Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

2016 ACTUAL RESULTS

CVS Health is providing non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's performance. This information should be considered in addition to, but not in lieu of, information prepared in accordance with GAAP.

ADJUSTED EARNINGS PER SHARE

The following is a reconciliation of income before income tax provision to Adjusted earnings per share:

FIRST QUARTER 2016

	Three Months Ended March 31,	
In millions, except per share amounts	**2016**	2015
Income before income tax provision	**$ 1,893**	$ 1,998
Non-GAAP adjustments:		
Amortization of intangible assets	**199**	129
Acquisition-related integration costs [1]	**61**	**-**
Charge related to a disputed 1999 legal settlement	**3**	-
Adjusted income before income tax provision	**2,156**	2,127
Adjusted income tax provision	**847**	828
Adjusted net income	**1,309**	1,299
Net income attributable to noncontrolling interest	**(1)**	-
Income allocable to participating securities	**(7)**	(5)
Adjusted net income attributable to CVS Health	**$ 1,301**	$ 1,294
Weighted average diluted common shares outstanding	**1,099**	1,136
Adjusted earnings per share	**$ 1.18**	$ 1.14

(1) Costs associated with the acquisitions of Omnicare, Inc. (“Omnicare”) and the pharmacies and clinics of Target Corporation (“Target”).

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FREE CASH FLOW

For internal comparisons, management finds it useful to assess year-over-year cash flow performance using Free Cash Flow. CVS Health defines Free Cash Flow as net cash provided by operating activities less net additions to properties and equipment (i.e., additions to property and equipment plus proceeds from sale-leaseback transactions). The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

In millions	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net cash provided by operating activities [(1)]	**$ 2,412**	$ 1,984
Subtract: Additions to property and equipment	**(598)**	(419)
Add: Proceeds from sale-leaseback transactions	**-**	25
Free Cash Flow	**$ 1,814**	$ 1,590

(1) For the three months ended March 31, 2016, net cash provided by operating activities includes $54 million of pre-tax acquisition-related integration costs (net of depreciation). The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

EBITDA

For internal comparisons, management finds it useful to assess year-over-year operating profitability performance before non-operating expenses and non-cash charges, using EBITDA. CVS Health defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA can be reconciled to operating profit, which we believe to be the most directly comparable GAAP financial measure. The following are reconciliations of operating profit to EBITDA:

CONSOLIDATED

In millions	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating profit [(1)]	**$ 2,176**	$ 2,132
Depreciation and amortization [(2)]	**617**	490
EBITDA	**$ 2,793**	$ 2,622

(1) For the three months ended March 31, 2016, operating profit includes $61 million of acquisition-related integration costs and a $3 million charge related to a disputed 1999 legal settlement. The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(2) For the three months ended March 31, 2016, depreciation and amortization includes $7 million of acquisition-related integration depreciation. The depreciation relates to the acquisition of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

PHARMACY SERVICES SEGMENT

	Three Months Ended March 31,	
In millions	**2016**	2015
Operating profit	**$ 782**	$ 734
Depreciation and amortization	**178**	160
EBITDA	**$ 960**	$ 894

RETAIL/LTC SEGMENT

	Three Months Ended March 31,	
In millions	**2016**	2015
Operating profit (1)	**$ 1,777**	$ 1,727
Depreciation and amortization (2)	**408**	305
EBITDA	**$ 2,185**	$ 2,032

(1) For the three months ended March 31, 2016, operation profit includes $61 million of acquisition-related integration costs. The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(2) For the three months ended March 31, 2016, depreciation and amortization includes $7 million of acquisition-related integration depreciation. The depreciation relates to the acquisition of Omnicare and the pharmacies and clinics of Target.

CORPORATE SEGMENT

	Three Months Ended March 31,	
In millions	**2016**	2015
Operating profit (loss) (1)	**$ (212)**	$ (189)
Depreciation and amortization	**31**	25
EBITDA	**$ (181)**	$ (164)

(1) For the three months ended March 31, 2016, operating profit includes a $3 million charge related to a disputed 1999 legal settlement.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

ADJUSTED COST OF REVENUES

The following are reconciliations of cost of revenues to adjusted cost of revenues:

CONSOLIDATED

	Three Months Ended March 31,	
In millions	**2016**	2015
Cost of revenues	**$ 36,471**	$ 30,168
Non-GAAP adjustments:		
Acquisition-related integration costs (1)	**(4)**	-
Adjusted cost of revenues	**$ 36,467**	$ 30,168

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

RETAIL/LTC SEGMENT

	Three Months Ended March 31,	
In millions	**2016**	2015
Cost of revenues	**$ 14,282**	$ 11,656
Non-GAAP adjustments:		
Acquisition-related integration costs (1)	**(4)**	-
Adjusted cost of revenues	**$ 14,278**	$ 11,656

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

ADJUSTED OPERATING EXPENSES

The following are reconciliations of operating expenses to adjusted operating expenses:

CONSOLIDATED

Operating expenses	**$ 4,568**	$ 4,032
Non-GAAP adjustments:		
Acquisition-related integration costs (1)	**(57)**	-
Charge related to a disputed 1999 legal settlement	**(3)**	-
Adjusted operating expenses	**$ 4,508**	$ 4,032

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

RETAIL/LTC SEGMENT

In millions	Three Months Ended March 31, **2016**	Three Months Ended March 31, 2015
Operating expenses	**$ 4,053**	$ 3,568
Non-GAAP adjustment:		
Acquisition-related integration costs (1)	**(57)**	-
Adjusted operating expenses	**$ 3,996**	$ 3,568

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

CORPORATE SEGMENT

In millions	Three Months Ended March 31, **2016**	Three Months Ended March 31, 2015
Operating expenses	**$ 212**	$ 189
Non-GAAP adjustments:		
Charge related to a disputed 1999 legal settlement	**(3)**	-
Adjusted operating expenses	**$ 209**	$ 189

ADJUSTED OPERATING PROFIT

The following are reconciliations of operating profit to adjusted operating profit:

CONSOLIDATED

Operating profit	**$ 2,176**	$ 2,132
Non-GAAP adjustments:		
Acquisition-related integration costs (1)	**61**	-
Charge related to a disputed 1999 legal settlement	**3**	-
Adjusted operating profit	**$ 2,240**	$ 2,132

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

RETAIL/LTC SEGMENT

In millions	Three Months Ended March 31, **2016**	2015
Operating profit	**$ 1,777**	$ 1,727
Non-GAAP adjustment:		
Acquisition-related integration costs (1)	**61**	-
Adjusted operating profit	**$ 1,838**	$ 1,727

(1) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

CORPORATE SEGMENT

In millions	Three Months Ended March 31, **2016**	2015
Operating profit	**$ (212)**	$ (189)
Non-GAAP adjustments:		
Charge related to a disputed 1999 legal settlement	**3**	-
Adjusted operating profit	**$ (209)**	$ (189)

ADJUSTED EFFECTIVE INCOME TAX RATE

The following is a reconciliation of effective income tax rate to adjusted income tax rate:

CONSOLIDATED

	Three Months Ended March 31, **2016**	2015
Effective Income tax rate	**39.4%**	38.9%
Impact of non-GAAP adjustments	**(0.1)**	-
Adjusted income tax rate	**39.3%**	38.9%

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A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

2016 GUIDANCE

CVS Health is providing non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's performance. This information should be considered in addition to, but not in lieu of, information prepared in accordance with GAAP.

The following reconciliations contain forward-looking information. All forward-looking information involves risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking information for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

ADJUSTED EARNINGS PER SHARE

The following is a reconciliation of income before income tax provision to Adjusted earnings per share:

SECOND QUARTER 2016

	Three Months Ended June 30,		
	2016E		2015
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision [1]	**$ 2,069**	**$ 2,138**	$ 2,096
Non-GAAP adjustments:			
Amortization of intangible assets	**195**	**195**	131
Acquisition-related transaction and integration costs [1] [2]	**-**	**-**	21
Acquisition-related bridge financing costs [2]	**-**	**-**	36
Adjusted income before income tax provision	**2,264**	**2,333**	2,284
Adjusted income tax provision	**884**	**917**	898
Adjusted net income	**1,380**	**1,416**	1,386
Net income attributable to noncontrolling interest	**-**	**-**	-
Income allocable to participating securities	**(8)**	**(8)**	(7)
Adjusted net income attributable to CVS Health	**$ 1,372**	**$ 1,408**	$ 1,379
Weighted average diluted common shares outstanding	**1,075**	**1,075**	1,132
Adjusted earnings per share	**$ 1.28**	**$ 1.31**	$ 1.22

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target are excluded from 2016 guidance.
(2) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FULL-YEAR 2016

	Year Ended December 31,		
	2016E		2015
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision (1)	**$ 9,330**	**$ 9,606**	$ 8,616
Non-GAAP adjustments:			
Amortization of intangible assets	**800**	**798**	611
Acquisition-related transaction and integration costs (1) (2)	**61**	**61**	220
Acquisition-related bridge financing costs (2)	**-**	**-**	52
Charge related to a disputed 1999 legal settlement	**3**	**3**	90
Adjusted income before income tax provision	**10,194**	**10,468**	9,589
Adjusted income tax provision	**3,974**	**4,082**	3,750
Adjusted income from continuing operations	**6,220**	**6,386**	5,839
Net income attributable to noncontrolling interest	**(7)**	**(7)**	(2)
Income allocable to participating securities	**(30)**	**(30)**	(27)
Adjusted income from continuing operations attributable to CVS Health	**$ 6,183**	**$ 6,349**	$ 5,810
Weighted average diluted common shares outstanding	**1,080**	**1,080**	1,126
Adjusted earnings per share	**$ 5.73**	**$ 5.88**	$ 5.16

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from April 1, 2016, to December 31, 2016, are excluded from 2016 guidance.

(2) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FREE CASH FLOW

For internal comparisons, management finds it useful to assess year-over-year cash flow performance using Free Cash Flow. CVS Health defines Free Cash Flow as net cash provided by operating activities less net additions to properties and equipment (i.e., additions to property and equipment plus proceeds from sale-leaseback transactions). The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

	Year Ended December 31,		
	2016E		2015
In millions	**Low**	**High**	Actual
Net cash provided by operating activities (1) (2)	**$ 7,575**	**$ 7,875**	$ 8,412
Subtract: Additions to property and equipment	**(2,550)**	**(2,450)**	(2,367)
Add: Proceeds from sale-leaseback transactions	**275**	**175**	411
Free Cash Flow	**$ 5,300**	**$ 5,600**	$ 6,456

(1) For the year ended December 31, 2016, net cash provided by operating activities includes $54 million of pre-tax acquisition-related integration costs incurred during the three months ended March 31, 2016. For the year ended December 31, 2015, net cash provided by operating activities includes $52 million of pre-tax acquisition-related bridge financing costs and $220 million of pre-tax acquisition-related transaction and integration costs. The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(2) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for future periods are included in 2016 guidance.