UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission file number: 1-10864

UnitedHealth Group Incorporated

(Exact name of registrant as specified in its charter)

Minnesota **(State or other jurisdiction of** **incorporation or organization)**	**41-1321939** **(I.R.S. Employer** **Identification No.)**
UnitedHealth Group Center **9900 Bren Road East** **Minnetonka, Minnesota** **(Address of principal executive offices)**	**55343** **(Zip Code)**

(952) 936-1300

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

As of February 15, 2007, there were 1,354,320,209 shares of the registrant s Common Stock, $.01 par value per share, issued and outstanding.

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UNITEDHEALTH GROUP

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EXPLANATORY NOTE

In this Form 10-Q, UnitedHealth Group Incorporated (UnitedHealth Group or the Company) is restating its Condensed Consolidated Balance Sheet as of December 31, 2005 and the Condensed Consolidated Statements of Operations and Cash Flows for the three- and nine-month periods ended September 30, 2005. This Form 10-Q also reflects the amendment of Management s Discussion and Analysis of Financial Condition and Results of Operations presented in the Company s Form 10-Q for the quarter ended September 30, 2005 as it related to the period ended September 30, 2005.

Immediately prior to the filing of this Form 10-Q, the Company filed an amended quarterly report on Form 10-Q/A for the quarter ended March 31, 2006 (the Form 10-Q/A) and a quarterly report on Form 10-Q for the quarter ended June 30, 2006. The Form 10-Q/A contains restated financial information for the periods ended March 31, 2006 and March 31, 2005, and the Form 10-Q for the quarter ended June 30, 2006 contains restated financial information for the period ended June 30, 2005.

Immediately after the filing of this Form 10-Q, the Company will file an annual report on Form 10-K for the year ended December 31, 2006 (the 2006 Form 10-K). In the 2006 Form 10-K, the Company will restate its Consolidated Balance Sheet as of December 31, 2005, and the related Consolidated Statements of Operations, Changes in Shareholders Equity and Cash Flows for each of the fiscal years ended December 31, 2005 and December 31, 2004 and quarterly financial data for the quarter ended December 31, 2005. The 2006 Form 10-K will also reflect the restatement of Selected Financial Data in Item 6 for the fiscal years ended December 31, 2005, 2004, 2003 and 2002, and the amendment of Management s Discussion and Analysis of Financial Condition and Results of Operations presented in the Company s Form 10-K for the fiscal year ended December 31, 2005 as it related to the fiscal years ended December 31, 2005 and December 31, 2004.

Previously filed annual reports on Form 10-K and previously filed quarterly reports on Form 10-Q (other than for the quarters ended June 30, 2006 and March, 31, 2006, the later of which has been amended by the Form 10-Q/A) have not been amended and should not be relied upon.

Background of the Restatement

In March 2006, media reports questioned whether a number of companies, including UnitedHealth Group, had engaged in backdating stock option grants. Shortly thereafter, the Company was notified that the Securities and Exchange Commission (the SEC) had commenced an inquiry into the Company s historic practices concerning stock option grants.

On April 4, 2006, the Company s Board of Directors (the Board) created an independent committee comprised of three independent directors to review the Company s option grant practices over the period from 1994 through 2005 (the Independent Review Period). The independent committee engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) as counsel for its independent review, and WilmerHale retained independent accounting advisors. WilmerHale has advised that, in the course of its review, it examined physical and electronic documents comprising more than 26 million pages of material and conducted over 80 interviews.

WilmerHale s report of its findings (the WilmerHale Report) was furnished to the Board and publicly issued on October 15, 2006. The complete text of the WilmerHale Report is available on the Company s Web site, www.unitedhealthgroup.com, and is included as an exhibit to the Company s Current Report on Form 8-K filed with the SEC on October 16, 2006.

After substantially completing its analysis of the accounting adjustments necessary to reflect the findings of the WilmerHale Report, on November 8, 2006, the Company filed with the SEC a Current Report on Form 8-K reporting management s conclusion, which the Audit Committee of the Board had approved, that due solely to the Company s historic stock option practices the Company s financial statements for the fiscal years ended

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December 31, 1994 through 2005, the interim periods contained therein, the quarter ended March 31, 2006 and all earnings and press releases, including for the quarters ended June 30, 2006 and September 30, 2006, and similar communications issued by the Company for such periods, and the related reports of the Company s independent registered public accounting firm, should no longer be relied upon. The Form 8-K also reported that management had re-evaluated its assessment of the Company s internal controls over financial reporting and had concluded that, as of December 31, 2005, the Company had a material weakness solely relating to stock option plan administration and accounting for and disclosure of stock option grants.

The Form 8-K also disclosed that certain of the Company s current and former senior executives had agreed to increase the exercise price of all stock options granted to that executive with stated grant dates between 1994 and 2002 to eliminate any financial benefit resulting from what the WilmerHale Report concluded was the likely backdating of grants that they received.

After completing its internal review of the accounting treatment for all option grants, and following consultation on certain interpretive accounting issues with the Office of the Chief Accountant of the SEC, management has concluded, and the Audit Committee of the Board has approved the conclusion, that the Company used incorrect measurement dates and made other errors described below in accounting for stock option grants and, accordingly, that the Company s previously issued financial statements should be restated.

Summary of the Restatement Adjustments

As of January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R), using the modified retrospective transition method. Under this method, all prior period financial statements are required to be restated to recognize compensation cost in the amounts historically disclosed in our consolidated financial statements under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (FAS 123). Prior to January 1, 2006, the Company accounted for share-based compensation granted under its stock option plans using the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, a company was not required to recognize compensation expense for stock options issued to employees if the exercise price of the stock options was at least equal to the quoted market price of the company s common stock on the measurement date. APB 25 defined the measurement date as the first date on which both the number of shares that an individual employee was entitled to receive and the option or purchase price, if any, were known.

The restatement in this Form 10-Q principally reflects additional stock-based compensation expense and related tax effects as of December 31, 2005 and for the three- and nine-month periods ended September 30, 2005 under both FAS 123R, the Company s current accounting method, and APB 25, the Company s historical accounting method, relating to the Company s historic stock option practices. The restatement also reflects certain other accounting adjustments, including adjustments unrelated to historic stock option practices, which are not material either individually or in the aggregate to the periods ended September 30, 2005 or prior.

The principal components of the restatement are as follows:

Revised Measurement Dates. Based on all available evidence, the Company applied the methodologies described below to determine the appropriate measurement dates under both FAS 123 and APB 25 for grants in the following categories: (1) grants of approximately 80 million shares on a split-adjusted basis to Section 16 officers (Section 16 Grants); (2) grants of approximately 260 million shares on a split-adjusted basis to middle management and senior management employees (Broad-Based Grants); and (3) grants of approximately 50 million shares on a split-adjusted basis in connection with the hiring or promotion of employees (New Hire and Promotion Grants). As a result of this analysis, the Company has determined that, in most cases, the stated grant date was not the correct measurement date.

Section 16 Grants Section 16 Grants, generally made to eight to twelve officers, required approval by the Compensation and Human Resources Committee of the Board (the Compensation Committee).

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For the majority of Section 16 Grants, Compensation Committee approval was reflected in Written Actions. The WilmerHale Report concluded that the Written Actions were generally executed subsequent to the stated grant dates. (Under Minnesota corporate law, it is permissible to make a Written Action effective as of a date other than the date on which the last of the required signers affixes his or her signature, even if that effective date is before the last signature affixed.) Based on the available evidence, the Company has determined that the appropriate measurement date for each of these Section 16 Grants is the earlier of (a) the date on which a Form 4 (or other statement of changes in beneficial ownership) was filed with the SEC with respect to a particular officer s grant or (b) the date on which the written action with respect to that grant was likely executed by a majority of the members of the Compensation Committee.

As to certain other Section 16 Grants, Compensation Committee approval occurred at a meeting or there was general Compensation Committee approval of the Section 16 Grant together with a delegation to the Chairman of the Compensation Committee to determine the final amount of stock options, grant date and exercise price for each Section 16 officer receiving options. The Company has determined, based on all available evidence, that the appropriate measurement date for these Section 16 Grants is the earlier of (a) the date on which a Form 4 (or other statement of changes in beneficial ownership) was filed with the SEC with respect to a particular officer s grant or (b) the date on which a resolution with respect to that grant was adopted at a meeting of the Compensation Committee or a decision was made by the Chairman of the Compensation Committee, if so delegated.

For option grants with stated grant dates in October 1999 that were made in connection with the entry of employment agreements for our former chief executive officer and our current chief executive officer (both of whom had been employed by the Company prior to that date), the Company has determined that the appropriate measurement date is the date on which the employment agreements were executed on behalf of the Company. With respect to stock option grants with a stated grant date in October 1999 that represented the number of additional stock options necessary to equal the minimum annual stock option grant provided for pursuant to each such employment agreement, the Company has determined that the appropriate measurement date is the last day of 1999, the calendar year in which the Company was contractually obligated to make the grants.

Broad-Based Grants Between 1,500 and 4,000 middle and senior management employees periodically and customarily received options. As described in the WilmerHale Report, our former chief executive officer, acting pursuant to authority delegated to him by the Compensation Committee, chose the grant dates and overall amounts for Broad-Based Grants and ultimately reflected the Broad-Based Grants in CEO Certificates.

The Company followed separate allocation processes to determine the particular recipients and individual option amounts of grants to middle management employees and senior management employees. In the majority of Broad-Based Grants, the process of allocating stock option grants among individual employees in both middle management and senior management continued beyond the stated grant date. After the date on which substantially all granting activities were completed, there were an insignificant number of changes to option awards attributable to circumstances such as the effective cancellation of a grant because of an employee s termination, administrative error corrections, promotion or individual performance reassessment.

Based on all available evidence, the Company has determined that the appropriate measurement date for Broad-Based Grants was the later of the following two dates: (a) the date on which the evidence identified by the Company indicated that a communication to or from our former chief executive officer refers to a particular grant, or the grant was presented to the Compensation Committee or (b) the date on which the allocation of the options to individual employees and grant process associated with the Broad-Based Grant was substantially complete. Where information is not available to evidence either (a) or (b) above, the Company has determined the appropriate measurement date to be the date on which the Company determined, based upon all available evidence that the CEO Certificate for such grant was likely executed. Where option award amounts changed subsequent to the date the allocation process was substantially complete, the Company has determined that each award that was changed is a separate grant with its own measurement date and should not be considered indicative that the granting process was not complete.

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New Hire and Promotion Grants During the Independent Review Period, the Company granted stock options to approximately 2,500 employees in connection with their hire or promotion (New Hire and Promotion Grants).

For New Hire and Promotion Grants made prior to 2002, the Company typically chose grant dates by determining the lowest closing price of the Company s common stock between the date of an event in the recruitment of the newly-hired employee (e.g., date of first contact, date of an offer letter) or promotion of the employee and the end of the quarter in which the employee started work or was promoted. As a result of this practice, some employees received stock options with grant dates that were earlier than that employee s start date. In 2002, the Company changed to a practice of determining grant dates for new hires and promotions to be the date of the lowest closing price of the Company s common stock between the start date of employment or date of promotion and the end of the quarter in which the employee started work or was promoted. The Company historically used these stated grant dates as the measurement dates for accounting purposes.

The Company has concluded that the measurement dates used with respect to nearly all of the New Hire and Promotion Grants during the Independent Review Period were not correct because the Company s practice was to determine grant dates with the benefit of hindsight. The Company has determined that the appropriate measurement date for each New Hire and Promotion Grant was the date on which the Company set the terms of the award, or, where the Company could not identify such date based on all available evidence, the last date of the fiscal quarter in which a particular New Hire or Promotion Grant was made.

1999 Grant of Supplemental Options. In the fourth quarter of 1999, following a decline in its stock price, the Company granted supplemental stock options to acquire 2.2 million shares of Company common stock (17.6 million shares on a split-adjusted basis) to a broad group of employees, including our former chief executive officer and other Section 16 officers. The supplemental options were granted in connection with the suspension of the vesting and exercisability of an equal number of options with exercise prices above $46.50 ($5.8125 on a split-adjusted basis) that had previously been granted to those employees (the Suspended Options). The supplemental options had a stated grant date of October 13, 1999 and an exercise price equal to $40.125 ($5.0156 on a split-adjusted basis).

After taking into account all available evidence regarding the Suspended Options, the Company has concluded that, under APB 25, the grant of the supplemental options constituted an effective re-pricing subject to variable accounting for each option until exercise, forfeiture or expiration. Additionally, the Company has determined that, under FAS 123, the grant of the supplemental options was a modification that required an incremental fair value charge to be recognized over the related vesting period.

2000 Reactivation of Suspended Options. In 2000, the Company reactivated the vesting and exercisability of the Suspended Options. The Company has determined that, under APB 25 and FAS 123, the reactivation of the vesting and exercisability of the Suspended Options was a new stock option grant that should have had a new measurement date, and the Company has determined that the appropriate measurement date is the date grantees were again permitted to exercise their previously-vested awards.

Cliff Vesting Options. Prior to April 2000, the Company granted to employees certain stock options that vested 100% on the sixth or ninth anniversary of the date of grant (the Cliff Vesting Options). Under the terms of the options, the Company could elect to accelerate the vesting of all or a portion of the Cliff Vesting Options at its discretion. The Company followed a policy of accelerating the vesting of a consistent percentage of the Cliff Vesting Options, unless the option holder was subject to disciplinary action or performing at a less than satisfactory level. This resulted in nearly all option holders having their Cliff Vesting Options accelerated so they actually vested as if they had a 20% or 25% per year time-based vesting schedule (i.e., a four-year or five-year vesting period).

Grant of Cliff Vesting Options. Under APB 25, an award should be accounted for as a performance award if its cliff vesting terms are not considered to be substantive. Based on numerous factors, including evaluation of employee turnover rates, the Company has determined that the nine-year vesting term was not substantive

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in grants after January 1995 to middle management employees. Accordingly, these options should have been subject to variable accounting until each of their vesting dates. With respect to substantially all other Cliff Vesting Options, the Company has concluded that the cliff vesting term is substantive.

Acceleration of Cliff Vesting Options. In accordance with the provisions of Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (An Interpretation of APB Opinion No. 25) (FIN 44), subsequent to July 1, 2000, the acceleration of the six- or nine-year cliff vesting term of a stock option constituted a modification. Accordingly, the Company should have measured the intrinsic value of the award at the date of the modification and recognized this amount as compensation cost on the termination of employment if, absent the acceleration, the award would have been forfeited pursuant to its original terms. Under FAS 123, the performance targets were taken into consideration when determining the expected term of the award and, therefore, the acceleration of vesting was not considered to be a modification of the terms.

Other Modifications of Option Terms. The Company has also determined that certain other actions were taken that resulted in the modification of option terms, as follows:

Options Modified Upon Terminations. On approximately 75 occasions from 1998 to 2005, the Company entered into amended employment or separation agreements with employees that resulted in the modification of vesting or cancellation terms of their stock option agreements. Under APB 25, the potential compensation expense of the modification should have been measured at the date of the modification and recognized if the employee ultimately received a benefit on the termination date. Under FAS 123, the modification should have been recognized at the date of the modification based upon the incremental fair value provided to the employee.

1999 Cancellation and Reissuance of Options. In the fourth quarter of 1999, the Company issued stock options to acquire an aggregate of 400,000 shares of Company common stock (3.2 million shares on a split-adjusted basis) to approximately 65 employees in exchange for the cancellation of an equal number of stock options that had previously been granted to those employees at various times earlier in 1999. The reissued stock options had a stated grant date of October 13, 1999 and an exercise price equal to $40.125 ($5.0156 on a split-adjusted basis), which was lower than the exercise price of the cancelled options. The Company has determined that, under APB 25, this constituted a re-pricing , resulting in variable accounting for each option until exercise, forfeiture or expiration. Additionally, the Company has concluded that, under FAS 123, this would also be viewed as a modification to the award and the incremental fair value in addition to the originally measured fair value should have been recognized over the remaining vesting period.

Related Tax Adjustments. The restatement in this Form 10-Q also reflects the estimated loss of certain tax deductions and additional interest expense related to the exercise of stock options granted to certain of the Company s executive officers that as a result of the revision of measurement dates no longer qualify as deductible performance-based compensation in accordance with Internal Revenue Code section 162(m).

Additional Information

Note 2 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q sets forth, for the periods ended September 30, 2005, the impact under FAS 123R and APB 25 of recognizing additional stock-based compensation expense and related tax effects as a result of the Company s historic stock option practices.

The Company also conducted a sensitivity analysis to assess how the restatement adjustments described in this Form 10-Q would have changed under two alternative methodologies for determining measurement dates for stock option grants made during the Independent Review Period. See Management s Discussion and Analysis of Financial Condition and Results of Operations, presented in Item 2 of this Form 10-Q, for information regarding the incremental stock-based compensation cost that would result from using alternate measurement date determination methodologies. See Cautionary Statements in Item 2 for a discussion of certain risk factors related to the Company s historic stock option practices.

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Item 4 of this Form 10-Q describes management s conclusion that the previously reported material weakness in internal control over financial reporting solely relating to stock option plan administration and accounting for and disclosure of stock option grants had been reduced to a significant deficiency as of September 30, 2006. Management concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2006. As Item 4 of this Form 10-Q further describes, the Company had fully remediated the material weakness as of December 31, 2006.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements (unaudited)*

UNITEDHEALTH GROUP

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except per share data)

	September 30, 2006	December 31, 2005 (As Restated)
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 9,252	$ 5,421
Short-Term Investments	673	590
Accounts Receivable, net	1,218	1,207
Assets Under Management	1,905	1,825
Deferred Income Taxes	568	650
Other Current Assets	1,380	854
Total Current Assets	14,996	10,547
Long-Term Investments	9,152	8,971
Property, Equipment and Capitalized Software, net	1,721	1,647
Goodwill	16,667	16,238
Other Intangible Assets, net	1,966	2,020
Other Assets	1,922	1,865
TOTAL ASSETS	$ 46,424	$ 41,288
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Medical Costs Payable	$ 8,206	$ 7,262
Accounts Payable and Accrued Liabilities	3,691	3,285
Other Policy Liabilities	3,569	1,845
Commercial Paper and Current Maturities of Long-Term Debt	1,447	3,261
Unearned Premiums	1,139	1,000
Total Current Liabilities	18,052	16,653
Long-Term Debt, less current maturities	5,878	3,834
Future Policy Benefits for Life and Annuity Contracts	1,821	1,761
Deferred Income Taxes and Other Liabilities	1,173	1,225
Commitments and Contingencies (Note 14)		
Shareholders Equity		
Common Stock, $0.01 par value 3,000 shares authorized; 1,343 and 1,358 issued and outstanding	13	14
Additional Paid-In Capital	6,269	7,510

Retained Earnings		13,201		10,258
Accumulated Other Comprehensive Income:				
Net Unrealized Gains on Investments, net of tax effects		17		33
Total Shareholders Equity		19,500		17,815
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	46,424	$	41,288

See notes to condensed consolidated financial statements

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UNITEDHEALTH GROUP

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share data)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005 (As Restated)	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005 (As Restated)
REVENUES				
Premiums	$ 16,483	$ 10,519	$ 49,101	$ 30,973
Services	1,075	916	3,178	2,702
Products	186	37	516	80
Investment and Other Income	226	141	619	384
Total Revenues	17,970	11,613	53,414	34,139
OPERATING COSTS				
Medical Costs	13,369	8,380	40,062	24,786
Operating Costs	2,419	1,778	7,425	5,193
Cost of Products Sold	151	16	431	44
Depreciation and Amortization	168	116	493	333
Total Operating Costs	16,107	10,290	48,411	30,356
EARNINGS FROM OPERATIONS	1,863	1,323	5,003	3,783
Interest Expense	(129)	(62)	(327)	(166)
EARNINGS BEFORE INCOME TAXES	1,734	1,261	4,676	3,617
Provision for Income Taxes	(622)	(461)	(1,692)	(1,312)
NET EARNINGS	$ 1,112	$ 800	$ 2,984	$ 2,305
BASIC NET EARNINGS PER COMMON SHARE	$ 0.83	$ 0.64	$ 2.22	$ 1.83
DILUTED NET EARNINGS PER COMMON SHARE	$ 0.80	$ 0.61	$ 2.13	$ 1.73
BASIC WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,341	1,255	1,344	1,263
DILUTIVE EFFECT OF COMMON STOCK EQUIVALENTS	56	67	60	67
DILUTED WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,397	1,322	1,404	1,330

See notes to condensed consolidated financial statements

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UNITEDHEALTH GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Nine Months Ended September 30, 2006	2005 (As Restated)
OPERATING ACTIVITIES		
Net Earnings	$ 2,984	$ 2,305
Noncash Items:		
Depreciation and Amortization	493	333
Deferred Income Taxes and Other	(297)	(178)
Stock-Based Compensation	277	225
Net Change in Other Operating Items, net of effects from acquisitions and changes in AARP balances:		
Accounts Receivable and Other Current Assets	(444)	(39)
Medical Costs Payable	796	155
Accounts Payable and Other Accrued Liabilities	1,042	673
Unearned Premiums	75	48
Cash Flows From Operating Activities	4,926	3,522
INVESTING ACTIVITIES		
Cash Paid for Acquisitions, net of cash assumed and other effects	(718)	(286)
Purchases of Property, Equipment and Capitalized Software	(510)	(367)
Proceeds from Disposal of Property, Equipment and Capitalized Software	44	
Purchases of Investments	(3,280)	(4,853)
Maturities and Sales of Investments	2,981	4,504
Cash Flows Used For Investing Activities	(1,483)	(1,002)
FINANCING ACTIVITIES		
Repayments of Commercial Paper, net	(2,364)	(42)
Proceeds from Issuances of Long-Term Debt	3,000	500
Repayments of Convertible Subordinated Debentures	(91)	
Common Stock Repurchases	(2,345)	(2,380)
Proceeds from Common Stock Issuances under Stock-Based Compensation Plans	351	332
Stock-Based Compensation Excess Tax Benefits	228	172
Customer Funds Administered	1,706	113
Dividends	(41)	(19)
Other	(56)	(10)
Cash Flows From (Used For) Financing Activities	388	(1,334)
INCREASE IN CASH AND CASH EQUIVALENTS	3,831	1,186
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,421	3,991
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 9,252	$ 5,177

See notes to condensed consolidated financial statements

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UNITEDHEALTH GROUP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (As Restated)

1. Basis of Presentation and Use of Estimates

Unless the context otherwise requires, the use of the terms the Company, we, us, and our in the following refers to UnitedHealth Group Incorporated and its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting solely of normal recurring adjustments, except as discussed in Note 2, needed to present the financial results for these interim periods fairly. In accordance with the rules and regulations of the Securities and Exchange Commission, we have omitted certain footnote disclosures that would substantially duplicate the disclosures contained in our annual audited consolidated financial statements. Read together with the disclosures below, we believe the interim financial statements are presented fairly. However, these unaudited condensed consolidated financial statements should be read together with the consolidated financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2006 to be filed with the Securities and Exchange Commission on the date here of.

These Condensed Consolidated Financial Statements include certain amounts that are based on our best estimates and judgments. These estimates require us to apply complex assumptions and judgments, often because we must make estimates about the effects of matters that are inherently uncertain and will likely change in subsequent periods. The most significant estimates relate to medical costs, medical costs payable, historic stock option measurement dates, revenues, intangible asset valuations, asset impairments and contingent liabilities. We adjust these estimates each period, as more current information becomes available. The impact of any changes in estimates is included in the determination of earnings in the period in which the estimate is adjusted.

Adoption of FAS 123R

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (FAS) No. 123 (revised 2004), Share-Based Payment (FAS 123R). FAS 123R supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, no compensation expense was recognized for employee stock option grants if the exercise price of a company s stock option grant is at or above the fair market value of the underlying stock on the date of grant. FAS 123R requires the determination of the fair value of share-based compensation at the grant date and recognition of the related expense over the period in which the share-based compensation vests. The Company adopted FAS 123R effective January 1, 2006 using the modified retrospective method. All prior periods have been restated to give effect to the fair-value-based method of accounting for awards granted in fiscal years beginning on or after January 1, 1995.

2. Restatement of Unaudited Condensed Consolidated Financial Statements

In March 2006, media reports questioned whether a number of companies, including UnitedHealth Group, had engaged in backdating stock option grants. Shortly thereafter, the Company was notified that the Securities and Exchange Commission (the SEC) had commenced an inquiry into the Company s practices concerning stock option grants.

On April 4, 2006, the Company s Board of Directors (the Board) created an independent committee comprised of three independent directors to review the Company s option grant practices over the period from 1994 through 2005 (the Independent Review Period). The independent committee engaged the law firm of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) as counsel for its independent review, and WilmerHale retained independent accounting advisors.

UNITEDHEALTH GROUP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

WilmerHale s report of its findings (the WilmerHale Report) was furnished to the Board and publicly issued on October 15, 2006. WilmerHale s findings include, among other things, that many of the stock option grants it reviewed were likely backdated, that a 1999 supplemental grant of stock options was not accounted for correctly in the Company s financial statements and that the Company s controls with respect to stock option grants were inadequate.

After substantially completing its analysis of the accounting adjustments necessary to reflect the findings of the WilmerHale Report, on November 8, 2006, the Company filed with the SEC a Current Report on Form 8-K reporting management s conclusion, which the Audit Committee of the Board had approved, that due solely to the Company s historic stock option practices the Company s financial statements for the fiscal years ended December 31, 1994 through 2005, the interim periods contained therein, the quarter ended March 31, 2006 and all earnings and press releases, including for the quarters ended June 30, 2006 and September 30, 2006, and similar communications issued by the Company for such periods, and the related reports of the Company s independent registered public accounting firm, should no longer be relied upon. The Form 8-K also reported that management had re-evaluated its assessment of the Company s internal controls over financial reporting and had concluded that, as of December 31, 2005, the Company had a material weakness solely relating to stock option plan administration and accounting for and disclosure of stock option grants.

After completing its internal review of the accounting treatment for all option grants, management has concluded, and the Audit Committee of the Board has approved the conclusion, that the Company used incorrect measurement dates and made other errors described below in accounting for stock option grants and, accordingly, that the Company s previously issued financial statements should be restated.

Summary of the Restatement Adjustments

As of January 1, 2006, the Company adopted FAS 123R, using the modified retrospective transition method. Under this method, all prior period financial statements are required to be restated to recognize compensation cost in the amounts historically disclosed in our consolidated financial statements under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (FAS 123). Prior to January 1, 2006, the Company accounted for share-based compensation granted under its stock option plans using the recognition and measurement provisions of APB 25. Under APB 25, a company was not required to recognize compensation expense for stock options issued to employees if the exercise price of the stock options was at least equal to the quoted market price of the company s common stock on the measurement date. APB 25 defined the measurement date as the first date on which both the number of shares that an individual employee was entitled to receive and the option or purchase price, if any, were known.

The restatement principally reflects additional stock-based compensation expense and related tax effects as of December 31, 2005 and for the three- and nine-month periods ended September 30, 2005 under both FAS 123R, the Company s current accounting method, and APB 25, the Company s historical accounting method, relating to the Company s historic stock option practices. The restatement also reflects certain other accounting adjustments, including adjustments unrelated to historic stock option practices, which are not material either individually or in the aggregate to the current or prior periods.

The principal components of the restatement are as follows:

Revised Measurement Dates. Based on the available evidence, the Company applied the methodologies described below to determine the appropriate measurement dates under both FAS 123 and APB 25 for grants in the following categories: (1) grants of approximately 80 million shares on a split-adjusted basis to Section 16 officers (Section 16 Grants); (2) grants of approximately 260 million shares on a split-adjusted basis to middle

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

management and senior management employees (Broad-Based Grants); and (3) grants of approximately 50 million shares on a split-adjusted basis in connection with the hiring or promotion of employees (New Hire and Promotion Grants). As a result of this analysis, the Company has determined that, in most cases, the stated grant date was not the correct measurement date.

Section 16 Grants Section 16 Grants, generally made to eight to twelve officers, required approval by the Compensation and Human Resources Committee of the Board (the Compensation Committee).

For the majority of Section 16 Grants, Compensation Committee approval was reflected in Written Actions. The WilmerHale Report concluded that the Written Actions were generally executed subsequent to the stated grant dates. (Under Minnesota corporate law, it is permissible to make a Written Action effective as of a date other than the date on which the last of the required signers affixes his or her signature, even if that effective date is before the last signature affixed.) Based on the available evidence, the Company has determined that the appropriate measurement date for each of these Section 16 Grants is the earlier of (a) the date on which a Form 4 (or other statement of changes in beneficial ownership) was filed with the SEC with respect to a particular officer s grant or (b) the date on which the written action with respect to that grant was likely executed by a majority of the members of the Compensation Committee.

As to certain other Section 16 Grants, Compensation Committee approval occurred at a meeting or there was general Compensation Committee approval of the Section 16 Grant together with a delegation to the Chairman of the Compensation Committee to determine the final amount of stock options, grant date and exercise price for each Section 16 officer receiving options. The Company has determined, based on available evidence, that the appropriate measurement date for these Section 16 Grants is the earlier of (a) the date on which a Form 4 (or other statement of changes in beneficial ownership) was filed with the SEC with respect to a particular officer s grant or (b) the date on which a resolution with respect to that grant was adopted at a meeting of the Compensation Committee or a decision was made by the Chairman of the Compensation Committee, if so delegated.

For option grants with stated grant dates in October 1999 that were made in connection with the entry of employment agreements for our former chief executive officer and our current chief executive officer (both of whom had been employed by the Company prior to that date), the Company has determined that the appropriate measurement date is the date on which the employment agreements were executed on behalf of the Company. With respect to stock option grants with a stated grant date in October 1999 that represented the number of additional stock options necessary to equal the minimum annual stock option grant provided for pursuant to each such employment agreement, the Company has determined that the appropriate measurement date is the last day of 1999, the calendar year in which the Company was contractually obligated to make the grants.

Broad-Based Grants Between 1,500 and 4,000 middle and senior management employees periodically and customarily received options. As described in the WilmerHale Report, our former chief executive officer, acting pursuant to authority delegated to him by the Compensation Committee, chose the grant dates and overall amounts for Broad-Based Grants and ultimately reflected the Broad-Based Grants in CEO Certificates.

The Company followed separate allocation processes to determine the particular recipients and individual option amounts of grants to middle management employees and senior management employees. In the majority of Broad-Based Grants, the process of allocating stock option grants among individual employees to both middle management and senior management continued beyond the stated grant date. After the date on which substantially all granting activities were completed, there were an insignificant number of changes to option awards attributable to circumstances such as the effective cancellation of a grant because of an employee s termination, administrative error corrections, promotion or individual performance reassessment.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on all available evidence, the Company has determined that the appropriate measurement date for Broad-Based Grants was the later of the following two dates: (a) the date on which the evidence identified by the Company indicated that a communication to or from our former chief executive officer refers to a particular grant, or the grant was presented to the Compensation Committee or (b) the date on which the allocation of the options to individual employees and grant process associated with the Broad-Based Grant was substantially complete. Where information is not available to evidence either (a) or (b) above, the Company has determined the appropriate measurement date to be the date on which the Company determined, based upon all available evidence, that the CEO Certificate for such grant was likely executed. Where option award amounts changed subsequent to the date the allocation process was substantially complete, the Company has determined that each award that was changed is a separate grant with its own measurement date and should not be considered indicative that the granting process was not complete.

New Hire and Promotion Grants During the Independent Review Period, the Company granted stock options to approximately 2,500 employees in connection with their hire or promotion (New Hire and Promotion Grants).

For New Hire and Promotion Grants made prior to 2002, the Company typically chose grant dates by determining the lowest closing price of the Company s common stock between the date of an event in the recruitment of the newly-hired employee (e.g., date of first contact, date of an offer letter) or promotion of the employee and the end of the quarter in which the employee started work or was promoted. As a result of this practice, some employees received stock options with grant dates that were earlier than that employee s start date. In 2002, the Company changed to a practice of determining grant dates for new hires and promotions to be the date of the lowest closing price of the Company s common stock between the start date of employment or date of promotion and the end of the quarter in which the employee started work or was promoted. The Company historically used these stated grant dates as the measurement dates for accounting purposes.

The Company has concluded that the measurement dates used with respect to nearly all of the New Hire and Promotion Grants during the Independent Review Period were not correct because the Company s practice was to determine grant dates with the benefit of hindsight. The Company has determined that the appropriate measurement date for each New Hire and Promotion Grant was the date on which the Company set the terms of the award, or, where the Company could not identify such date based on all available evidence, the last date of the fiscal quarter in which a particular New Hire or Promotion Grant was made.

1999 Grant of Supplemental Options. In the fourth quarter of 1999, following a decline in its stock price, the Company granted supplemental stock options to acquire 2.2 million shares of Company common stock (17.6 million shares on a split-adjusted basis) to a broad group of employees, including our former chief executive officer and other Section 16 officers. The supplemental options were granted in connection with the suspension of the vesting and exercisability of an equal number of options with exercise prices above $46.50 ($5.8125 on a split-adjusted basis) that had previously been granted to those employees (the Suspended Options). The supplemental options had a stated grant date of October 13, 1999 and an exercise price equal to $40.125 ($5.0156 on a split-adjusted basis).

After taking into account all available evidence regarding the Suspended Options, the Company has concluded that, under APB 25, the grant of the supplemental options constituted an effective re-pricing subject to variable accounting for each option until exercise, forfeiture or expiration. Additionally, the Company has determined that, under FAS 123, the grant of the supplemental options was a modification that required an incremental fair value charge to be recognized over the related vesting period.

2000 Reactivation of Suspended Options. In 2000, the Company reactivated the vesting and exercisability of the Suspended Options. The Company has determined that, under APB 25 and FAS 123, the reactivation of the

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

vesting and exercisability of the Suspended Options was a new stock option grant that should have had a new measurement date, and the Company has determined that the appropriate measurement date is the date grantees were again permitted to exercise their previously-vested awards.

Cliff Vesting Options. Prior to April 2000, the Company granted to employees certain stock options that vested 100% on the sixth or ninth anniversary of the date of grant (the Cliff Vesting Options). Under the terms of the options, the Company could elect to accelerate the vesting of all or a portion of the Cliff Vesting Options at its discretion. The Company followed a policy of accelerating the vesting of a consistent percentage of the Cliff Vesting Options, unless the option holder was subject to disciplinary action or performing at a less than satisfactory level. This resulted in nearly all option holders having their Cliff Vesting Options accelerated so they actually vested as if they had a 20% or 25% per year time-based vesting schedule (i.e., a four-year or five-year vesting period).

Grant of Cliff Vesting Options. Under APB 25, an award should be accounted for as a performance award if its cliff vesting terms are not considered to be substantive. Based on numerous factors, including evaluation of employee turnover rates, the Company has determined that the nine-year vesting term was not substantive in grants after January 1995 to middle management employees. Accordingly, these options should have been subject to variable accounting until each of their vesting dates. With respect to substantially all other Cliff Vesting Options, the Company has concluded that the cliff vesting term is substantive.

Acceleration of Cliff Vesting Options. In accordance with the provisions of Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (An Interpretation of APB Opinion No. 25) (FIN 44), subsequent to July 1, 2000, the acceleration of the six- or nine-year cliff vesting term of a stock option constituted a modification. Accordingly, the Company should have measured the intrinsic value of the award at the date of the modification and recognized this amount as compensation cost on the termination of employment if, absent the acceleration, the award would have been forfeited pursuant to its original terms. Under FAS 123, the performance targets were taken into consideration when determining the expected term of the award and therefore the acceleration of vesting was not considered to be a modification of the terms.

Other Modifications of Option Terms. The Company has also determined that certain other actions were taken that resulted in the modification of option terms, as follows:

Options Modified Upon Terminations. On approximately 75 occasions from 1998 to 2005, the Company entered into amended employment or separation agreements with employees that resulted in the modification of vesting or cancellation terms of their stock option agreements. Under APB 25, the potential compensation expense of the modification should have been measured at the date of the modification and recognized if the employee ultimately received a benefit on the termination date. Under FAS 123, the modification should have been recognized at the date of the modification based upon the incremental fair value provided to the employee.

1999 Cancellation and Reissuance of Options. In the fourth quarter of 1999, the Company issued stock options to acquire an aggregate of 400,000 shares of Company common stock (3.2 million shares on a split-adjusted basis) to approximately 65 employees in exchange for the cancellation of an equal number of stock options that had previously been granted to those employees at various times earlier in 1999. The reissued stock options had a stated grant date of October 13, 1999 and an exercise price equal to $40.125 ($5.0156 on a split-adjusted basis), which was lower than the exercise price of the cancelled options. The Company has determined that, under APB 25, this constituted a re-pricing , resulting in variable accounting for each option until exercise, forfeiture or expiration. Additionally, the Company has concluded that, under FAS 123, this would also be viewed as a modification to the award and the incremental fair value in addition to the originally measured fair value should have been recognized over the remaining vesting period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related Tax Adjustments. The restatement in this Form 10-Q also reflects the estimated loss of certain tax deductions and additional interest expense related to the exercise of stock options granted to certain of the Company s executive officers that as a result of the revision of measurement dates no longer qualify as deductible performance-based compensation in accordance with Internal Revenue Code section 162(m).

Restatement Adjustments

The following table sets forth, on a year-by-year and, for 2005, a quarter-by-quarter basis, the impact under FAS 123R and APB 25 of recognizing additional stock-based compensation expense and related tax effects as a result of historic stock option practices as well as immaterial adjustments unrelated to historic stock option practices that were identified through a review of the Company s accounting practices. The impact under FAS 123R of all errors is $43 million ($57 million net of tax) in 2005, $40 million ($44 million net of tax) in 2004, and an aggregate of $453 million ($313 million net of tax) for 2003 and all prior years. The impact under APB 25 of all errors is $304 million ($238 million net of tax) in 2005, $200 million ($158 million net of tax) in 2004, and an aggregate of $1,056 million ($738 million net of tax) for 2003 and all prior years.

Additionally, on January 1, 2006, our Uniprise business segment began reporting premiums and expenses on a gross basis for a large account where we have employed third-party reinsurance. Historically, revenues and expenses associated with this account were reported net of amounts ceded to an unaffiliated reinsurer. While the reinsurance contract has been in place for a number of years, recent accounting interpretations suggest this reinsurance arrangement be presented on a gross versus net basis. Prior period amounts have been restated to conform to the 2006 presentation. The restatement has no effect on our net earnings or shareholders equity as previously reported.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restatement Adjustments

	FAS 123R Current Accounting Method												
	Decrease (Increase) to Earnings Before Income Taxes										Decrease (Increase) to Net Earnings		
Year	**Section 16 and Broad-Based Grants**	**New Hire and Promotion Grants**	**1999 Grant of Supplemental Options**	**Reactivation of Suspended Options**	**Cliff Vesting Options**	**Option Modifications**	**Other Stock-Based Compensation (1)**	**Total Stock-Based Compensation Errors**	**Other Errors (2)**	**Total**	**Total Stock-Based Compensation Errors**	**Other Errors (2)**	**Total**
(in millions)													
1995 (3)	$ 4	$	$	$	$	$	$ 2	$ 6	$ 4	$ 10	$ 4	$ 3	$ 7
1996	5						1	6	3	9	4	2	6
1997	10						3	13	4	17	8	3	11
1998	14	1				11	6	32	3	35	22	2	24
1999	18	1				2	1	22	4	26	14	3	17
2000	9	6	25	83		3	3	129	5	134	94	3	97
2001	22	10	22	25		1	1	81	6	87	53	5	58
2002	35	9		16		1	1	62	(1)	61	44	1	45
2003	30	10		13			1	54	20	74	41	7	48
Total Impact through 2003	147	37	47	137		18	19	405	48	453	284	29	313
2004	27	8		4		2		41	(1)	40	31	13	44
First Quarter 2005	10	2				1		13	(11)	2	10	(3)	7
Second Quarter 2005	10	2				1	1	14	(27)	(13)	12	(11)	1
Third Quarter 2005	11	2				2		15	(26)	(11)	13	(13)	
Fourth Quarter 2005	11	3						14	51	65	12	37	49
2005 Full Year	42	9				4	1	56	(13)	43	47	10	57
Total Impact through 2005	$ 216	$ 54	$ 47	$ 141	$	$ 24	$ 20	$ 502	$ 34	$ 536	$ 362	$ 52	$ 414

(1) Includes options converted to UnitedHealth Group options in conjunction with acquisitions that were not fully vested at the acquisition date, options granted to contractors and restricted stock grants for which expense was not recorded at the time of the initial grant.

(2) Includes immaterial adjustments unrelated to historic stock option practices that were identified through a review of Company accounting practices.

(3) The Company adopted FAS 123R effective January 1, 2006, using the modified retrospective method. All prior periods have been restated to give effect to the fair-value-based method of accounting for awards granted in fiscal years beginning on or after January 1, 1995.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restatement Adjustments

	APB 25 Historical Accounting Method												
	Decrease (Increase) to Earnings Before Income Taxes										Decrease (Increase) to Net Earnings		
Year	**Section 16 and Broad-Based Grants**	**New Hire and Promotion Grants**	**1999 Grant of Supplemental Options**	**Reactivation of Suspended Options**	**Cliff Vesting Options (3)**	**Option Modifications**	**Other Stock-Based Compensation (1)**	**Total Stock Based Compensation Errors**	**Other Errors (2)**	**Total**	**Total Stock-Based Compensation Errors**	**Other Errors (2)**	**Total**
(in millions)													
pre-1994	$ 19	$ 4	$	$	$	$	$	$ 23	$	$ 23	$ 16	$	$ 16
1994	2							2		2	1		1
1995	5				2		19	26	4	30	17	3	20
1996	8	1			1		18	28	3	31	20	2	22
1997	15	1			2		5	23	4	27	16	3	19
1998	20	2			2	23	10	57	3	60	40	2	42
1999	26	1			9	2	1	39	4	43	27	3	30
2000	63	10	81	40	35	14	6	249	5	254	177	3	180
2001	73	17	92	32	21	11	(1)	245	6	251	172	5	177
2002	52	12	43	13	17	6	1	144	(1)	143	100	1	101
2003	34	11	90	7	25	4	1	172	20	192	123	7	130
Total Impact through 2003	317	59	306	92	114	60	60	1,008	48	1,056	709	29	738
2004	22	10	151	1		16	1	201	(1)	200	145	13	158
First Quarter 2005	16	3	37		1	8	(1)	64	(11)	53	45	(3)	42
Second Quarter 2005	17	3	44		3	5		72	(27)	45	52	(11)	41
Third Quarter 2005	18	3	40			41	1	103	(26)	77	74	(13)	61
Fourth Quarter 2005	14	4	59		1	1	(1)	78	51	129	57	37	94
2005 Full Year	65	13	180		5	55	(1)	317	(13)	304	228	10	238
Total Impact through 2005	$ 404	$ 82	$ 637	$ 93	$ 119	$ 131	$ 60	$ 1,526	$ 34	$ 1,560	$ 1,082	$ 52	$ 1,134

(1) Includes options converted to UnitedHealth Group options in conjunction with acquisitions that were not fully vested at the acquisition date, options granted to contractors and restricted stock grants for which expense was not recorded at the time of the initial grant.

(2) Includes immaterial adjustments unrelated to historic stock option practices that were identified through a review of Company accounting practices.

(3) Includes $50 million of stock-based compensation expense associated with performance-based awards granted on certain dates in 1996, 1997 and 1998, which have been accounted for as variable awards.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table illustrates the effect of the restatement adjustments on our pro forma net earnings and pro forma net earnings per share if we had recorded compensation costs based on the estimated grant date fair value accounting method as defined by FAS 123 for the three and nine months ended September 30, 2005.

(in millions, except per share data)	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2005
Net Earnings		
APB 25		
As Reported-APB 25	$ 842	$ 2,430
Restatement Adjustments-APB 25:		
Compensation Expense, net of tax effects	(74)	(171)
Other Adjustments, net of tax effects	13	27
As Restated-APB 25	$ 781	$ 2,286
FAS 123 Pro Forma		
As Restated-APB 25	$ 781	$ 2,286
Less: APB 25 Compensation Expense, net of tax effects	74	171
FAS 123 Historical Compensation Expense, net of tax effects	(42)	(117)
Restatement Adjustment		
FAS 123 Compensation Expense, net of tax effects	(13)	(35)
As Restated-FAS 123 Pro Forma	$ 800	$ 2,305
Basic Net Earnings Per Common Share		
As Reported-APB 25	$ 0.67	$ 1.92
As Restated-APB 25	$ 0.62	$ 1.81
As Restated-FAS 123 Pro Forma	$ 0.64	$ 1.83
Diluted Net Earnings Per Common Share		
As Reported-APB 25	$ 0.64	$ 1.83
As Restated-APB 25	$ 0.59	$ 1.73
As Restated-FAS 123 Pro Forma	$ 0.61	$ 1.73

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the effect of the restatement adjustments by financial statement line item for the Consolidated Statements of Operations, Balance Sheets and Statements of Cash Flows. The tables have been presented on both a FAS 123R basis, which the Company adopted on January 1, 2006, and on an APB 25 basis, which was used for all periods prior to January 1, 2006.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30, 2005					
	APB 25-Historical Accounting Method			FAS 123R-Current Accounting Method		
(in millions, except per share data)	**As Reported**	**Adjustments (1)**	**As Restated**	**Adoption (2)**	**Adjustments (3)**	**As Restated**
Revenues						
Premiums	$ 10,245	$ 274	$ 10,519	$	$	$ 10,519
Services	942	(26)	916			916
Products		37	37			37
Investment and Other Income	135	6	141			141
Total Revenues	11,322	291	11,613			11,613
Operating Costs						
Medical Costs	8,138	242	8,380			8,380
Operating Costs	1,690	110	1,800	(37)	15	1,778
Cost of Products Sold		16	16			16
Depreciation and Amortization	116		116			116
Total Operating Costs	9,944	368	10,312	(37)	15	10,290
Earnings From Operations	1,378	(77)	1,301	37	(15)	1,323
Interest Expense	(62)		(62)			