

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, rather than as a substitute for, information prepared in accordance with GAAP. CVS Health's definitions of these non-GAAP items may not be comparable to similarly-titled measurements reported by other companies.

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

Adjusted Earnings per Share, or Adjusted EPS, is income from continuing operations excluding the impact of the amortization of intangible assets, acquisition-related transaction and integration costs, acquisition-related bridge financing costs, a charge related to a disputed 1999 legal settlement, loss on early extinguishment of debt and charge in connection with store rationalization, divided by the company's weighted average diluted shares outstanding. The Company believes that this measure enhances investors' ability to compare the Company's past financial performance with its current performance. The following is a reconciliation of income before income tax provision to Adjusted EPS:

FULL YEAR

<i>In millions, except per share amounts</i>	Year Ended December 31,		
	2016E		2015
	Low	High	Actual
Income before income tax provision ⁽¹⁾	\$ 8,553	\$ 8,654	\$ 8,616
<i>Non-GAAP adjustments:</i>			
Amortization of intangible assets	798	798	611
Acquisition-related transaction and integration costs ^{(1) (2)}	207	207	220
Loss on early extinguishment of debt	643	643	-
Charge related to a disputed 1999 legal settlement	3	3	90
Charge in connection with store rationalization ⁽³⁾	35	35	-
Acquisition-related bridge financing costs ⁽²⁾	-	-	52
Adjusted income before income tax provision	10,239	10,340	9,589
Adjusted income tax provision	3,973	4,012	3,750
Adjusted income from continuing operations	6,266	6,328	5,839
Net income attributable to noncontrolling interest	(2)	(2)	(2)
Adjusted income allocable to participating securities	(32)	(32)	(27)
Adjusted income from continuing operations attributable to CVS Health	\$ 6,232	\$ 6,294	\$ 5,810
Weighted average diluted common shares outstanding	1,080	1,080	1,126
Adjusted EPS	\$ 5.77	\$ 5.83	\$ 5.16

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

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

(3) Estimated asset impairment charge in connection with planned store closures related to our enterprise streamlining initiative.

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:

<i>In millions</i>	Year Ended		
	December 31,		
	2016E		2015
	Low	High	Actual
Net cash provided by operating activities ⁽¹⁾	\$ 9,075	\$ 9,270	\$ 8,412
Subtract: Additions to property and equipment	(2,550)	(2,500)	(2,367)
Add: Proceeds from sale-leaseback transactions	275	230	411
Free Cash Flow	\$ 6,800	\$ 7,000	\$ 6,456

- (1) For the year ending December 31, 2016, net income, a component of net cash provided by operating activities, includes \$186 million of pre-tax acquisition-related integration costs (excluding depreciation) recorded during the nine months ended September 30, 2016. For the year ended December 31, 2015, net income, a component of net cash provided by operating activities, includes \$52 million of pre-tax acquisition-related bridge financing costs and \$208 million of pre-tax acquisition-related transaction and integration costs (excluding depreciation). The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

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

2017 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, rather than as a substitute for, information prepared in accordance with GAAP. CVS Health's definitions of these non-GAAP items may not be comparable to similarly-titled measurements reported by other companies.

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

Adjusted Earnings per Share, or Adjusted EPS, is income from continuing operations excluding the impact of the amortization of intangible assets, loss on settlement of defined benefit plan, change in connection with store rationalization, acquisition-related transaction and integration costs, acquisition-related bridge financing costs, loss on early extinguishment of debt and a charge related to a disputed 1999 legal settlement, divided by the company's weighted average diluted shares outstanding. The Company believes that this measure enhances investors' ability to compare the Company's past financial performance with its current performance. The following is a reconciliation of income before income tax provision to Adjusted EPS:

FIRST QUARTER

<i>In millions, except per share amounts</i>	Three Months Ended		
	March 31,		
	2017E		2016
	Low	High	Actual
Income before income tax provision ⁽¹⁾	\$ 1,376	\$ 1,475	\$ 1,893
<i>Non-GAAP adjustments:</i>			
Amortization of intangible assets	200	200	199
Charge in connection with store rationalization ⁽²⁾	230	230	-
Acquisition-related transaction and integration costs ^{(1) (3)}	-	-	61
Charge related to a disputed 1999 legal settlement	-	-	3
Adjusted income before income tax provision	1,806	1,905	2,156
Adjusted income tax provision	688	726	847
Adjusted income from continuing operations	1,118	1,179	1,309
Net income attributable to noncontrolling interest	-	-	(1)
Adjusted income allocable to participating securities	(6)	(6)	(7)
Adjusted income from continuing operations attributable to CVS Health	\$ 1,112	\$ 1,173	\$ 1,301
Weighted average diluted common shares outstanding	1,041	1,041	1,099
Adjusted EPS	\$ 1.07	\$ 1.13	\$ 1.18

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016, to December 31, 2016, as well as integration costs related to Omnicare for the first quarter 2017 are excluded from estimates.

(2) Estimated lease obligation charge in connection with planned store closures related to our enterprise streamlining initiative.

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

Reconciliation of Non-GAAP Items

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

FULL-YEAR

<i>In millions, except per share amounts</i>	Year Ending December 31,		
	2017E		2016E
	Low	High	Midpoint
Income before income tax provision ⁽¹⁾	\$ 8,564	\$ 8,862	\$ 8,603
<i>Non-GAAP adjustments:</i>			
Amortization of intangible assets	825	825	798
Loss on settlement of defined benefit plan	220	220	-
Charge in connection with store rationalization ⁽²⁾	230	230	35
Acquisition-related transaction and integration costs ^{(1) (3)}	-	-	207
Loss on early extinguishment of debt	-	-	643
Charge related to a disputed 1999 legal settlement	-	-	3
Adjusted income before income tax provision	9,839	10,137	10,289
Adjusted income tax provision	3,827	3,953	3,992
Adjusted income from continuing operations	6,012	6,184	6,297
Net income attributable to noncontrolling interest	(2)	(2)	(2)
Adjusted income allocable to participating securities	(25)	(25)	(32)
Adjusted income from continuing operations attributable to CVS Health	\$ 5,985	\$ 6,157	\$ 6,263
Weighted average diluted common shares outstanding	1,038	1,038	1,080
Adjusted EPS	\$ 5.77	\$ 5.93	\$ 5.80

- (1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016, to December 31, 2016, as well as integration costs related to Omnicare for the full-year 2017 are excluded from estimates.
- (2) Estimated asset impairment charge for the year ending December 31, 2016, and estimated lease obligation charge for the year ending December 31, 2017. The charges are in connection with planned store closures related to our enterprise streamlining initiative.
- (3) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of 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:

<i>In millions</i>	Year Ending December 31,		
	2017E		2016
	Low	High	Midpoint
Net cash provided by operating activities ⁽¹⁾	\$ 7,700	\$ 8,600	\$ 9,172
Subtract: Additions to property and equipment	(2,000)	(2,400)	(2,525)
Add: Proceeds from sale-leaseback transactions	300	200	253
Free Cash Flow	\$ 6,000	\$ 6,400	\$ 6,900

- (1) For the year ending December 31, 2016, net income, a component of net cash provided by operating activities, includes \$186 million of pre-tax acquisition-related integration costs (excluding depreciation) incurred during the nine months ended September 30, 2016. The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.