

UNITEDHEALTH GROUP INC
Form 8-K/A
August 10, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Current Report Pursuant to
Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 29, 2004

UNITEDHEALTH GROUP INCORPORATED

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

0-10864
(Commission File Number)

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)

Registrant's telephone number, including area code: (952) 936-1300

N/A

(Former name or former address, if changed since last report.)

Item 7. Financial Statements and Exhibits

This Form 8-K/A amends the current report on Form 8-K dated July 29, 2004 to include Item 7 (a) Historical Financial Information and Item 7(b) Pro Forma Financial Information

(a) Financial Statements of Businesses Acquired

The following historical financial statements of Oxford Health Plans, Inc. (Oxford) are included in this report:

Consolidated balance sheet as of December 31, 2003 (incorporated by reference to the Form 10-K for the year ended December 31, 2003 filed by Oxford on February 4, 2004, as amended by Amendment No. 1 thereto, filed on April 29, 2004)

Consolidated income statements and statements of cash flows for the year ended December 31, 2003 (incorporated by reference to the Form 10-K for the year ended December 31, 2003 filed by Oxford on February 4, 2004, as amended by Amendment No. 1 thereto, filed on April 29, 2004)

Consolidated balance sheets as of June 30, 2004 and December 31, 2003

Consolidated income statements for the three months and six months ended June 30, 2004 and 2003

Consolidated statements of cash flows for the six months ended June 30, 2004 and 2003

(b) Pro Forma Financial Information

The following unaudited pro forma combined financial statements giving effect to the registrant's acquisition of Oxford completed July 29, 2004 are included in this report:

Unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2004

Unaudited pro forma condensed combined statement of operations for the year ended December 31, 2003

Unaudited pro forma condensed combined balance sheet as of June 30, 2004

Notes to unaudited pro forma condensed combined financial information

(c) Exhibits

23.1 Consent of Ernst & Young LLP

OXFORD HEALTH PLANS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets**June 30, 2004 and December 31, 2003****(In thousands, except share data)**

| | (Unaudited) June 30, 2004 | December 31, 2003 |
|---|---------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 451,653 | \$ 536,510 |
| Investments available-for-sale, at fair value | 1,562,606 | 1,370,535 |
| Premiums receivable, net | 35,738 | 30,505 |
| Other receivables | 32,432 | 30,082 |
| Prepaid expenses and other current assets | 15,692 | 16,785 |
| Deferred income taxes | 51,035 | 45,240 |
| Total current assets | 2,149,156 | 2,029,657 |
| Property and equipment, net | 36,980 | 31,638 |
| Deferred income taxes | 9,324 | 9,572 |
| Restricted cash and investments-held-to-maturity, at amortized cost | 59,787 | 59,738 |
| Goodwill and other intangible assets, net | 20,686 | 21,785 |
| Other noncurrent assets | 8,433 | 7,811 |
| Total assets | \$ 2,284,366 | \$ 2,160,201 |

Liabilities and Shareholders Equity

| | | |
|--|----------------|------------------|
| Current liabilities: | | |
| Medical costs payable | \$ 730,716 | \$ 671,515 |
| Current portion of long-term debt | 4,000 | 4,000 |
| Trade accounts payable and accrued expenses | 117,917 | 138,925 |
| Unearned revenue | 131,555 | 187,751 |
| Income taxes payable | 5,119 | 30,530 |
| Current portion of capital lease obligations | 3,880 | 5,749 |
| Total current liabilities | 993,187 | 1,038,470 |
| Obligations under capital lease | | 467 |
| Long-term debt | 392,000 | 394,000 |
| Shareholders equity: | | |
| Preferred stock, \$.01 par value, authorized 2,000,000 shares; none issued and outstanding | | |
| Common stock, \$.01 par value, authorized 400,000,000 shares; issued 107,278,261 shares in 2004 and 106,612,822 shares in 2003 | 1,073 | 1,066 |
| Additional paid-in capital | 793,621 | 750,919 |
| Retained earnings | 944,251 | 780,856 |
| Accumulated other comprehensive income (loss), net of tax | (8,171) | 10,622 |
| Treasury stock, at cost | (816,199) | (816,199) |
| Unearned restricted stock unit compensation | (15,396) | |
| Total shareholders equity | 899,179 | 727,264 |

| | | |
|---|--------------|--------------|
| Total liabilities and shareholders equity | \$ 2,284,366 | \$ 2,160,201 |
|---|--------------|--------------|

OXFORD HEALTH PLANS, INC. AND SUBSIDIARIES
Consolidated Income Statements**Three Months and Six Months Ended June 30, 2004 and 2003****(In thousands, except per share data)****(Unaudited)**

| | Three Months | | Six Months | |
|---|------------------|------------------|-------------------|-------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | |
| Premiums earned | \$ 1,388,588 | \$ 1,331,330 | \$ 2,772,836 | \$ 2,641,790 |
| Third-party administration, net | 2,778 | 2,995 | 5,666 | 6,112 |
| Investment and other income, net | 21,547 | 26,600 | 45,656 | 58,155 |
| Total revenues | 1,412,913 | 1,360,925 | 2,824,158 | 2,706,057 |
| Expenses: | | | | |
| Health care services | 1,123,175 | 1,088,302 | 2,241,632 | 2,122,411 |
| Marketing, general and administrative | 141,672 | 144,710 | 285,947 | 286,960 |
| Merger related transaction fees | 4,953 | | 7,953 | |
| Litigation charge for settlement, net | | | | 45,000 |
| Interest and other financing costs | 4,133 | 7,215 | 8,727 | 9,443 |
| Total expenses | 1,273,933 | 1,240,227 | 2,544,259 | 2,463,814 |
| Income before income taxes | 138,980 | 120,698 | 279,899 | 242,243 |
| Income tax expense | 54,098 | 48,222 | 108,352 | 96,842 |
| Net income | \$ 84,882 | \$ 72,476 | \$ 171,547 | \$ 145,401 |
| Earnings per common and common equivalent share: | | | | |
| Basic | \$ 1.04 | \$ 0.87 | \$ 2.10 | \$ 1.74 |
| Diluted | \$ 0.99 | \$ 0.85 | \$ 2.02 | \$ 1.71 |
| Dividends declared per common share | \$ | \$ | \$ 0.10 | \$ |
| Weighted-average common shares outstanding-basic | 81,750 | 83,115 | 81,558 | 83,439 |
| Effect of dilutive securities: | | | | |
| Stock options | 3,815 | 2,080 | 3,488 | 1,748 |
| Weighted-average common shares outstanding-diluted | 85,565 | 85,195 | 85,046 | 85,187 |

OXFORD HEALTH PLANS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six Months Ended June 30, 2004 and 2003

| (In thousands) | (Unaudited) | |
|---|-------------|------------|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net income | \$ 171,547 | \$ 145,401 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,125 | 13,075 |
| Non-cash income | (8,292) | (8,292) |
| Non-cash charges | 1,099 | 1,713 |
| Deferred income taxes | 11,738 | 76,739 |
| Realized gain on sale of investments | (7,042) | (23,285) |
| Changes in assets and liabilities: | | |
| Premiums receivable | (5,233) | (5,177) |
| Other receivables | (2,350) | 6,076 |
| Prepaid expenses and other current assets | 1,093 | (83,989) |
| Medical costs payable | 59,201 | 78,115 |
| Trade accounts payable and accrued expenses | (24,392) | (34,327) |
| Litigation settlement reserve | | (161,300) |
| Unearned revenue | (47,904) | (47,476) |
| Income tax payable | (25,411) | (2,418) |
| Other, net | 38 | 450 |
| Net cash provided (used) by operating activities | 139,217 | (44,695) |
| Cash flows from investing activities: | | |
| Capital expenditures | (15,226) | (8,164) |
| Purchases of available-for-sale investments | (934,155) | (787,450) |
| Sales and maturities of available-for-sale investments | 725,167 | 743,854 |
| Other, net | (27) | (62) |
| Net cash used by investing activities | (224,241) | (51,822) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 20,782 | 12,876 |
| Cash dividends paid | (16,279) | |
| Proceeds from notes payable, net | | 391,371 |
| Repayment of notes payable | (2,000) | (126,875) |
| Payment of withholding tax on option exercises | | (382) |
| Purchase of treasury shares | | (46,193) |
| Payments under capital leases | (2,336) | (2,702) |
| Net cash provided by financing activities | 167 | 228,095 |
| Net increase (decrease) in cash and cash equivalents | (84,857) | 131,578 |
| Cash and cash equivalents at beginning of period | 536,510 | 321,627 |
| Cash and cash equivalents at end of period | \$ 451,653 | 453,205 |

Supplemental cash flow information:

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| | | |
|---|------------|------------|
| Cash payments for income taxes, net | \$ 122,025 | \$ 103,176 |
| Cash payments for interest | 7,898 | 4,130 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Unrealized appreciation (depreciation) of investments | (31,988) | (3,032) |
| Tax benefit realized on exercise of stock options | 5,430 | 2,422 |
| Cost of treasury shares associated with option exercise | | 641 |
| Dividend declared on common shares | 8,152 | |

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On July 29, 2004, UnitedHealth Group acquired Oxford Health Plans, Inc. (Oxford). Under the terms of the agreement, Oxford shareholders received 0.6357 shares of UnitedHealth Group common stock and \$16.17 in cash for each share of Oxford common stock they owned. Total consideration issued was approximately \$5.0 billion, comprised of approximately 52.2 million shares of UnitedHealth Group common stock (valued at approximately \$3.4 billion based upon the average of UnitedHealth Group's share closing prices for two days before, the day of, and two days after the acquisition announcement date of April 26, 2004), approximately \$1.3 billion in cash, and UnitedHealth Group vested common stock options with an estimated fair value of \$240 million issued in exchange for Oxford's outstanding vested common stock options.

On February 10, 2004, UnitedHealth Group acquired Mid Atlantic Medical Services, Inc. (MAMSI). Under the terms of the agreement, MAMSI stockholders received 0.82 shares of UnitedHealth Group common stock and \$18 in cash for each share of MAMSI common stock they owned. Total consideration issued was approximately \$2.7 billion, comprised of 36.4 million shares of UnitedHealth Group common stock (valued at approximately \$1.9 billion based on the average of the closing prices of UnitedHealth Group common stock for two days before, the day of, and two days after the acquisition announcement date of October 27, 2003) and \$800 million in cash. The results of operations and financial condition of MAMSI have been included in the UnitedHealth Group historical financial statements since the February 10, 2004 acquisition date.

The unaudited pro forma condensed combined financial information gives effect to the acquisitions of Oxford and MAMSI by UnitedHealth Group as if the acquisitions had occurred on January 1, 2003 for purposes of the pro forma condensed combined statements of operations. The unaudited pro forma condensed combined financial information gives effect to the acquisition of Oxford by UnitedHealth Group as if the acquisition had occurred on June 30, 2004 for purposes of the pro forma condensed combined balance sheet as of June 30, 2004.

Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets of an acquired entity based on their estimated fair values as of the completion of the transaction. A final determination of these fair values will include management's consideration of a valuation prepared by an independent valuation specialist. This valuation will be based on the actual net tangible and intangible assets of the acquired entity that exist as of the closing date of the transaction.

Because this unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates of fair values, the actual amounts recorded as of the completion of the transaction may differ materially from the information presented in this unaudited pro forma condensed combined financial information. In addition to the independent valuation, the impact of any integration activities could cause material differences from the information presented below.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of UnitedHealth Group and Oxford. The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of UnitedHealth Group that would have been reported had the transactions been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of UnitedHealth Group.

Pro Forma Condensed Combined Statement of Operations

Six Months Ended June 30, 2004

(Unaudited)

(In millions, except per share amounts)

| | Historical | | | (a) Reclassification Adjustments | Pro Forma Adjustments | Pro Forma Combined |
|---|------------------------------|--|---------------|--|-----------------------------|-----------------------|
| | (b) UnitedHealth Group | MAMSI January 1 to February 10, 2004 | Oxford | | | |
| Revenues | | | | | | |
| Premiums | \$ 15,065 | \$ 303 | \$ 2,773 | \$ (23) | \$ | \$ 18,118 |
| Services | 1,602 | 8 | 6 | 2 | | 1,618 |
| Investment and Other Income | 181 | 2 | 45 | | (4)(l) | 224 |
| Total Revenues | 16,848 | 313 | 2,824 | (21) | (4) | 19,960 |
| Medical and Operating Costs | | | | | | |
| Medical Costs | 12,195 | 235(r) | 2,242 | (24) | | 14,648 |
| Operating Costs | 2,663 | 36 | 278 | 3 | (8)(f) | 2,972 |
| Depreciation and Amortization | 169 | 1 | 15 | | 2(d) 25(e) | 212 |
| Total Medical and Operating Costs | 15,027 | 272 | 2,535 | (21) | 19 | 17,832 |
| Earnings From Operations | 1,821 | 41(r) | 289 | | (23) | 2,128 |
| Interest expense | (52) | | (9) | | 9(l) (33)(k) (1)(m) | (86) |
| Earnings Before Income Taxes | 1,769 | 41(r) | 280 | | (48) | 2,042 |
| Provision for Income Taxes | (619) | (14) | (108) | | 17(n) | (724) |
| Net Earnings | \$ 1,150 | \$ 27(r) | \$ 172 | \$ | \$ (31) | \$ 1,318 |
| Basic Net Earnings Per Common Share | \$ 1.90 | | | | | \$ 1.98 |
| Diluted Net Earnings Per Common Share | \$ 1.81 | | | | | \$ 1.89 |
| Basic Weighted-Average Number of Common Shares Outstanding | 606.0 | | | | 36.4(o) | 666.2 |
| | | | | | (28.4)(o) | |

| | | | |
|---|-------|----------------|--------------|
| | | <u>52.2(p)</u> | |
| Diluted Weighted-Average Number of Common Shares Outstanding | 635.0 | 36.4(o) | <u>697.6</u> |
| | | (28.4)(o) | |
| | | <u>52.2(p)</u> | |
| | | 2.4(q) | |

Pro Forma Condensed Combined Statement of Operations

Year Ended December 31, 2003

(Unaudited)

(In millions, except per share amounts)

| | Historical | | | (a) Reclassification Adjustments | Pro Forma Adjustments | Pro Forma Combined |
|---|-----------------|---------------|---------------|--|-----------------------------|-----------------------|
| | UnitedHealth | | | | | |
| | Group | MAMSI | Oxford | | | |
| Revenues | | | | | | |
| Premiums | \$ 25,448 | \$ 2,624 | \$ 5,339 | \$ (169) | \$ | \$ 33,242 |
| Services | 3,118 | 47 | 12 | 23 | | 3,200 |
| Investment and Other Income | 257 | 17 | 101 | | (8)(l) | 367 |
| Total Revenues | 28,823 | 2,688 | 5,452 | (146) | (8) | 36,809 |
| Medical and Operating Costs | | | | | | |
| Medical Costs | 20,714 | 2,117 | 4,242 | (171) | | 26,902 |
| Operating Costs | 4,875 | 302 | 577 | 25 | | 5,779 |
| Depreciation and Amortization | 299 | 12 | 29 | | 19(d) 50(e) | 409 |
| Total Medical and Operating Costs | 25,888 | 2,431 | 4,848 | (146) | 69 | 33,090 |
| Earnings From Operations | 2,935 | 257 | 604 | | (77) | 3,719 |
| Interest expense | (95) | (1) | (20) | | 20(l) (66)(k) (10)(m) | (172) |
| Earnings Before Income Taxes | 2,840 | 256 | 584 | | (133) | 3,547 |
| Provision for Income Taxes | (1,015) | (90) | (232) | | 47(n) | (1,290) |
| Net Earnings | \$ 1,825 | \$ 166 | \$ 352 | \$ | \$ (86) | \$ 2,257 |
| Basic Net Earnings Per Common Share | \$ 3.10 | | | | | \$ 3.33 |
| Diluted Net Earnings Per Common Share | \$ 2.96 | | | | | \$ 3.19 |
| Basic Weighted-Average Number of Common Shares Outstanding | 589.0 | | | | 36.4(o) | 677.6 |
| | | | | | 52.2(p) | |
| Diluted Weighted-Average Number of Common Shares Outstanding | 617.0 | | | | 36.4(o) | 708.0 |

52.2(p)

2.4(q)

Pro Forma Condensed Combined Balance Sheet

As of June 30, 2004

(Unaudited)

(In millions)

| | Historical | | Pro Forma Adjustments | Pro Forma Combined |
|---|-----------------------|-----------------|------------------------------------|-----------------------|
| | (b) | | | |
| | UnitedHealth Group | Oxford | | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 3,100 | \$ 452 | \$ (396)(l) | \$ 3,156 |
| Short-Term Investments | 409 | 133(s) | | 542 |
| Accounts Receivable, net | 836 | 36 | | 872 |
| Assets Under Management | 1,932 | | | 1,932 |
| Deferred Income Taxes and Other | 751 | 99 | | 850 |
| Total Current Assets | 7,028 | 720 | (396) | 7,352 |
| Long-Term Investments | 6,684 | 1,489(s) | | 8,173 |
| Property, Equipment, Capitalized Software and Other Assets, net | 1,162 | 54 | | 1,216 |
| Goodwill | 5,479 | 14 | (14)(i) | 9,126 |
| Intangible Assets, net | 530 | 7 | 3,647(c)(e) (7)(i) 735(c)(e) | 1,265 |
| Total Assets | \$ 20,883 | \$ 2,284 | \$ 3,965 | \$ 27,132 |
| Liabilities and Shareholders' Equity | | | | |
| Current Liabilities | | | | |
| Medical Costs Payable | \$ 4,806 | \$ 731 | \$ | \$ 5,537 |
| Accounts Payable and Accrued Liabilities | 1,863 | 126 | 50(f) | 2,039 |
| Other Policy Liabilities | 1,942 | | | 1,942 |
| Short-Term Debt and Current Maturities of Long-Term Debt | 150 | 4 | (4)(l) | 150 |
| Unearned Premiums | 611 | 132 | | 743 |
| Total Current Liabilities | 9,372 | 993 | 46 | 10,411 |
| Long-Term Debt, less current maturities | 2,250 | 392 | (392)(l) 1,329(c)(g) | 3,579 |
| Future Policy Benefits for Life and Annuity Contracts | 1,614 | | | 1,614 |
| Deferred Income Taxes and Other Liabilities | 529 | | 257(c)(h) | 786 |
| Shareholders' Equity | | | | |
| Common Stock | 6 | 1 | (1)(i) | 6 |
| Additional Paid-In Capital | 1,029 | 794 | (794)(i) 3,624(c)(j) | 4,653 |

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| | | | | |
|---|------------------|-----------------|-----------------|------------------|
| Treasury Stock | | (816) | 816(i) | |
| Unearned Restricted Stock Unit Compensation | | (16) | 16(i) | |
| Retained Earnings | 6,046 | 944 | (944)(i) | 6,046 |
| Accumulated Other Comprehensive Income: | | | | |
| Net Unrealized Gains on Investments, net of tax effects | 37 | (8) | 8(i) | 37 |
| Total Shareholders Equity | <u>7,118</u> | <u>899</u> | <u>2,725</u> | <u>10,742</u> |
| Total Liabilities and Shareholders Equity | <u>\$ 20,883</u> | <u>\$ 2,284</u> | <u>\$ 3,965</u> | <u>\$ 27,132</u> |

Notes to Unaudited Pro Forma Condensed Combined Financial Information

- (a) Reflects the reclassification of certain historical MAMSI amounts to conform to financial reporting being used prospectively by the combined company. While we have conducted preliminary reviews of accounting and financial reporting policy differences relating to Oxford, this review is ongoing and will continue throughout the merger process. As such, additional reclassifications or pro forma adjustments may be identified.
- (b) The MAMSI acquisition closed on February 10, 2004. The unaudited pro forma condensed combined balance sheet as of June 30, 2004 includes the effects of the MAMSI acquisition in the UnitedHealth Group historical information. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2004 includes MAMSI's results of operations from February 11, 2004 to June 30, 2004 in the UnitedHealth Group historical information. This acquisition resulted in the issuance of UnitedHealth Group common stock and cash based upon the exchange ratio of 0.82 share of UnitedHealth Group common stock and \$18 of cash for each outstanding share of MAMSI common stock. The average market price per share of UnitedHealth Group common stock of \$53.05 was based upon the average of the closing prices for a range of trading days (October 23, 2003 through October 29, 2003) around the announcement date (October 27, 2003) of the transaction. This resulted in an estimated purchase price of \$2,745 million (\$1,932 million in stock, \$800 million in cash and \$13 million of estimated transaction costs) as follows (in millions, except per share amounts):

| | |
|---|----------|
| <u>Stock Consideration</u> | |
| UnitedHealth Group average market price per share | \$ 53.05 |
| Exchange ratio | 0.82 |
| | |
| Equivalent per share consideration | \$ 43.50 |
| Outstanding shares of MAMSI | 44.41 |
| | |
| Fair value of UnitedHealth Group shares issued | \$ 1,932 |
| <u>Cash Consideration</u> | |
| Per share cash consideration | \$ 18.00 |
| Outstanding shares of MAMSI | 44.41 |
| | |
| Cash paid | \$ 800 |
| Transaction costs | 13 |
| | |
| Purchase price | \$ 2,745 |
| | |

The MAMSI purchase price of \$2,745 million has been preliminarily allocated to acquired tangible assets and liabilities based upon their estimated fair values as of the acquisition date. The estimated excess purchase price has been preliminarily allocated as detailed below (in millions):

| | |
|---|----------|
| Purchase price | \$ 2,745 |
| Net tangible assets at acquisition date | (638) |
| | |
| Total excess purchase price | 2,107 |
| Estimated finite-lived intangibles | (360) |
| Deferred tax liability for finite-lived intangibles | 126 |
| | |
| Estimated goodwill | \$ 1,873 |
| | |

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- (c) The Oxford acquisition closed on July 29, 2004. The unaudited pro forma condensed combined financial information gives effect to the Oxford acquisition. This acquisition gives effect to the issuance of UnitedHealth Group common stock and cash based upon the exchange ratio of 0.6357 share of UnitedHealth Group common stock and \$16.17 of cash for each outstanding share of Oxford common stock. The average market price per share of UnitedHealth Group common stock of \$64.78 is based upon the average of the closing prices for a range of trading days (April 22, 2004 through April 28, 2004) around the announcement date (April 26, 2004) of the transaction. This resulted in an estimated purchase price of \$4,990 million (\$3,384 million in stock, \$1,329 million in cash, \$240 million for the estimated fair value of UnitedHealth Group vested stock options issued in exchange for outstanding Oxford stock options and \$37 million of estimated transaction costs) as follows (in millions, except per share amounts):

| | |
|---|----------|
| <u>Stock Consideration</u> | |
| UnitedHealth Group average market price per share | \$ 64.78 |
| Exchange ratio | 0.6357 |
| | <hr/> |
| Equivalent per share consideration | \$ 41.18 |
| Outstanding shares of Oxford | 82.18 |
| | <hr/> |
| Fair value of UnitedHealth Group shares issued | \$ 3,384 |
| <u>Converted Stock Options</u> | |
| UnitedHealth Group vested stock options issued | 7.5 |
| Estimated fair value of stock options issued | \$ 32 |
| | <hr/> |
| Estimated fair value of stock options issued | 240 |
| | <hr/> |
| Total estimated fair value of equity instruments issued | 3,624 |
| <u>Cash Consideration</u> | |
| Per share cash consideration | \$ 16.17 |
| Outstanding shares of Oxford | 82.18 |
| | <hr/> |
| Cash paid | 1,329 |
| Estimated transaction costs | 37 |
| | <hr/> |
| Estimated purchase price | \$ 4,990 |
| | <hr/> |

The estimated Oxford purchase price of \$4,990 million has been preliminarily allocated to acquired tangible assets and liabilities based upon their estimated fair values as of June 30, 2004. The estimated excess purchase price has been preliminarily allocated as detailed below (in millions):

| | |
|---|-----------------|
| Estimated purchase price | \$ 4,990 |
| Net tangible assets - Oxford June 30, 2004 balance sheet | (878) |
| Oxford employment agreements liability due to change in control | 13 |
| | <hr/> |
| Total excess purchase price | 4,125 |
| Estimated finite-lived intangibles | (735) |
| Deferred tax liability for finite-lived intangibles | 257 |
| | <hr/> |
| Estimated goodwill | <u>\$ 3,647</u> |

- (d) Finite-lived intangible assets relating to the MAMSI acquisition have been initially recorded in the UnitedHealth Group historical information at \$360 million and consist mainly of membership lists, provider networks and non-compete agreements. The estimated weighted average useful life is approximately 19 years and the estimated annual amortization expense is approximately \$19 million. For the June 30, 2004 pro forma condensed combined statement of operations, the estimated amortization expense is for the period January 1, 2004 to February 10, 2004 since amortization expense post-acquisition date is reflected in the UnitedHealth Group historical information.
- (e) Finite-lived intangible assets relating to the Oxford acquisition have been preliminarily estimated at approximately \$735 million, consisting mainly of membership lists, provider networks and non-compete agreements. The estimated weighted average useful life is approximately 15 years and the estimated annual amortization expense is approximately \$50 million.
- (f) Represents an accrual of \$37 million for transaction costs as a result of the Oxford merger and \$13 million for additional liabilities to be settled under Oxford employment agreements as a result of the acquisition. Additionally, Oxford recorded transaction expenses of \$8 million in their historical six months ended June 30, 2004 statement of operations which has been eliminated from the unaudited pro forma condensed combined statement of operations since these costs were incurred prior to the consummation of the acquisition and were directly related to the transaction.
- (g) Represents the borrowing of the cash to be paid as consideration in the Oxford transaction as detailed in note (c).
- (h) Represents the deferred tax liability established for the book and tax basis difference of finite-lived intangible assets, which are amortizable for book purposes but not for tax.
- (i) Represents the elimination of Oxford's equity accounts and goodwill and intangible asset accounts.
- (j) Represents the issuance of UnitedHealth Group stock and stock options as consideration paid in the Oxford transaction as detailed in note (c).
- (k) Represents the estimated interest expense associated with borrowing the \$1,329 million cash to be paid as consideration in the Oxford transaction. The interest rate is based on the issuance of three- to ten-year fixed-rate debt and an estimated weighted-average borrowing rate of approximately 5% for such debt.
- (l) Represents the payoff of the Oxford debt of \$396 million at closing and the corresponding estimated reduction in interest expense and interest income. The effective interest rate used for the investment interest income was 2.0% based upon estimated current interest rates on Oxford's short term investments.
- (m) Represents the estimated interest expense associated with borrowing the \$800 million cash paid as consideration in the MAMSI transaction. The interest expense is based on the issuance of \$500 million of five- to ten-year floating-rate debt and \$300 million of commercial paper at an estimated weighted average interest rate of approximately 1.3%. The impact on interest expense of a 1/8% change in interest rates would be \$1 million. For the June 30, 2004 pro forma condensed combined statement of operations, the estimated interest expense is for the period January 1, 2004 to February 10, 2004 since interest expense post-acquisition date is reflected in the UnitedHealth Group historical information.
- (n) Represents the pro forma tax effect of the MAMSI and Oxford pro forma adjustments based upon the statutory federal income tax rate of 35%.
- (o) Represents the increase in weighted average shares outstanding from the MAMSI acquisition based on the issuance of 36.4 million shares of UnitedHealth Group common stock at the beginning of the period presented. In the June 30, 2004 pro forma condensed combined statement of operations, this is partially offset by 28.4 million in weighted average shares outstanding that are already included in the UnitedHealth Group historical information since the 36.4 million shares were issued during the six month period ended June 30, 2004.
- (p) Represents the increase in weighted average shares outstanding from the Oxford acquisition based on the issuance of 52.2 million shares of UnitedHealth Group common stock at the beginning of the period presented. The share issuance is based upon the 82.2 million outstanding shares of Oxford stock at the acquisition date multiplied by the 0.6357 exchange ratio as detailed in note (c).
- (q)

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Represents the estimated common stock equivalents related to the issuance of 7.5 million vested options to purchase shares of UnitedHealth Group common stock in exchange for the outstanding options to purchase shares of Oxford common stock as detailed in note (c). This was calculated using the Treasury Stock method under FAS No. 128 using a \$34 per share average exercise price and a \$64 per share average common stock fair value.

- (r) Includes favorable development of the December 31, 2003 medical cost payable estimates of approximately \$7 million (\$5 million net of tax).
- (s) For comparison purposes, investments available for sale at fair value have been reclassified between short and long term investments based upon final maturities.

COMPARATIVE PER SHARE INFORMATION

| | As of or For the Year Ended December 31, 2003 | As of or For the Six Months Ended June 30, 2004 |
|--|--|--|
| UnitedHealth Group Historical Per Common Share: | | |
| Basic Net Earnings Per Common Share | \$ 3.10 | \$ 1.90 |
| Diluted Net Earnings Per Common Share | \$ 2.96 | \$ 1.81 |
| Book Value Per Common Share | \$ 8.80 | \$ 11.73 |
| Cash Dividends Per Common Share | \$ 0.015 | \$ 0.03 |
| Oxford Historical Per Common Share: | | |
| Basic Net Earnings Per Common Share | \$ 4.26 | \$ 2.10 |
| Diluted Net Earnings Per Common Share | \$ 4.15 | \$ 2.02 |
| Book Value Per Common Share | \$ 8.95 | \$ 10.97 |
| Cash Dividends Per Common Share | \$ 0.10 | \$ 0.10 |
| Pro Forma Combined Per UnitedHealth Group Common Share: | | |
| Basic Net Earnings Per Common Share | \$ 3.33 | \$ 1.98 |
| Diluted Net Earnings Per Common Share | \$ 3.19 | \$ 1.89 |
| Book Value Per Common Share | n/a | \$ 16.30 |
| Cash Dividends Per Common Share | n/a | \$ 0.03 |
| Pro Forma Combined Per Oxford Equivalent Common Share: | | |
| Basic Net Earnings Per Common Share | \$ 2.12 | \$ 1.26 |
| Diluted Net Earnings Per Common Share | \$ 2.03 | \$ 1.20 |
| Book Value Per Common Share | n/a | \$ 10.36 |
| Cash Dividends Per Common Share | n/a | \$ 0.019 |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 9, 2004

UNITEDHEALTH GROUP INCORPORATED

By: /s/ DAVID J. LUBBEN

David J. Lubben
General Counsel & Secretary