

Cigna Corporation

Quarterly Financial Supplement June 30, 2020

This document is dated July 30, 2020. The data contained in this document may not be accurate after such date and Cigna does not undertake to update or keep it accurate after such date.



Cigna Corporation
June 30, 2020 Quarterly Financial Supplement
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BASIS OF PRESENTATION:

All dollar amounts are in millions, unless otherwise noted.

Cigna measures its financial results on a consolidated basis using adjusted income from operations and adjusted revenues. Adjusted income from operations and adjusted revenues on a consolidated basis are not determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and should not be viewed as a substitute for the most directly comparable GAAP measures which are shareholders’ net income and total revenues. Cigna also uses adjusted income from operations to measure the results of its segments, however the segment metric is determined before income taxes.

Adjusted income from operations is defined as shareholders’ net income (or income before income taxes for the segment metric) excluding the following adjustments: net realized investment results, amortization of acquired intangible assets, special items and earnings contributions from transitioning pharmacy benefit manager clients, Anthem Inc. and Coventry Health Care, Inc. (the “transitioning clients”). Adjusted income from operations is used as our principal financial measure of operating performance because management believes it best presents the underlying results of operations of Cigna’s businesses and permits analysis of trends in underlying revenue, expenses and profitability.

Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna’s share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

As of December 31, 2019, the transition of customers was substantially complete; therefore, beginning in 2020, we no longer exclude results of transitioning clients from adjusted revenues and adjusted income from operations.

In some financial tables in this Quarterly Financial Supplement, we present percentage changes. When those changes are so large as to become not meaningful, we present “N/M” in place of the computed percentage.

Cigna Corporation
Financial Highlights (unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Total revenues	\$ 39,265	\$ 38,819	1 %	\$ 77,734	\$ 76,765	1 %
Revenue contributions from transitioning clients	—	(4,450)	N/M	—	(8,939)	N/M
Net realized investment results from certain equity method investments	(60)	6	N/M	(50)	(22)	(127)
Special item related to contractual adjustment for a former client	—	—	N/M	(87)	—	N/M
Adjusted revenues ⁽¹⁾	\$ 39,205	\$ 34,375	14 %	\$ 77,597	\$ 67,804	14 %
Shareholders' net income	\$ 1,754	\$ 1,408	25 %	\$ 2,935	\$ 2,776	6 %
Pre-Tax Adjusted Income (Loss) From Operations by Segment						
Health Services	\$ 1,249	\$ 1,162	7 %	\$ 2,331	\$ 2,156	8 %
Integrated Medical	1,523	990	54	2,722	2,160	26
International Markets	319	207	54	601	413	46
Group Disability and Other	132	149	(11)	209	233	(10)
Corporate	(400)	(453)	12	(805)	(943)	15
Consolidated pre-tax adjusted income from operations	\$ 2,823	\$ 2,055	37 %	\$ 5,058	\$ 4,019	26 %
Adjusted income tax expense	671	415	62	1,148	881	30
Consolidated after-tax adjusted income from operations	\$ 2,152	\$ 1,640	31 %	\$ 3,910	\$ 3,138	25 %
Diluted earnings per share						
Shareholders' net income	\$ 4.73	\$ 3.70	28 %	\$ 7.88	\$ 7.26	9 %
After-tax adjustments to reconcile to adjusted income from operations						
Net realized investment (gains) losses	(0.24)	(0.03)		(0.03)	(0.13)	
Amortization of acquired intangible assets	1.02	1.49		1.84	2.96	
Adjustment for transitioning clients	—	(1.33)		—	(2.64)	
Special items						
Debt extinguishment costs	0.03	—		0.41	—	
Integration and transaction-related costs	0.27	0.30		0.46	0.58	
Charge for organizational efficiency plan	—	—		0.06	—	
Charges associated with litigation matters	—	0.17		0.05	0.17	
Contractual adjustment for a former client	—	—		(0.18)	—	
Adjusted income from operations	\$ 5.81	\$ 4.30	35 %	\$ 10.49	\$ 8.20	28 %
Weighted average shares (in thousands)	370,697	380,969		372,668	382,496	
Adjusted EBITDA ⁽²⁾	\$ 3,397	\$ 2,662	28 %	\$ 6,219	\$ 5,233	19 %
Operating cash flow (see page 13)	3,274	1,039	215 %	5,161	4,231	22 %
SG&A expense ratio ⁽³⁾	8.4 %	9.0 %	60 bps	8.4 %	9.1 %	70 bps

CUSTOMER RELATIONSHIPS

(Relationships, lives and policies in thousands)

	As of June 30,			As of December 31,	
	2020	2019	% Change	2019	% Change
Pharmacy excluding transitioning clients	84,919	75,171	13 %	75,903	12 %
Total Medical Customers (see page 7)	17,083	16,997	1	17,145	—
Behavioral care	37,061	28,577	30	30,361	22
Dental	17,850	17,077	5	17,231	4
Medicare Part D	3,300	3,266	1	3,276	1
International Markets policies	12,098	12,500	(3)	12,444	(3)
Group Disability and Life covered lives (estimated)	15,900	15,400	3	15,400	3
Total customer relationships	188,211	168,988	11 %	171,760	10 %

(1) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method of accounting. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

(2) Adjusted income from operations excluding interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-GAAP measure, defined as shareholders' net income excluding income taxes, contributions from transitioning clients and the before-tax impact of special items, interest expense, total depreciation and amortization, and net realized investment results.

(3) SG&A expense ratio is calculated as follows: Cigna's total selling, general and administrative expenses excluding special items and expenses from transitioning clients divided by Cigna's consolidated adjusted revenues.

Cigna Corporation
Consolidated Income Statements (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues						
Pharmacy revenues	\$ 26,564	\$ 26,288	1 %	\$ 51,662	\$ 51,467	— %
Premiums	10,406	9,803	6	21,246	19,774	7
Fees and other revenues	2,072	2,388	(13)	4,250	4,838	(12)
Net investment income	223	340	(34)	576	686	(16)
Total revenues	39,265	38,819	1	77,734	76,765	1
Benefits and expenses						
Pharmacy and other service costs	25,611	24,963	3	49,801	49,013	2
Medical costs and other benefit expenses	7,112	7,576	(6)	15,434	15,196	2
Selling, general and administrative expenses excluding special items	3,277	3,144	4	6,522	6,311	3
Amortization of acquired intangible assets	496	737	(33)	994	1,480	(33)
Special items	130	236	(45)	283	372	(24)
Total benefits and expenses	36,626	36,656	—	73,034	72,372	1
Income from operations	2,639	2,163	22	4,700	4,393	7
Interest expense and other	(374)	(428)	13	(765)	(880)	13
Debt extinguishment costs	(14)	—	N/M	(199)	—	N/M
Net realized investment gains (losses)	38	23	65	(50)	33	N/M
Income before income taxes	2,289	1,758	30	3,686	3,546	4
Total income taxes	529	348	52	737	764	(4)
Net income	1,760	1,410	25	2,949	2,782	6
Less: Net income attributable to noncontrolling interests	6	2	200	14	6	133
Shareholders' net income	1,754	1,408	25	2,935	2,776	6
After-tax adjustments to reconcile adjusted income from operations						
Adjustment for transitioning clients	—	(506)		—	(1,010)	
Net realized investment (gains) losses	(88)	(13)		(11)	(51)	
Amortization of acquired intangible assets	376	572		685	1,136	
Special items						
Debt extinguishment costs	11	—		151	—	
Integration and transaction-related costs	99	115		173	223	
Charge for organizational efficiency plan	—	—		24	—	
Charges associated with litigation matters	—	64		19	64	
Contractual adjustment for a former client	—	—		(66)	—	
Adjusted income from operations	\$ 2,152	\$ 1,640	31 %	\$ 3,910	\$ 3,138	25 %

Cigna Corporation
Health Services
Segment Results (unaudited)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
<i>(Dollars in millions)</i>						
Revenues						
Pharmacy revenues	\$ 27,565	\$ 26,969	2 %	\$ 53,690	\$ 52,889	2 %
Fees and other revenues	1,034	1,001	3	2,139	2,015	6
Net investment income	3	17	(82)	28	32	(13)
Total revenues	28,602	27,987	2	55,857	54,936	2
Benefits and expenses						
Pharmacy and other service costs	26,821	25,662	5	52,375	50,497	4
Gross profit	1,781	2,325	(23)	3,482	4,439	(22)
Selling, general and administrative expenses	528	508	4	1,056	966	9
Amortization of acquired intangible assets	481	709	(32)	960	1,422	(32)
Income from operations	772	1,108	(30)	1,466	2,051	(29)
Interest expense and other	(1)	—	N/M	(1)	(1)	—
Income before income taxes	771	1,108	(30)	1,465	2,050	(29)
Pre-tax adjustments required to reconcile to adjusted income from operations						
Adjustment for transitioning clients	—	(655)		—	(1,315)	
Pre-tax (income) attributable to noncontrolling interests	(3)	—		(7)	(1)	
Amortization of acquired intangible assets	481	709		960	1,422	
Special items	—	—		(87)	—	
Pre-tax adjusted income from operations	\$ 1,249	\$ 1,162	7 %	\$ 2,331	\$ 2,156	8 %
Pre-tax adjusted margin	4.4 %	4.9 %	(50) bps	4.2 %	4.7 %	(50) bps
Reconciliation of total revenues to adjusted revenues						
Total revenues	\$ 28,602	\$ 27,987	2 %	\$ 55,857	\$ 54,936	2 %
Revenue contributions from transitioning clients	—	(4,450)	N/M	—	(8,939)	N/M
Special item related to contractual adjustment for a former client	—	—	N/M	(87)	—	N/M
Adjusted revenues ⁽¹⁾	\$ 28,602	\$ 23,537	22 %	\$ 55,770	\$ 45,997	21 %

(1) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method of accounting. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

Cigna Corporation
Health Services
Key Metrics (unaudited)

(Dollars and adjusted scripts in millions)

	Three Months Ended			Six Months Ended		
	June 30, 2020	June 30, 2019	% Change	June 30, 2020	June 30, 2019	% Change
Selected Financial Information⁽¹⁾						
Adjusted EBITDA ⁽²⁾	\$ 1,327	\$ 1,211	10 %	\$ 2,485	\$ 2,242	11 %
Pharmacy revenue by distribution channel⁽¹⁾						
Network revenues	\$ 13,866	\$ 9,758	42	\$ 26,657	\$ 19,026	40
Home delivery and specialty revenues	12,407	11,507	8	24,412	22,548	8
Other revenues	1,292	1,258	3	2,534	2,380	6
Total pharmacy revenues	\$ 27,565	\$ 22,523	22	\$ 53,603	\$ 43,954	22
Pharmacy script volume						
Adjusted network scripts ⁽³⁾	293	223	31	581	445	31
Adjusted home delivery and specialty scripts ⁽³⁾	71	71	—	143	141	1
Total adjusted scripts ⁽³⁾	364	294	24	724	586	24
Generic fill rate						
Network	88.4 %	87.7 %		88.3 %	87.8 %	
Home delivery	85.1 %	84.1 %		85.0 %	84.2 %	
Overall generic fill rate	88.0 %	87.2 %		87.9 %	87.3 %	

(1) Health Services segment metrics on this page are presented excluding special items and, for 2019, contributions from transitioning clients.

(2) Adjusted income from operations excluding interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-GAAP measure, defined as shareholders' net income excluding income taxes, contributions from transitioning clients and the before-tax impact of special items, interest expense, total depreciation and amortization, and net realized investment results.

(3) Non-specialty network scripts filled through 90-day programs, and home delivery scripts are multiplied by three. All other network and specialty scripts are counted as one script.

Cigna Corporation
Integrated Medical
Segment Results (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues						
Premiums	\$ 7,912	\$ 7,396	7 %	\$ 16,232	\$ 14,979	8 %
Fees and other revenues	1,276	1,461	(13)	2,690	2,950	(9)
Net investment income	49	111	(56)	175	234	(25)
Total revenues ⁽¹⁾	9,237	8,968	3	19,097	18,163	5
Benefits and expenses						
Medical costs	5,580	6,038	(8)	12,094	12,023	1
Selling, general and administrative expenses	2,134	1,940	10	4,281	3,980	8
Amortization of acquired intangible assets	6	18	(67)	17	36	(53)
Total benefits and expenses	7,720	7,996	(3)	16,392	16,039	2
Income from operations	1,517	972	56	2,705	2,124	27
Net realized investment gains (losses)	26	17	53	(22)	22	N/M
Income before income taxes	1,543	989	56	2,683	2,146	25
Pre-tax adjustments required to reconcile to adjusted income from operations						
Net realized investment (gains) losses	(26)	(17)		22	(22)	
Amortization of acquired intangible assets	6	18		17	36	
Pre-tax adjusted income from operations	\$ 1,523	\$ 990	54 %	\$ 2,722	\$ 2,160	26 %
Pre-tax adjusted margin	16.5 %	11.0 %	550 bps	14.3 %	11.9 %	240 bps

(1) Total revenues were equal to adjusted revenues in the Integrated Medical segment for the periods presented.

Cigna Corporation
Integrated Medical
Revenue and Medical Care Ratio (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Premiums:						
Commercial Premiums						
Risk	\$ 3,090	\$ 3,065	1 %	\$ 6,551	\$ 6,104	7 %
Stop loss	1,152	1,067	8	2,313	2,136	8
Other	283	241	17	572	519	10
Total Commercial premiums	<u>4,525</u>	<u>4,373</u>	3	<u>9,436</u>	<u>8,759</u>	8
Government Premiums						
Medicare Advantage	1,904	1,610	18	3,785	3,217	18
Medicare Part D	420	400	5	882	925	(5)
Other	1,063	1,013	5	2,129	2,078	2
Total Government premiums	<u>3,387</u>	<u>3,023</u>	12	<u>6,796</u>	<u>6,220</u>	9
Total premiums	7,912	7,396	7	16,232	14,979	8
Fees and other revenues	1,276	1,461	(13)	2,690	2,950	(9)
Net investment income	49	111	(56)	175	234	(25)
Total revenues	\$ 9,237	\$ 8,968	3 %	\$ 19,097	\$ 18,163	5 %
Medical Care Ratio	70.5 %	81.6 %	1,110 bps	74.5 %	80.3 %	580 bps

Cigna Corporation
Total Medical Customers (unaudited)

COVERED LIVES BY FUNDING TYPE:	As of June 30,			As of December 31,			COVERED LIVES BY MARKET SEGMENT: ⁽³⁾	As of June 30,			As of December 31,	
	2020	2019	% Change	2019	% Change	2020		2019 ⁽⁴⁾	% Change	2019	% Change	
<i>(Lives in thousands)</i>											<i>(Lives in thousands)</i>	
Medical customers: ⁽¹⁾							Medical customers: ⁽¹⁾					
Commercial risk	2,123	2,034	4 %	2,114	— %		National Accounts	3,453	3,659	(6) %	3,609	(4) %
Government risk							Middle Market	8,114	8,116	—	8,202	(1)
Medicare Advantage	516	440	17	444	16		Select	2,432	2,250	8	2,375	2
Other ⁽²⁾	899	942	(5)	917	(2)		Small	1	1	—	1	—
Total Government risk	1,415	1,382	2	1,361	4		Total Commercial	14,000	14,026	—	14,187	(1)
Services only customers - Integrated Medical	11,877	11,992	(1)	12,073	(2)		Total Government	1,415	1,382	2	1,361	4
Total Integrated Medical	15,415	15,408	—	15,548	(1)		Total Integrated Medical	15,415	15,408	—	15,548	(1)
International Markets	1,668	1,589	5	1,597	4		International Markets	1,668	1,589	5	1,597	4
Total medical customers	17,083	16,997	1 %	17,145	— %		Total medical customers	17,083	16,997	1 %	17,145	— %

(1) Includes individuals in our Integrated Medical and International Markets segments who meet any one of the following criteria: are covered under a medical insurance policy, managed care arrangement, or service agreement issued by Cigna; have access to Cigna's provider network for covered services under their medical plan; or have medical claims and services that are administered by Cigna.

(2) Includes Medicaid, Medicare Supplement and Individual customers. As of June 30, 2020, individual business includes on-exchange Patient Protection and Affordable Care and Education Reconciliation Act ("ACA") business (245,000 customers), off-exchange ACA business (9,000 customers) and off-exchange non ACA business (26,000 customers).

(3) Market Segments are defined as follows:

- ~ the National Accounts market segment includes multi-state employers with more than 5,000 U.S. based, full-time employees in more than one state
- ~ the Middle Market segment includes employers with more than 500 but fewer than 5,000 U.S. based, full-time employees, single-site employers with more than 5,000 employees, Taft Hartley plans, and other third party payers;
- ~ the Select market segment includes employers with more than 50 but fewer than 500 eligible employees;
- ~ the Small market segment includes employers with 2-50 employees.
- ~ the Government market segment offers Medicare Advantage (both to individuals who are post-65 retirees, as well as employer group sponsored pre- and post-65 retirees), Prescription Drug Program, Medicare Supplement and Medicaid products as managed care alternatives to publicly funded healthcare programs. The segment also offers individual health insurance coverage both on and off the public exchanges.
- ~ the International Markets segment is focused on health care and supplemental products and services to meet the needs of local and multinational individuals and organizations and their local and globally mobile employees and dependents. .

(4) Prior year lives have been reclassified to reflect current market segment presentation at the employer level, according to the definitions discussed in note 3. Additionally, prior year lives for Middle Market and Select market segments have been updated to reflect those definitions.

Cigna Corporation
Integrated Medical
Unpaid Claims Liability (unaudited)

(Dollars in millions)

	Six Months Ended		Year Ended
	June 30, 2020	June 30, 2019	December 31, 2019
Beginning balance	\$ 2,892	\$ 2,697	\$ 2,697
Less: Reinsurance and other amounts recoverable	303	264	264
Beginning balance, net	2,589	2,433	2,433
Incurred costs related to:			
Current year	12,212	12,120	24,368
Prior years	(130)	(149)	(165)
Total incurred	12,082	11,971	24,203
Paid costs related to:			
Current year	9,585	9,629	21,851
Prior years	2,284	2,134	2,196
Total paid	11,869	11,763	24,047
Ending balance, net	2,802	2,641	2,589
Add: Reinsurance and other amounts recoverable	157	240	303
Ending balance ⁽¹⁾	\$ 2,959	\$ 2,881	\$ 2,892

(1) The ending balance is included in the Insurance and contractholder liabilities balance on the Consolidated Balance Sheets. For additional information regarding this liability, see the Insurance and Contractholder Liabilities footnote in Cigna's Form 10-Q for the period ended June 30, 2020, expected to be filed on August 6, 2020.

Cigna Corporation
International Markets
Segment Results (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues						
Premiums	\$ 1,344	\$ 1,301	3 %	\$ 2,719	\$ 2,605	4 %
Fees and other revenues	122	42	190	167	122	37
Net investment income	26	40	(35)	66	78	(15)
Total revenues	1,492	1,383	8	2,952	2,805	5
Benefits and expenses						
Medical costs and other benefit expenses	671	724	(7)	1,466	1,470	—
Selling, general and administrative expenses ⁽¹⁾	441	454	(3)	831	891	(7)
Amortization of acquired intangible assets	7	8	(13)	14	19	(26)
Total benefits and expenses	1,119	1,186	(6)	2,311	2,380	(3)
Income from operations	373	197	89	641	425	51
Interest expense and other	4	—	N/M	6	(1)	N/M
Net realized investment gains (losses)	13	(2)	N/M	(23)	(7)	(229)
Income before income taxes	390	195	100	624	417	50
Pre-tax adjustments required to reconcile adjusted income from operations						
Pre-tax (income) attributable to noncontrolling interests	(5)	(4)		(10)	(8)	
Net realized investment (gains) losses	(73)	8		(27)	(15)	
Amortization of acquired intangible assets	7	8		14	19	
Pre-tax adjusted income from operations	\$ 319	\$ 207	54 %	\$ 601	\$ 413	46 %
Pre-tax adjusted margin	22.3 %	14.9 %	740 bps	20.7 %	14.8 %	590 bps
Reconciliation of total revenues to adjusted revenues						
Total revenues	\$ 1,492	\$ 1,383	8 %	\$ 2,952	\$ 2,805	5 %
Net realized investment results from certain equity method investments	(60)	6	N/M	(50)	(22)	(127)
Adjusted revenues ⁽²⁾	\$ 1,432	\$ 1,389	3 %	\$ 2,902	\$ 2,783	4 %

(1) Selling, general and administrative expenses include policy acquisition expenses of \$168 million for the three months ended and \$302 million for the six months ended June 30, 2020 and \$190 million for the three months ended and \$361 million for the six months ended June 30, 2019.

(2) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

Cigna Corporation
Group Disability and Other
Segment Results (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues						
Premiums	\$ 1,157	\$ 1,109	4 %	\$ 2,306	\$ 2,197	5 %
Fees and other revenues	27	29	(7)	55	57	(4)
Net investment income	144	171	(16)	306	351	(13)
Total revenues ⁽¹⁾	1,328	1,309	1	2,667	2,605	2
Benefits and expenses						
Benefit expenses	967	890	9	1,969	1,829	8
Selling, general and administrative expenses	229	270	(15)	489	542	(10)
Amortization of acquired intangible assets	2	2	—	3	3	—
Total benefits and expenses	1,198	1,162	3	2,461	2,374	4
Income from operations	130	147	(12)	206	231	(11)
Interest expense and other	—	—	N/M	—	(1)	N/M
Net realized investment gains (losses)	(1)	8	N/M	(5)	18	N/M
Income before income taxes	129	155	(17)	201	248	(19)
Pre-tax adjustments required to reconcile adjusted income from operations						
Net realized investment (gains) losses	1	(8)		5	(18)	
Amortization of acquired intangible assets	2	2		3	3	
Pre-tax adjusted income from operations	\$ 132	\$ 149	(11) %	\$ 209	\$ 233	(10) %
Pre-tax adjusted margin	9.9 %	11.4 %	(150) bps	7.8 %	8.9 %	(110) bps

(1) Total revenues were equal to adjusted revenues in Group Disability and Other for the periods presented.

Cigna Corporation
Corporate
Earnings (unaudited)

(Dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Total revenues and eliminations ⁽¹⁾	\$ (1,394)	\$ (828)	(68) %	\$ (2,839)	\$ (1,744)	(63) %
Total expenses and eliminations excluding special items ⁽¹⁾	(1,371)	(803)	(71)	(2,804)	(1,678)	(67)
Special items	130	236	(45)	283	372	(24)
Total expenses and eliminations	<u>(1,241)</u>	<u>(567)</u>	(119)	<u>(2,521)</u>	<u>(1,306)</u>	(93)
(Loss) from operations	(153)	(261)	41	(318)	(438)	27
Interest expense and other	(377)	(428)	12	(770)	(877)	12
Debt extinguishment costs	(14)	—	N/M	(199)	—	N/M
(Loss) before income taxes	(544)	(689)	21	(1,287)	(1,315)	2
Pre-tax adjustments required to reconcile adjusted income from operations						
Special items	144	236		482	372	
Pre-tax adjusted (loss) from operations	\$ (400)	\$ (453)	12 %	\$ (805)	\$ (943)	15 %

(1) Includes amounts for elimination of intercompany revenues and expenses.

Cigna Corporation
Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in millions)

	Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,949	\$ 2,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,387	1,811
Realized investment losses (gains), net	50	(33)
Deferred income tax (benefit)	(259)	(241)
Debt extinguishment costs	199	—
Net changes in assets and liabilities, net of non-operating effects:		
Accounts receivable	(2,121)	(1,165)
Inventories	(50)	524
Deferred policy acquisition costs	(177)	(99)
Reinsurance recoverable and other assets	28	(177)
Insurance liabilities	483	297
Pharmacy costs and service costs payable	1,655	713
Accounts payable and accrued expenses and other liabilities	630	(370)
Other, net	387	189
Net cash provided by operating activities	5,161	4,231
Net cash (used in) investing activities	(506)	(159)
Net cash (used in) financing activities ⁽¹⁾	(2,130)	(4,307)
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	(15)	(10)
Net (decrease) increase in cash, cash equivalents and restricted cash	2,510	(245)
Cash, cash equivalents, and restricted cash January 1 ⁽²⁾	5,411	3,855
Cash, cash equivalents, and restricted cash June 30	\$ 7,921	\$ 3,610
Cash reclassified to assets held for sale	(418)	—
Cash, cash equivalents, and restricted cash June 30, per Consolidated Balance Sheets ⁽³⁾	\$ 7,503	\$ 3,610

(1) Includes \$5.0 billion for the repayment and extinguishment of long term debt, offset by \$3.5 billion for the issuance of long term debt and \$445 million change in short term debt and term loan issuance for the six months ended June 30, 2020.

(2) Includes restricted cash of \$26 million reported in Other noncurrent assets and \$23 million reported in Long-term investments, and \$743 million cash reported in Assets held for sale as of January 1, 2020.

(3) Includes restricted cash of \$318 million reported in Long-term investments as of June 30, 2020.

Cigna Corporation
Summary of Debt Securities by Sector (unaudited)
Fair Value

(Dollars in millions)

Sector	As of June 30, 2020					As of December 31, 2019				
	Amortized Cost	Allowance for Credit Loss	Unrealized Appreciation	Unrealized Depreciation	Fair Value	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value	
United States government	\$ 415	\$ —	\$ 222	\$ —	\$ 637	\$ 498	\$ 235	\$ —	\$ 733	
State and local government	654	—	85	(2)	737	729	81	—	810	
Foreign government	2,002	—	293	(9)	2,286	2,027	230	(1)	2,256	
Government	3,071	—	600	(11)	3,660	3,254	546	(1)	3,799	
Basic industry	3,285	(5)	295	(44)	3,531	3,310	258	(4)	3,564	
Capital goods	2,394	—	189	(16)	2,567	2,298	157	(3)	2,452	
Communications	777	—	72	(2)	847	823	54	(1)	876	
Consumer	3,844	(7)	353	(39)	4,151	3,845	254	(4)	4,095	
Electric and utility	2,353	—	313	(6)	2,660	2,255	220	(1)	2,474	
Energy and natural gas	1,687	(20)	128	(31)	1,764	1,761	114	(8)	1,867	
Financial	3,538	(7)	303	(19)	3,815	3,638	233	(6)	3,865	
Other	202	—	10	(4)	208	219	9	(1)	227	
Corporate	18,080	(39)	1,663	(161)	19,543	18,149	1,299	(28)	19,420	
Mortgage and other asset-backed	475	(9)	28	(23)	471	506	31	(1)	536	
Total debt securities	\$ 21,626	\$ (48)	\$ 2,291	\$ (195)	\$ 23,674	\$ 21,909	\$ 1,876	\$ (30)	\$ 23,755	

The table above includes debt securities that are associated with the Group Disability and Life business that is classified as held for sale. For additional information regarding the sale of the Group Disability and Life insurance business to New York Life, see the Assets and Liabilities of Business Held for Sale footnote in Cigna's Form 10-Q for the period ended June 30, 2020, expected to be filed on August 6, 2020.

Cigna Corporation
Summary of Commercial Mortgage Loans (unaudited)
As of June 30, 2020

(Dollars in millions)

Geographic Region	Property Type							Total	% of Mortgage Loans
	Office Buildings	Apartment Buildings	Industrial	Hotels	Retail	Other			
Massachusetts	\$ 43	\$ 74	\$ —	\$ 96	\$ —	\$ —	\$ 213	11%	
Other ⁽¹⁾	—	—	—	—	12	—	12	1%	
New England	43	74	—	96	12	—	225	12%	
New York	50	54	—	—	—	—	104	5%	
New Jersey	—	43	—	—	—	—	43	2%	
Middle Atlantic	50	97	—	—	—	—	147	7%	
Virginia	53	46	—	—	—	—	99	5%	
Georgia	—	19	—	—	34	—	53	3%	
Other ⁽¹⁾	43	29	—	—	11	—	83	4%	
South Atlantic	96	94	—	—	45	—	235	12%	
Illinois	63	59	—	—	—	—	122	6%	
Texas	102	112	—	—	—	—	214	11%	
Central	165	171	—	—	—	—	336	17%	
Nevada	—	—	49	—	—	—	49	3%	
Other ⁽¹⁾	—	—	—	28	—	—	28	1%	
Mountain	—	—	49	28	—	—	77	4%	
California	240	176	150	—	100	27	693	36%	
Washington	20	184	—	—	—	—	204	10%	
Other ⁽¹⁾	—	—	17	—	16	—	33	2%	
Pacific	260	360	167	—	116	27	930	48%	
Totals, Gross	\$ 614	\$ 796	\$ 216	\$ 124	\$ 173	\$ 27	\$ 1,950	100%	
Allowance for Credit Losses							(8)		
Total, Net							1,942		
% of Mortgage Loans	32 %	41 %	11 %	6 %	9 %	1 %	100 %		
Loan to Value Ratio ⁽²⁾	60 %	62 %	47 %	75 %	54 %	49 %	60 %		

(1) Represents states in a region with a concentration of less than 3%.

(2) The Loan to Value Ratios on the commercial mortgage loans that Cigna holds in its portfolio leverage internal valuations, which are estimates based on the most recent full year financial statements and budgets/projections for the next year, considering occupancy, rental rates, operating costs, and other relevant information. The values are primarily determined as part of an annual review process, which was completed in the second quarter of 2020.