1.70***
2.27	2.59	2.97	2.74	2.88	2.91	3.15	3.70	4.40	8.33	13.06	15.47	16.01	17.30	20.58	23.78	***26.05***	***28.55***	Book Value per sh C	***36.15***
1401.7	1478.9	1528.9	1471.4	1339.8	1268.9	1234.5	1197.8	1166.0	1286.0	1358.0	1345.0	1253.0	1201.0	1147.0	1086.0	***1070.0***	***1050.0***	Common Shs Outst'g D	***940.0***
21.9	28.3	22.5	20.2	17.2	19.6	22.5	19.9	16.4	17.1	20.7	17.2	15.3	10.9	8.1	8.0	*Bold figures are*		Avg Ann'l P/E Ratio	***13.5***
1.47	1.77	1.30	1.05	.98	1.27	1.15	1.09	.93	.90	1.10	.93	.81	.66	.54	.51	*Value Line*		Relative P/E Ratio	***.90***
.1%	.1%	.1%	.1%	.1%	--	--	--	--	--	.1%	.1%	.1%	.1%	.1%	1.2%	*estimates*		Avg Ann'l Div'd Yield	***.8%***

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
23454	25020	28823	37218	45365	71542	75431	81186	87138	94155	***101500***	***108300***	Revenues ($mill)	***144000***
7.8%	9.8%	11.2%	12.0%	12.8%	10.7%	11.5%	9.0%	8.4%	9.5%	***9.0%***	***9.0%***	Operating Margin	***9.5%***
265.0	255.0	299.0	374.0	453.0	670.0	796.0	981.0	991.0	1064.0	***1100***	***1150***	Depreciation ($mill)	***1350***
913.0	1352.0	1825.0	2587.0	3300.0	4159.0	4654.0	3660.0	3822.0	4634.0	***4960***	***5300***	Net Profit ($mill)	***6750***
38.0%	35.5%	35.7%	34.9%	35.7%	36.3%	36.3%	35.9%	34.2%	37.2%	***36.0%***	***36.0%***	Income Tax Rate	***37.0%***
3.9%	5.4%	6.3%	7.0%	7.3%	5.8%	6.2%	4.5%	4.4%	4.9%	***4.9%***	***4.9%***	Net Profit Margin	***4.8%***
d2545	d3205	d2648	d3088	d6004	d2453	d2948	d4771	d3963	d5307	***d4200***	***d4000***	Working Cap'l ($mill)	***d3500***
900.0	950.0	1750.0	3350.0	3850.0	5973.0	9063.0	11338	9009.0	8662.0	***9500***	***9600***	Long-Term Debt ($mill)	***11000***
3891.0	4428.0	5128.0	10717	17733	20810	20063	20780	23606	25825	***27900***	***30000***	Shr. Equity ($mill)	***34000***
20.0%	25.9%	27.2%	18.8%	15.8%	16.4%	16.9%	12.4%	12.6%	14.1%	***14.0%***	***13.5%***	Return on Total Cap'l	***16.0%***
23.5%	30.5%	35.6%	24.1%	18.6%	20.0%	23.2%	17.6%	16.2%	17.9%	***18.0%***	***17.0%***	Return on Shr. Equity	***20.5%***
23.2%	30.3%	35.4%	24.0%	18.5%	19.8%	23.0%	17.4%	16.0%	16.2%	***15.5%***	***15.0%***	Retained to Com Eq	***18.5%***
1%	1%	--	1%	1%	1%	1%	1%	1%	10%	***13%***	***13%***	All Div'ds to Net Prof	***10%***

CAPITAL STRUCTURE as of 9/30/11
Total Debt $11919 mill. **Due in 5 Yrs** $4053 mill.
LT Debt $9555 mill. **LT Interest** $500 mill.
(Total interest coverage: 15.9x)
(26% of Cap'l)

Leases, Uncapitalized Annual rentals $259.0 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 1,066,026,494 shs.
as of 10/31/11

MARKET CAP: $51 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	9800	9123	13679
Receivables	1954	2061	2234
Other	6446	7209	8595
Current Assets	18200	18393	24508
Accts Payable	18782	19687	22623
Debt Due	2164	2480	2364
Other	1217	1533	3631
Current Liab.	22163	23700	28618

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	18.5%	21.5%	*10.0%*
"Cash Flow"	22.0%	14.0%	*10.5%*
Earnings	23.5%	11.5%	*11.0%*
Dividends	43.5%	53.5%	*28.0%*
Book Value	22.0%	19.0%	*10.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.)A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	20304	20272	20156	20454	81186
2009	22004	21655	21695	21784	87138
2010	23193	23264	23668	24030	94155
2011	25432	25234	25280	***25554***	***101500***
2012	***26500***	***26800***	***27300***	***27700***	***108300***

Cal-endar	EARNINGS PER SHAREA Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.77	.67	.73	.78	2.95
2009	.81	.73	.89	.81	3.24
2010	1.03	.99	1.14	.94	4.10
2011	1.22	1.16	1.17	***1.00***	***4.55***
2012	***1.23***	***1.25***	***1.27***	***1.15***	***4.90***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	.03	--	--	.03
2008	--	.03	--	--	.03
2009	--	.03	--	--	.03
2010	--	.155	.125	.125	.405
2011	.125	.1625	.1625	.1625	

BUSINESS: UnitedHealth Group is a diversified health and well-being company. It offers products and services to more than 70 million individuals through two business segments: UnitedHealthcare (network-based health care benefits) and Optum (information and technology based health services). Acquired Oxford Health Plans 7/04; PacifiCare Health Sys. 12/05; Sierra Health Svcs. 2/08; Unison Health Plans 5/08. Medical cost ratio: 80.6% in 2010. Has about 75,000 employees. Wellington Management Co., LLP owns 6.9% of common shares outstanding; officers & directors, 1.8% (4/11 Proxy). President and CEO: Stephen J. Helmsley. Inc.: MN. Address: 9900 Bren Road East, Minnetonka, MN 55343. Tel.: 952-936-1300. Internet: www.unitedhealthgroup.com.

UnitedHealth Group, Inc. is on track to have a strong year in 2011, supported by a close-to-5% growth in its member base, as well as continuing cost-management efforts. Full-year share net should come close to $4.55, on revenues of $101.5 billion.

Top- and bottom-line growth should be strong in 2012. We believe enrollment will remain robust, and it is probable that the company will institute price increases where necessary. Margins could experience some pressure coming from government reimbursement issues. Nonetheless, we project earnings to grow about 8%, to $4.90 a share, which is a bit more optimistic than the guidance most recently provided by management.

Potential for growth in the long term is robust, driven largely by Optum, UnitedHealth's services business. Optum serves eight distinct markets, valued at $500 billion, and is expanding at an annual rate of 9%. The company currently holds, in aggregate, just 6% of market share, a statistic that management is working to increase, by making investments toward this effort. All in all, Optum has the potential to exhibit double-digit earnings and revenue growth by 2014-2016. Growth in the health services segment, which undergoes less regulation than the benefit business, will help offset any headwinds coming from the latter, which is more heavily impacted by regulatory changes, especially those related to Medicare and Medicaid.

A strong financial position is another avenue for expansion. The company's debt-to-debt plus equity ratio is roughly 30%, a decrease from the pre-recession 40% level. Available cash is expected to be utilized in three ways: investment in technology and R&D, dividends and share buybacks, and M&A activity. Next year, it is estimated that UNH will have about $5 billion of cash and available debt, once share repurchases and dividends are accounted for. We would not be surprised to see UnitedHealth make additional strategic acquisitions to promote its expansion.

These timely shares should appeal to buy-and-hold investors as well, as they offer wide price appreciation potential out to mid-decade.

Marija Dabovic *December 16, 2011*

(A) Diluted earnings. Excludes nonrecurring gains/(losses): '95, (7¢); '96, (3¢); '98, (47¢); '99, 1¢; '00, 4¢; '07, (8¢); '08, (55¢). Excludes gain from discontinued operations: '97, 1¢. Next earnings report due mid-January.
(B) Quarterly dividend initiated 6/10.
(C) Includes intangibles. In '10, $25.7 billion, $23.62/share.
(D) In millions, adjusted for stock splits.

Company's Financial Strength	A+
Stock's Price Stability	60
Price Growth Persistence	50
Earnings Predictability	90

UnitedHealth Group Inc UNH [NYSE] | ★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship	Morningstar Credit Rating	Industry
53.32 USD	60.00 USD	42.00 USD	81.00 USD	Medium	Narrow	B	A-	Health Care Plans

UnitedHealth Closes Strong 2011 That Felt Surprisingly Little Impact From Health Reform

by Matthew Coffina, CFA
Stock Analyst
Analysts covering this company do not own its stock.

Pricing data through February 10, 2012.
Rating updated as of February 10, 2012.

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Analyst Note Jan. 19, 2012

UnitedHealth's fourth-quarter results slightly exceeded our expectations. Our 2012 earnings projection is at the high end of management's outlook, and we are maintaining our fair value estimate. We continue to see UnitedHealth as modestly undervalued versus our $60 fair value estimate.

We view 2011 performance as exceptional. We had originally expected earnings to decline from the prior year as UnitedHealth confronted early challenges from the Patient Protection and Affordable Care Act, most notably the minimum commercial medical cost ratios (the law requires health plans to spend at least 80% of premiums on medical costs for small groups and individuals, 85% for large groups). Instead, earnings per share climbed 15% to $4.73. This can be credited to both solid management execution and good fortune, as the continued slowdown in health-care utilization provided a well-timed offset to regulatory margin pressure.

Revenue growth continues to help UnitedHealth stand out from peers. Full-year revenue increased more than 8% to $102 billion, which speaks to the strength of UnitedHealth's diversified model. We expect UnitedHealth to gain market share over the long run due to its scale-based competitive advantages. Total medical membership increased nearly 5% in 2011. Despite continued economic weakness, the company managed to add more than 1 million commercial members, which CEO Hemsley declared was the best performance in a decade.

As always, margins are the most important determinant of managed care earnings. The medical cost ratio deteriorated just 20 basis points for the year, to 80.8%. The commercial MCR deteriorated just 30 basis points despite this being the first year of regulated minimums. While slow health-care spending growth clearly helped this result, we also believe the unique calculation methodology for medical cost ratio under the reform law provided significant relief. Most importantly, the methodology allowed for certain administrative costs to be counted as medical costs, for taxes to be excluded from premium revenue, and for adjustments for small insured populations in some subsidiaries. Operating costs for the year increased by 10 basis points as a percentage of operating revenue, which is not a bad result in light of substantial growth in fee revenue and increasing compliance costs.

Plentiful free cash flow remains the best reason to invest in UnitedHealth, in our view. The company generated nearly $7 billion in operating cash flow in 2011. After deducting $1 billion for capital expenditures, the free cash flow yield remains at 11% relative to UnitedHealth's current market cap. Even with no growth to the core business, this cash flow should enable solid returns for investors. In 2011, $1.8 billion of free cash flow went to acquisitions, $3 billion to share repurchases, and $650 million to dividends.

Thesis Dec. 13, 2011

UnitedHealth's scale endows the firm with significant competitive advantages. With underwriting and regulatory concerns fading to the background, we think UnitedHealth will continue churning out free cash flow and creating value for investors for the foreseeable future.

We think UnitedHealth's scale results in a narrow economic moat for several reasons. The company's 34 million medical members allow it to spread out fixed administrative costs and negotiate large discounts with health-care providers. The company's extensive database of claims improves underwriting and can be used to identify the most cost-effective health-care providers. Finally, UnitedHealth's industry-leading position across geographies and product lines--including commercial insurance, Medicare, Medicaid, data services, pharmacy benefit management, and specialty benefits--reduces its risk, differentiates its products, and allows management to be opportunistic about its allocation of effort and

UnitedHealth Group Inc UNH [NYSE] | ★★★★

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Close Competitors	Currency(Mil)	Market Cap	TTM Sales	Oper Income	Net Income
UnitedHealth Group Inc	USD	55,717	101,862	8,464	5,142
WellPoint Inc	USD	22,322	60,118	4,232	2,860
Aetna Inc	USD	16,557	33,747	2,783	1,829
Humana	USD	14,019	36,323	2,097	1,328

Morningstar data as of February 10, 2012.

capital.

Since premiums are collected months before claims have to be paid, health insurance is largely a self-financing business. This allows UnitedHealth to generate massive free cash flows and earn healthy returns on capital. At the same time, the need for large provider networks deters new entrants. Continued strong performance depends primarily on the various managed-care organizations all raising prices in line with ever-increasing medical costs. We think pricing will be rational over the long run because thin margins and mild customer switching costs mean that it usually isn't worthwhile for an MCO to undercut its competitors on price. Underwriting missteps in 2008 were quickly corrected so that the same problem didn't recur in 2009, which we see as a strong indication of UnitedHealth's pricing power.

Health-care reform remains an important issue affecting UnitedHealth's future. The Patient Protection and Affordable Care Act, or PPACA, has some negative implications for UnitedHealth, such as lower Medicare Advantage reimbursements, increased scrutiny of premium increases, and provisions regulating the percentage of premiums that must be spent on medical care. However, UnitedHealth will also benefit from new insurance subsidies, investments in health IT and disease management, and expansions of the Medicaid program. Overall, we expect the PPACA to have only a modest impact on UnitedHealth.

Valuation, Growth and Profitability

We are increasing our fair value estimate to $60 from $58 to account for cash earned since our last update. In our base-case scenario, we project that UnitedHealth's operating revenue (which excludes investment and other income) will increase at a 7.5% annual rate during the next five years. We project that the company's operating margin (excluding investment income) will contract from 7.8% in 2010 to 6% by 2015, which incorporates an 83.5% consolidated medical cost ratio and 14.4% of operating revenue spent on selling, general, and administrative expense. This compares with an 80.6% medical cost ratio and a 15.3% operating cost ratio in 2010. We estimate UnitedHealth's cost of equity at 10.5%.

Risk

UnitedHealth is in the difficult and sensitive business of trying to restrain health-care spending growth, which often leads to negative publicity and potentially expensive lawsuits. Government actions could have significant, sudden, and unpredictable effects on UnitedHealth's business, including changes to Medicare or Medicaid funding and policies, new government programs that compete with private insurers, or laws that restrict the premiums UnitedHealth can charge or mandate the benefits it must provide. Competition could lead to deteriorating underwriting practices in the industry.

Bulls Say

- UnitedHealth benefits from the network effect: Customers want access to its huge network of health-care providers, and providers want business from its 78 million customers.
- Some regulatory reforms are favorable for UnitedHealth. New insurance subsidies and expansions to the Medicaid program could mean significant new revenue. UnitedHealth's OptumInsight unit could play a

key role in comparative effectiveness research and attempts to pay providers based on health outcomes.

- Insurance exchanges will blur the line between Medicaid and individual insurance. Medicare Advantage reimbursement cuts could result in increased demand for Medicare supplement policies. Both trends favor UnitedHealth's diversification and experience with multiple products.
- UnitedHealth's business requires few tangible assets. Furthermore, the company collects premiums before it has to pay health-care providers, so cash flow and returns on capital are exceptional.
- UnitedHealth has relatively few competitors in the national account segment, as national scale is required to service employers with offices across the country. Its geographic diversification also lowers its exposure to region-specific risks like public health catastrophes and changing state regulation.

Bears Say

- Several provisions of the PPACA are significantly negative for UnitedHealth, such as minimum medical cost ratios and increased regulatory oversight of premium increases.
- Medical costs tend to increase rapidly, so UnitedHealth must constantly push through large premium increases to prevent margin contraction. Aggressive pricing by competitors is a concern, as are sudden accelerations in medical cost trends which may not have been anticipated in rate increases.
- About 27% of UnitedHealth's revenue comes from Medicare Advantage. Reimbursement cuts could result in lower revenue, membership attrition back into original Medicare, margin contraction, or a combination of all three.
- Rising unemployment results in lower commercial enrollments, which can result in deleveraging of UnitedHealth's fixed costs. UnitedHealth also faces a revenue headwind from the increasing popularity of fee-based, rather than risk-based, policies.
- Among UnitedHealth's competitors are not-for-profits that are less concerned about earning a profit margin. In some cases, nonprofits such as many Blue Cross and Blue Shield plans may have significantly greater regional market share than UnitedHealth.

Financial Overview

Financial Health: UnitedHealth is in good financial health, with more interest income than interest expense and a 30% debt/capital ratio. We expect the company to generate at least $4 billion in free cash flow annually.

Company Overview

Profile: UnitedHealth provides health insurance and related services to more than 78 million Americans. Products include risk-based health insurance, non-risk-based plan management for self-insured employers, Medicare and Medicaid plans, pharmacy benefit and disease management, and database and consulting services. Subsidiaries include UnitedHealthcare, OptumHealth, OptumRx (formerly Prescription Solutions), and OptumInsight (formerly Ingenix).

Management: Despite a poor history of corporate stewardship marked by an option-backdating scandal and excessive executive compensation, UnitedHealth has transformed itself into a model of governance in the managed-care industry. We give the company an above-average stewardship grade. We believe UnitedHealth has an unusually deep management team, and we like the company's strategy of rotating senior management through different roles to develop talent and maintain fresh perspectives. We appreciate the separation of the chairman and CEO roles and the fact that directors are elected annually. UnitedHealth appears committed to basing pay on performance, as evidenced by the $3 million CEO Stephen Hemsley received in 2008, which was a bad year for UnitedHealth and its industry. Hemsley's total compensation was $10.8 million in 2010, which is not unreasonable for the industry. We believe UnitedHealth was proactive in its participation in the health reform debate. The company has a clearer strategic vision than most of its peers, and it is well ahead of the competition in executing on a strategy of increasing health-care quality and lowering costs through the use of data, technology, and care expertise.

UnitedHealth Group Inc UNH [NYSE] | ★★★★

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Analyst Notes

Jan. 19, 2012

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Oct. 18, 2011

UnitedHealth Posts Solid Third Quarter, but Warns of Higher Medical Costs

We are maintaining our fair value estimate for UnitedHealth after the company reported solid third-quarter results and management once again raised its outlook for full-year earnings per share. While the company is on pace to slightly exceed our estimates for 2011, management also warned of higher medical costs in the future. We believe

Analyst Notes (continued)

our model already incorporates reasonable expectations for future medical cost ratio deterioration.

Revenue growth and cash flow remain two of UnitedHealth's greatest strengths. Third-quarter revenue increased 7% and total medical membership increased to 34.4 million. While largely a symbolic achievement, UnitedHealth may have now eclipsed WellPoint as the largest managed-care organization by medical membership.

Third-quarter adjusted operating cash flow was $2.6 billion, and management expects $6.2 billion of cash flow for the full year. Net of a little more than $1 billion in expected capital expenditures, that gives UnitedHealth an 11% free cash flow yield at the current stock price. Much of this cash is being returned to shareholders, with nearly $500 million in dividends and $2.1 billion in share repurchases so far this year.

On the negative side, the third-quarter consolidated medical cost ratio (medical costs as a percentage of premium revenue) deteriorated 60 basis points to 80.7%. This ratio was negatively impacted by lower prior-period reserve developments and increased rebate expectations related to the health-reform law. The operating cost ratio (operating costs as a percentage of operating revenue) also deteriorated 40 basis points due to a mix shift toward more fee-based business. So far this year, medical costs are better than we expected while operating costs are slightly worse.

The market reacted negatively to the earnings release. The most likely cause seems to be a 110-basis-point deterioration in the commercial medical cost ratio and management commentary indicating that health-care utilization trends may be picking up from their historically low level of the last several quarters. We have been concerned about accelerating health-care cost trends since WellPoint reported a significant deterioration in its medical cost ratio last quarter. We expect ongoing medical cost pressure during the next five years, which may result in deteriorating margins. However, we still project respectable earnings per share growth through a combination of revenue growth, operating cost leverage, and share repurchases.

UnitedHealth Group Inc UNH

Sales USD Mil	Mkt Cap USD Mil	Industry	Sector
101,862	55,717	Health Care Plans	Healthcare

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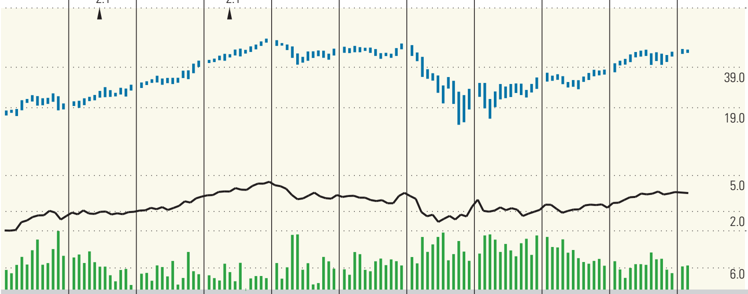
Minnetonka, MN 55343
Phone: 1 952 936-1300Website: http://www.unitedhealthgroup.com

Morningstar Rating	Last Price	Fair Value	Uncertainty	Economic Moat™	Stewardship Grade
★★★★	53.32	60.00	Medium	Narrow	B

per share prices in USD

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	
25.25	29.34	44.38	64.61	62.93	59.46	57.86	33.25	38.06	53.50	54.18	Annual Price High
16.96	19.60	27.73	42.63	41.44	45.82	14.51	16.18	27.13	36.37	49.82	Low
	2:1		2:1								Recent Splits



Price Volatility
Monthly High/Low
Rel Strength to S&P 500

52 week High/Low
54.18 - 41.27

10 Year High/Low
64.61 - 14.51

Bear-Market Rank
5 (10=worst)

Trading Volume Million

Growth Rates Compound Annual

Grade: B	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	8.2	7.9	7.3	15.8
Operating Income %	7.6	17.2	3.9	18.4
Earnings/Share %	15.4	25.4	9.8	21.1
Dividends %	51.2	173.3	82.8	55.3
Book Value/Share %	14.5	16.5	12.0	24.2
Stock Total Return %	27.1	24.8	1.4	11.0
+/- Industry	13.8	4.1	-2.2	-2.2
+/- Market	25.5	7.3	2.8	9.5

Profitability Analysis

Grade: C	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	19.0	18.5	17.9	22.6
Return on Assets %	7.8	7.4	6.1	9.5
Fixed Asset Turns	43.2	46.8	49.6	7.5
Inventory Turns	—	—	87.2	16.1
Revenue/Employee USD K	1028.9	1066.8*	—	1049.9
Gross Margin %	9.4	15.3	11.3	38.3
Operating Margin %	8.3	8.2	6.4	16.7
Net Margin %	5.0	4.8	4.0	11.2
Free Cash Flow/Rev %	5.8	5.6	5.4	0.1
R&D/Rev %	—	—	—	9.7

Financial Position

Grade: B	12-10 USD Mil	12-11 USD Mil
Cash	9123	9429
Inventories	—	—
Receivables	3704	4549
Current Assets	18393	20350
Fixed Assets	2200	2515
Intangibles	25655	26770
Total Assets	63063	67889
Payables	9220	9799
Short-Term Debt	2480	982
Current Liabilities	23700	23922
Long-Term Debt	8662	10656
Total Liabilities	37238	39597
Total Equity	25825	28292

Valuation Analysis

	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	11.3	11.4	11.3	14.5
Forward P/E	9.9	—	—	13.5
Price/Cash Flow	8.3	8.4	7.3	7.4
Price/Free Cash Flow	9.8	9.9	9.8	16.9
Dividend Yield %	1.1	—	0.7	2.0
Price/Book	2.0	2.0	2.0	2.0
Price/Sales	0.6	0.6	0.5	1.2
PEG Ratio	0.8	—	—	1.4

Stock Performance

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
18.0	39.4	52.6	40.0	-13.5	8.4	-54.2	14.7	19.8	42.0	5.2	Total Return %
41.4	13.0	43.6	37.0	-27.1	4.9	-15.7	-8.7	7.0	42.0	-1.6	+/- Market
16.9	-8.8	6.4	-4.0	-8.1	-14.7	-6.1	-20.9	9.9	22.4	-0.5	+/- Industry
0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	1.1	1.2	1.1	Dividend Yield %
25422	34131	58016	78740	72374	75204	32128	34961	39215	54026	55717	Market Cap USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Financials
25020	28823	37218	45365	71542	75431	81186	87138	94155	101862	101862	Revenue USD Mil
27.3	28.1	27.5	27.9	24.6	25.5	23.8	8.4	9.5	9.4	9.4	Gross Margin %
2186	2935	4101	5373	6984	7849	5263	6359	7864	8464	8464	Oper Income USD Mil
8.7	10.2	11.0	11.8	9.8	10.4	6.5	7.3	8.4	8.3	8.3	Operating Margin %
1352	1825	2587	3300	4159	4654	2977	3822	4634	5142	5142	Net Income USD Mil
1.06	1.48	1.97	2.48	2.97	3.42	2.40	3.24	4.10	4.73	4.73	Earnings Per Share USD
0.01	0.01	0.02	0.02	0.03	0.03	0.03	0.03	0.41	0.61	0.61	Dividends USD
1272	1234	1312	1330	1402	1361	1241	1179	1131	1087	1087	Shares Mil
3.64	4.37	8.20	13.99	15.45	15.53	17.20	20.58	23.78	26.54	27.07	Book Value Per Share USD
2423	3003	4135	4326	6526	5877	4238	5625	6273	6968	6968	Oper Cash Flow USD Mil
-419	-352	-350	-509	-728	-871	-791	-739	-878	-1067	-1067	Cap Spending USD Mil
2004	2651	3785	3817	5798	5006	3447	4886	5395	5901	5901	Free Cash Flow USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Profitability
10.2	11.5	11.4	9.5	9.3	9.4	5.6	6.7	7.6	7.8	7.8	Return on Assets %
32.5	38.2	32.6	23.2	21.6	22.8	14.6	17.2	18.8	19.0	19.0	Return on Equity %
5.4	6.3	7.0	7.3	5.8	6.2	3.7	4.4	4.9	5.0	5.0	Net Margin %
1.88	1.81	1.64	1.31	1.60	1.52	1.52	1.52	1.54	1.56	1.56	Asset Turnover
3.2	3.4	2.6	2.3	2.3	2.5	2.7	2.5	2.4	2.4	2.4	Financial Leverage

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-11	Financial Health
-3205	-2648	-3088	-6004	-2453	-2948	-4771	-3963	-5307	-3572	-3572	Working Capital USD Mil
950	1750	3350	3850	5973	9063	11338	9009	8662	10656	10656	Long-Term Debt USD Mil
4428	5128	10717	17733	20810	20063	20780	23606	25825	28292	28292	Total Equity USD Mil
0.21	0.34	0.31	0.22	0.29	0.45	0.55	0.38	0.34	0.38	0.34	Debt/Equity

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
19.6	19.6	22.5	25.1	18.1	17.0	11.1	9.4	8.8	10.7	11.3	Price/Earnings
—	—	—	—	—	—	—	—	—	0.6	0.8	P/E vs. Market
1.1	1.3	1.6	1.8	1.0	1.1	0.4	0.4	0.4	0.5	0.6	Price/Sales
5.7	6.7	5.4	4.4	3.5	3.8	1.6	1.5	1.5	1.9	2.0	Price/Book
11.0	11.9	14.1	19.2	11.4	13.5	7.8	6.4	6.5	8.0	8.3	Price/Cash Flow

Quarterly Results

Revenue USD Mil	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	25432.0	25234.0	25280.0	25916.0
Prior Year Period	23193.0	23264.0	23668.0	24030.0

Rev Growth %	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	9.7	8.5	6.8	7.8
Prior Year Period	5.4	7.4	9.1	10.3

Earnings Per Share USD	Mar 11	Jun 11	Sep 11	Dec 11
Most Recent Period	1.22	1.16	1.17	1.17
Prior Year Period	1.03	0.99	1.14	0.94

Industry Peers by Market Cap

	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
UnitedHealth Group I	55717	101862	11.3	19.0
WellPoint Inc	22322	60118	8.4	11.9
Aetna Inc	16557	33747	9.7	17.8

Major Fund Holders

	% of shares
	—
	—
	—

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

Morningstar's Approach to Rating Stocks

Our Key Investing Concepts

- Economic Moat™ Rating
- Discounted Cash Flow
- Discount Rate
- Fair Value
- Uncertainty
- Margin of Safety
- Consider Buying/Consider Selling
- Stewardship Grades

At Morningstar, we evaluate stocks as pieces of a business, not as pieces of paper. We think that purchasing shares of superior businesses at discounts to their intrinsic value and allowing them to compound their value over long periods of time is the surest way to create wealth in the stock market.

We rate stocks 1 through 5 stars, with 5 the best and 1 the worst. Our star rating is based on our analyst's estimate of how much a company's business is worth per share. Our analysts arrive at this "fair value estimate" by forecasting how much excess cash--or "free cash flow"--the firm will generate in the future, and then adjusting the total for timing and risk. Cash generated next year is worth more than cash generated several years down the road, and cash from a stable and consistently profitable business is worth more than cash from a cyclical or unsteady business.

Stocks trading at meaningful discounts to our fair value estimates will receive high star ratings. For high-quality businesses, we require a smaller discount than for mediocre ones, for a simple reason: We have more confidence in our cash-flow forecasts for strong companies, and thus in our value estimates. If a stock's market price is significantly above our fair value estimate, it will receive a low star rating, no matter how wonderful we think the business is. Even the best company is a bad deal if an investor overpays for its shares.

Our fair value estimates don't change very often, but market prices do. So, a stock may gain or lose stars based just on movement in the share price. If we think a stock's fair value is $50, and the shares decline to $40 without much change in the value of the business, the star rating will go up. Our estimate of what the business is worth hasn't changed, but the shares are more attractive as an investment at $40 than they were at $50.

Because we focus on the long-term value of businesses, rather than short-term movements in stock prices, at times we may appear out of step with the overall stock market. When stocks are high, relatively few will receive our highest rating of 5 stars. But when the market tumbles, many more will likely garner 5 stars. Although you might expect to see more 5-star stocks as the market rises, we find assets more attractive when they're cheap.

We calculate our star ratings nightly after the markets close, and issue them the following business day, which is why the rating date on our reports will always be the previous business day. We update the text of our reports as new information becomes available, usually about once or twice per quarter. That is why you'll see two dates on every Morningstar stock report. Of course, we monitor market events and all of our stocks every business day, so our ratings always reflect our analyst's current opinion.

Economic Moat™ Rating

The Economic Moat™ Rating is our assessment of a firm's ability to earn returns consistently above its cost of capital in the future, usually by virtue of some competitive advantage. Competition tends to drive down such

Morningstar Research Methodology for Valuing Companies

Competitive Analysis → **Economic Moat™ Rating** → Company Valuation → **Fair Value Estimate** → Uncertainty Assessment → ★★★★★

Competitive Analysis

Analyst conducts company and industry research:

- Management interviews
- Conference calls
- Trade-show visits
- Competitor, supplier, distributor, and customer interviews

Economic Moat™ Rating

The depth of the firm's competitive advantage is rated:

- None
- Narrow
- Wide

Company Valuation

Analyst considers company financial statements and competitive position to forecast future cash flows.

Assumptions are input into a discounted cash-flow model.

Fair Value Estimate

DCF model leads to the firm's Fair Value Estimate, which anchors the rating framework.

Uncertainty Assessment

An uncertainty assessment establishes the margin of safety required for the stock rating.

★★★★★

★
★★
★★★
★★★★
★★★★★

The current stock price relative to fair value, adjusted for uncertainty, determines the rating.

economic profits, but companies that can earn them for an extended time by creating a competitive advantage possess an Economic Moat. We see these companies as superior investments.

Discounted Cash Flow
This is a method for valuing companies that involves projecting the amount of cash a business will generate in the future, subtracting the amount of cash that the company will need to reinvest in its business, and using the result to calculate the worth of the firm. We use this technique to value nearly all of the companies we cover.

Discount Rate
We use this number to adjust the value of our forecasted cash flows for the risk that they may not materialize. For a profitable company in a steady line of business, we'll use a lower discount rate, also known as "cost of capital," than for a firm in a cyclical business with fierce competition, since there's less risk clouding the firm's future.

Fair Value
This is the output of our discounted cash-flow valuation models, and is our per-share estimate of a company's intrinsic worth. We adjust our fair values for off-balance sheet liabilities or assets that a firm might have--for example, we deduct from a company's fair value if it has issued a lot of stock options or has an under-funded pension plan. Our fair value estimate differs from a "target price" in two ways. First, it's an estimate of what the business is worth, whereas a price target typically reflects what other investors may pay for the stock. Second, it's a long-term estimate, whereas price targets generally focus on the next two to 12 months.

Uncertainty
To generate the Morningstar Uncertainty Rating, analysts consider factors such as sales predictability, operating leverage, and financial leverage. Analysts then classify their ability to bound the fair value estimate for the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. The greater the level of uncertainty, the greater the discount to fair value required before a stock can earn 5 stars, and the greater the premium to fair value before a stock earns a 1-star rating.

Margin of Safety
This is the discount to fair value we would require before recommending a stock. We think it's always prudent to buy stocks for less than they're worth.The margin of safety is like an insurance policy that protects investors from bad news or overly optimistic fair value estimates. We require larger margins of safety for less predictable stocks, and smaller margins of safety for more predictable stocks.

Consider Buying/Consider Selling
The consider buying price is the price at which a stock would be rated 5 stars, and thus the point at which we would consider the stock an extremely attractive purchase. Conversely, consider selling is the price at which a stock would have a 1 star rating, at which point we'd consider the stock overvalued, with low expected returns relative to its risk.

Stewardship Grades
We evaluate the commitment to shareholders demonstrated by each firm's board and management team by assessing transparency, shareholder friendliness, incentives, and ownership. We aim to identify firms that provide investors with insufficient or potentially misleading financial information, seek to limit the power of minority shareholders, allow management to abuse its position, or which have management incentives that are not aligned with the interests of long-term shareholders. The grades are assigned on an absolute scale--not relative to peers--and can be interpreted as follows: A means "Excellent," B means "Good," C means "Fair," D means "Poor," and F means "Very Poor."