

February 10, 2003



# Centene Corporation Reports Fourteenth Consecutive Quarter of Increased Profitability

ST. LOUIS, Feb 10, 2003 (BUSINESS WIRE) -- Centene Corporation (Nasdaq:CNTN) today announced the Company's financial results for the fourth quarter and year ended December 31, 2002.

## Fourth Quarter Highlights

-- Revenues of \$141.7 million, a 57% increase over the fourth quarter of 2001. -- Earnings from operations of \$9.6 million, a 68% increase over the fourth quarter of 2001. -- Earnings per diluted share of \$0.57. -- Organic membership growth of 41.8% over fourth quarter of 2001. -- Fourteenth consecutive quarter of increased profitability from continuing operations. -- Operating cash flows of \$17.6 million, which generated \$3.7 million in free cash. -- Days in claims payable were 64.5 within the targeted range, net of University Health Plans, Inc. acquisition.

Michael F. Neidorff, Centene's president and chief executive officer, said, "The year 2002 was a predictable one for Centene, in which we achieved record financial results and met our internal expectations in our first full year operating as a publicly traded company. These results were generated by significant member growth, reasonable margins at the state health plan level and tight control over corporate expenses. We executed on our publicly stated goals of focusing on the improvement of the health outcomes of our recipients and saving money for the states within which we operate. Through a combination of rate increases in all of our states and administrative policy changes, such as emergency room utilization review, we have continued to protect our margins."

Neidorff continued, "At Centene, we are committed to our belief that every American deserves to receive quality healthcare with dignity. Despite recent concerns regarding growing state budget deficits, managed Medicaid programs remain part of the solution. The current economic environment mandates that the states restructure their benefits and provider fee schedules to maximize the number of uninsured who are able to receive basic care. Several studies, including the Milliman USA report on Wisconsin and the Urban Institute Health Policy Center study, continue to prove that the managed Medicaid industry saves the states money while simultaneously increasing the recipients' access to primary care and improving outcomes for these patients. The Federal government recently proposed to increase the powers of the states to manage their Medicaid budgets, a process that we believe will create additional opportunities for us to work constructively with the states. We are confident in the overall outlook for our business segment and in our ability to deliver solid results."

"Looking ahead, there are opportunities to continue to grow our business. We expect to increase our Medicaid membership organically and expand into new states and markets. In

addition, we will seek opportunities to diversify into specialty companies that serve Medicaid and Medicaid-related markets. This is consistent with our previously stated goal of providing well-balanced Medicaid services," concluded Neidorff.

Membership totaled 409,600 at December 31, 2002, a 74% increase from 235,100 at December 31, 2001 and a 38% increase from 296,100 at September 30, 2002. This increase includes 12,000 members that Centene is managing for the state of Texas on an interim basis and will become part of the normal reprocurement process scheduled for later this year.

The following table depicts membership by state at December 31, 2002 and 2001:

	2002	2001
Wisconsin	133,000	114,300
Indiana	105,700	65,900
Texas	118,000	54,900
New Jersey	52,900	-
TOTAL	409,600	235,100

The following table depicts membership by line of business at December 31, 2002 and 2001:

	2002	2001
Medicaid	336,100	210,900
SCHIP	65,900	21,800
SSI	7,600	2,400
TOTAL	409,600	235,100

### Statement of Earnings Highlights

-- For the fourth quarter of 2002, revenues increased 57% to \$141.7 million from \$90.3 million in the fourth quarter of 2001. Net of acquisitions, revenues increased 41% over the same prior year quarter. The health benefits ratio, which reflects medical services costs as a percent of premium revenues, was 82.5%, which was within the Company's targeted range of 82.0% to 83.5% and compares to 82.8% for the same period in 2001. General and administrative expenses as a percent of revenues decreased to 10.8% from 11.0%. Earnings from operations increased 68.4% to \$9.6 million from \$5.7 million in 2001. Net earnings improved to \$6.8 million, or \$0.57 per diluted share, compared to \$3.9 million, or \$0.45 per diluted share, for the fourth quarter of 2001. -- Investments and other income for the fourth quarter of 2002 was \$0.9 million, a reduction from \$1.1 million in the fourth quarter of 2001 largely stemming from a change in the Company's investment strategy. Centene is now fully invested in tax-advantaged securities, which resulted in a 36.2% effective tax rate for the quarter. -- For the year ended December 31, 2002, revenues increased 41.3% to \$461.5 million from \$326.6 million in the year ended 2001. The health benefits ratio of 82.3% compares to 82.8% for the year ended 2001. General and administrative expenses as a percent of revenues decreased to 10.9% from 11.6%. Earnings from operations increased

71.1% to \$31.6 million from \$18.5 million in 2001. Net earnings improved to \$25.6 million, or \$2.20 per diluted share.

The following table sets forth fully diluted earnings per share for the quarters of 2002 compared to 2001 using a non-GAAP financial measurement which assumes that as of January 1, 2001: 1) the Company's initial public offering was completed; 2) all classes of preferred and common stock were converted into a single class of common stock; 3) subordinated notes of \$4.0 million were repaid with a portion of the net proceeds of \$41.0 million from the Company's initial public offering; and 4) the balance of the net proceeds was invested in short-term instruments bearing interest of 3.5%.

Fully Diluted Earnings Per Share

	GAAP (3) 2002	Non-GAAP Measurement 2001	GAAP (3) 2001
First Quarter	\$0.38	\$0.22	\$0.29
Second Quarter	\$0.45	\$0.32	\$0.42
Third Quarter	\$0.52 (1)	\$0.34	\$0.45
Fourth Quarter	\$0.57	\$0.37	\$0.45
Year To Date (2)	\$1.94	\$1.25	\$1.61

(1) Net of one-time dividend

(2) Total may be affected by rounding

(3) GAAP: Generally Accepted Accounting Principles

### Balance Sheet Highlights

At December 31, 2002, the Company had cash and investments of \$164.7 million, a portion of which is restricted due to state regulatory requirements. Medical claims liabilities totaled \$91.2 million, representing 71.8 days in claims payable influenced by the Company's acquisition of University Health Plan. Net of the acquisition, days in claims payable were 64.5 as reflected in the increase in claims inventories and were within the Company's targeted range of 60 to 65 days.

Cash flows from operating activities of \$39.7 million for twelve months ended December 31, 2002, reflect a 31.4% increase year over year.

### Outlook

Neidorff commented, "We anticipate 2003 revenue in the range of \$695 to \$710 million and net earnings of \$2.55 to \$2.60 per share. This does not include the potential impact of any additional acquisitions we may undertake during 2003."

### Conference Call

As previously announced, the Company will host a conference call today, February 10, 2003, at 8:30 a.m. (Eastern Standard Time) to review the financial results for the fourth

quarter and year ended December 31, 2002, and to discuss its business outlook. Michael F. Neidorff and Karey L. Witty, chief financial officer of Centene, will host the conference call. Investors are invited to participate in the conference call by dialing (800) 695-6803 in the United States and Canada, and (706) 643-1452 for international participants, or via a live Internet broadcast at the Company's website, [www.centene.com](http://www.centene.com). A replay of the call will be available from February 10, 2003 shortly after completion of the call and ending on February 17, 2003 at 11:59 p.m. Investors may dial (800) 642-1687 in the United States and (706) 645-9291 from abroad and enter access number 7463552. Additionally, the webcast will be archived for the same period at [www.centene.com](http://www.centene.com).

## About Centene Corporation

Centene Corporation provides managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP). The Company operates health plans in Wisconsin, Indiana, Texas and New Jersey.

The information provided in the second and third paragraphs following the bullet listing under "Fourth Quarter Highlights," the first paragraph under "Statement of Earnings Highlights," the first paragraph under "Balance Sheet Highlights" and the paragraph under "Outlook" above contain forward-looking statements that relate to future events and future financial performance of Centene. These forward-looking statements represent the Company's estimates as of February 10, 2003. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses, competition, changes in health care practices, changes in federal or state laws or regulations, inflation, provider contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare. The expiration, cancellation or suspension of Centene's Medicaid managed care contracts by state governments would also negatively affect Centene.

CENTENE CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (In thousands, except share data)

	December 31, 2002	2001
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,656	\$ 88,867
Premium and related receivables, net of allowances of \$219 and \$3,879, respectively	16,773	7,032
Short-term investments, at fair value (amortized cost \$9,687 and \$1,166, respectively)	9,571	1,169

Deferred income taxes	2,846	2,515
Other current assets	4,243	2,464
	-----	-----
Total current assets	93,089	102,047
Long-term investments, at fair value (amortized cost \$78,025 and \$22,127, respectively)	79,666	21,119
Restricted deposits, at fair value (amortized cost \$15,561 and \$1,204, respectively)	15,762	1,220
Property and equipment, net	6,295	3,796
Other assets	4,348	--
Intangible assets, net	10,695	2,396
Deferred income taxes	472	788
	-----	-----
Total assets	\$210,327	\$131,366
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Medical claims liabilities	\$ 91,181	\$ 59,565
Accounts payable and accrued expenses	10,748	6,712
	-----	-----
Total current liabilities	101,929	66,277
Other liabilities	5,334	1,000
	-----	-----
Total liabilities	107,263	67,277
Minority interest	881	--
Stockholders' equity:		
Common stock, \$.001 par value; authorized 40,000,000 shares; 10,829,099 and 10,085,112 shares issued and outstanding	11	10
Additional paid-in capital	72,377	60,857
Net unrealized gain on investments, net of tax	1,087	135
Retained earnings	28,708	3,087
	-----	-----
Total stockholders' equity	102,183	64,089
	-----	-----
Total liabilities and stockholders' equity	\$210,327	\$131,366
	=====	=====

CENTENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(In thousands, except share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
	-----			
	(Unaudited)			
Revenues:				
Premiums	\$ 141,588	\$ 90,189	\$ 461,030	\$ 326,184
Administrative services fees	138	102	457	385
	-----	-----	-----	-----
Total revenues	141,726	90,291	461,487	326,569
	-----	-----	-----	-----
Expenses:				
Medical services costs	116,771	74,639	379,468	270,151
General and administrative expenses	15,357	9,954	50,413	37,946

Total operating expenses	132,128	84,593	429,881	308,097
Earnings from operations	9,598	5,698	31,606	18,472
Other income (expense):				
Investment and other income, net	916	1,110	9,575	3,916
Interest expense	(18)	(77)	(45)	(362)
Earnings from operations before income taxes	10,496	6,731	41,136	22,026
Income tax expense	3,798	2,811	15,631	9,131
Minority interest	116	--	116	--
Net earnings	6,814	3,920	25,621	12,895
Accretion of redeemable preferred stock	--	(98)	--	(467)
Net earnings attributable to common stockholders	\$ 6,814	\$ 3,822	\$ 25,621	\$ 12,428
Earnings per common share, basic:				
Net earnings per common share	\$ 0.63	\$ 1.37	\$ 2.45	\$ 8.97
Earnings per common share, diluted:				
Net earnings per common share	\$ 0.57	\$ 0.45	\$ 2.20	\$ 1.61
Shares used in computing per share amounts:				
Basic	10,785,289	2,799,303	10,477,360	1,385,399
Diluted	11,905,957	8,649,373	11,644,077	8,019,497

CENTENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

	Twelve Months Ended December 31,	
	2002	2001
Cash flows from operating activities:		
Net earnings	\$ 25,621	\$ 12,895
Adjustments to reconcile net earnings to net cash provided by operating activities --		
Depreciation and amortization	2,565	1,847
Stock compensation expense	270	6

Minority interest	(116)	--
Gain on sale of investments	(649)	(390)
Changes in assets and liabilities --		
(Increase) decrease in premium and related receivables	(2,449)	9,406
Increase in other current assets	(1,463)	(238)
Increase in deferred income taxes	(574)	(37)
Decrease in other assets	857	--
Increase (decrease) in medical claims liabilities	15,386	8,686
Decrease in unearned premiums	(827)	--
Increase (decrease) in accounts payable and accrued Expenses	1,910	(1,987)
Decrease in other liabilities	(872)	--
	-----	-----
Net cash provided by (used in) operating activities	39,659	30,188
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(3,918)	(3,635)
Purchase of investments	(192,371)	(25,481)
Sales and maturities of investments	127,706	25,037
Acquisition of joint venture, net of cash received	(7,308)	--
Contract acquisitions	(595)	(1,250)
Investments in joint ventures	(3,193)	7,995
	-----	-----
Net cash (used in) provided by investing Activities	(79,679)	2,666
	-----	-----
Cash flows from financing activities:		
Payment of subordinated debt	--	(4,000)
Proceeds from exercise of stock options	491	32
Net proceeds from issuance of common stock	10,318	41,042
Purchase of stock	--	(102)
Proceeds from exercise of warrants	--	18
	-----	-----
Net cash provided by financing Activities	10,809	36,990
	-----	-----
Net increase (decrease) in cash and cash Equivalents	(29,211)	69,844
	-----	-----
Cash and cash equivalents, beginning of period	88,867	19,023
	-----	-----
Cash and cash equivalents, end of period	\$ 59,656	\$ 88,867
	=====	=====
Interest paid	\$ 28	\$ 920
Income taxes paid	\$ 16,433	\$ 9,460

CENTENE CORPORATION  
SUPPLEMENTAL FINANCIAL DATA

	Q4 2002	Q3 2002	Q2 2002	Q1 2002
	-----	-----	-----	-----
MEMBERSHIP				
Wisconsin	133,000	126,800	123,900	114,600
Indiana	105,700	101,500	92,800	77,600
Texas	118,000 (a)	67,800	61,900	57,100
New Jersey	52,900	--	--	--

TOTAL	409,600	296,100	278,600	249,300
	=====	=====	=====	=====
(a) Includes 12,000 members managed on an interim basis.				
Medicaid	336,100	264,100	252,100	225,900
SCHIP	65,900	29,400	23,900	20,900
SSI	7,600	2,600	2,600	2,500
	-----	-----	-----	-----
TOTAL	409,600	296,100	278,600	249,300
	=====	=====	=====	=====
REVENUE PER MEMBER	\$134.08	\$133.20	\$132.33	\$131.84
CLAIMS				
Inventory	73,800	51,700	79,000	84,000
Inventory per Member	0.18	0.17	0.28	0.34
DAYS IN CLAIMS PAYABLE(b)	71.8	62.7	65.6	74.0
(b) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period.				
ANNUALIZED RETURN ON EQUITY	28.1%	27.7%	27.5%	26.0%

MEDICAL CLAIMS LIABILITIES  
(in thousands)

The change in medical claims liabilities is summarized as follows:

	December 31,	
	2002	2001
	-----	-----
Balance, January 1	\$ 59,565	\$ 45,805
Acquisitions	16,230 (c)	5,074 (d)
Incurred related to:		
Current year	399,141	289,133
Prior years	(19,673)	(18,982)
	-----	-----
Total incurred	379,468	270,151
	-----	-----
Paid related to:		
Current year	326,636	230,216
Prior years	37,446	31,249
	-----	-----
Total paid	364,082	261,465
	-----	-----
Balance, December 31	\$ 91,181	\$ 59,565
	=====	=====

(c) Includes reserves acquired in connection with the acquisition of 80% of the outstanding capital stock of University Health Plans, Inc.

(d) Includes reserves acquired in connection with the acquisition of all of Superior HealthPlan, Inc.'s outstanding capital stock.

CONTACT: Centene Corporation, St. Louis  
Karey L. Witty, 314/725-4477

or

Investor Relations:

In-Site Communications

Lisa M. Wilson, 212/759-3929

(c) 2003 Business Wire. All reproduction, other than for an individual user`s reference, is prohibited without prior written permission.