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, 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.

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 and loss on early extinguishment of debt, 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 earnings per share:

THIRD QUARTER 2016

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions, except per share amounts	**2016**	2015	**2016**	2015
Income before income tax provision	**$ 2,463**	$ 2,070	**$ 5,884**	$ 6,163
Non-GAAP adjustments:				
Amortization of intangible assets	**197**	160	**593**	419
Acquisition-related transaction and integration costs [1]	**65**	127	**207**	147
Loss on early extinguishment of debt	**101**	-	**643**	-
Charge related to a disputed 1999 legal settlement	**-**	-	**3**	-
Acquisition-related bridge financing costs [1]	**-**	16	**-**	52
Adjusted income before income tax provision	**2,826**	2,373	**7,330**	6,781
Adjusted income tax provision	**1,063**	933	**2,832**	2,658
Adjusted income from continuing operations	**1,763**	1,440	**4,498**	4,123
Net income attributable to noncontrolling interest	**(1)**	(1)	**(2)**	(1)
Income allocable to participating securities	**(8)**	(6)	**(23)**	(18)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,754**	$ 1,433	**$ 4,473**	$ 4,104
Weighted average diluted common shares outstanding	**1,073**	1,121	**1,082**	1,130
Adjusted earnings per share	**$ 1.64**	$ 1.28	**$ 4.13**	$ 3.63

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2016**	2015	**2016**	2015
Net cash provided by operating activities [(1)]	**$ 3,925**	$ 1,820	**$ 7,948**	$ 4,841
Subtract: Additions to property and equipment	**(505)**	(548)	**(1,607)**	(1,490)
Add: Proceeds from sale-leaseback transactions	**230**	-	**230**	34
Free Cash Flow	**$ 3,650**	$ 1,272	**$ 6,571**	$ 3,385

(1) For the three and nine months ended September 30, 2016, net income, a component of net cash provided by operating activities, includes $58 million and $186 million, respectively, of pre-tax acquisition-related integration costs (excluding depreciation). The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

EBITDA and ADJUSTED 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 income before income tax provision, loss on early extinguishment of debt, interest, depreciation and amortization. EBITDA can be reconciled to income from continuing operations, which we believe to be the most directly comparable GAAP financial measure. The following are reconciliations of income from continuing operations to EBITDA and Adjusted EBITDA:

CONSOLIDATED

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2016**	2015	**2016**	2015
Income from continuing operations	**$ 1,542**	$ 1,237	**$ 3,613**	$ 3,730
Income tax provision	**921**	833	**2,271**	2,433
Income before income tax provision	**2,463**	2,070	**5,884**	6,163
Loss on early extinguishment of debt	**101**	-	**643**	-
Interest expense, net	**253**	261	**816**	562
Depreciation and amortization [(1)]	**611**	532	**1,847**	1,510
EBITDA	**$ 3,428**	$ 2,863	**$ 9,190**	$ 8,235
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [(2)]	**58**	127	**186**	147
Charge related to a disputed 1999 legal settlement	**-**	-	**3**	-
Adjusted EBITDA	**$ 3,486**	$ 2,990	**$ 9,378**	$ 8,382

(1) For the three and nine months ended September 30, 2016, depreciation and amortization includes $7 million and $21 million, respectively, of acquisition-related integration depreciation. The depreciation and amortization relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(2) Costs associated with the acquisitions of Omnicare and the pharmacies and clinics of Target, excluding the depreciation and amortization mentioned above in footnote (1).

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

In millions	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cost of revenues	**$ 37,123**	$ 31,983	**$110,304**	$ 92,917
Non-GAAP adjustments:				
Acquisition-related integration costs [(1)]	**(5)**	-	**(15)**	-
Adjusted cost of revenues	**$ 37,118**	$ 31,983	**$110,289**	$ 92,917

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

RETAIL/LTC SEGMENT

In millions	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cost of revenues	**$ 14,250**	$ 12,539	**$ 42,693**	$ 36,115
Non-GAAP adjustments:				
Acquisition-related integration costs [(1)]	**(5)**	-	**(15)**	-
Adjusted cost of revenues	**$ 14,245**	$ 12,539	**$ 42,678**	$ 36,115

(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

In millions	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating expenses	**$ 4,675**	$ 4,330	**$ 13,908**	$ 12,502
Non-GAAP adjustments:				
Acquisition-related integration costs [(1)]	**(60)**	(127)	**(192)**	(147)
Charge related to a disputed 1999 legal settlement	**-**	-	**(3)**	-
Adjusted operating expenses	**$ 4,615**	$ 4,203	**$ 13,713**	$ 12,355

(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 September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Operating expenses	**$ 4,120**	$ 3,730	**$ 12,305**	$ 10,940
Non-GAAP adjustment:				
Acquisition-related integration costs [1]	**(47)**	(12)	**(179)**	(12)
Adjusted operating expenses	**$ 4,073**	$ 3,718	**$ 12,126**	$ 10,928

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

CORPORATE SEGMENT

In millions	Three Months Ended September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Operating expenses	**$ 229**	$ 309	**$ 661**	$ 712
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [1]	**$ (13)**	(115)	**$ (13)**	(135)
Charge related to a disputed 1999 legal settlement	**-**	-	**(3)**	-
Adjusted operating expenses	**$ 216**	$ 194	**$ 645**	$ 577

ADJUSTED OPERATING PROFIT

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

CONSOLIDATED

In millions	Three Months Ended September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Operating profit	**$ 2,817**	$ 2,331	**$ 7,343**	$ 6,725
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [1]	**65**	127	**207**	147
Charge related to a disputed 1999 legal settlement	**-**	-	**3**	-
Adjusted operating profit	**$ 2,882**	$ 2,458	**$ 7,553**	$ 6,872

(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 September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Operating profit	**$ 1,773**	$ 1,643	**$ 5,255**	$ 5,050
Non-GAAP adjustment:				
Acquisition-related transaction and integration costs (1)	**52**	12	**194**	12
Adjusted operating profit	**$ 1,825**	$ 1,655	**$ 5,449**	$ 5,062

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

CORPORATE SEGMENT

In millions	Three Months Ended September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Operating profit (loss)	**$ (229)**	$ (309)	**$ (661)**	$ (712)
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs (1)	**13**	115	**13**	135
Charge related to a disputed 1999 legal settlement	**-**	-	**3**	-
Adjusted operating profit (loss)	**$ (216)**	$ (194)	**$ (645)**	$ (577)

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

ADJUSTED INTEREST EXPENSE, NET

The following is a reconciliation of interest expense, net, to adjusted interest expense, net:

CONSOLIDATED

In millions	Three Months Ended September 30, **2016**	Three Months Ended September 30, 2015	Nine Months Ended September 30, **2016**	Nine Months Ended September 30, 2015
Interest expense, net	**$ 253**	$ 261	**$ 816**	$ 562
Non-GAAP adjustment:				
Acquisition-related bridge financing costs (1)	**-**	(16)	**-**	(52)
Adjusted interest expense, net	**$ 253**	$ 245	**$ 816**	$ 510

(1) Costs associated with 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.

ADJUSTED EFFECTIVE INCOME TAX RATE

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

CONSOLIDATED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Effective Income tax rate	**37.4%**	40.2%	**38.6%**	39.5%
Impact of non-GAAP adjustments	**0.2**	(0.9)	**-**	-
Adjusted income tax rate	**37.6%**	39.3%	**38.6%**	39.2%

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 GUIDANCE AND 2017 PRELIMINARY OUTLOOK

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 and loss on early extinguishment of debt, 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 earnings per share:

FOURTH QUARTER 2016

	Three Months Ended December 31,		
	2016E		2015
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision [1]	**$ 2,704**	**$ 2,805**	$ 2,453
Non-GAAP adjustments:			
Amortization of intangible assets	**205**	**205**	191
Acquisition-related transaction and integration costs [1] [2]	**-**	**-**	72
Charge related to a disputed 1999 legal settlement	**-**	**-**	90
Adjusted income before income tax provision	**2,909**	**3,010**	2,806
Adjusted income tax provision	**1,140**	**1,180**	1,093
Adjusted income from continuing operations	**1,769**	**1,830**	1,713
Net income attributable to noncontrolling interest	**-**	**-**	(1)
Income allocable to participating securities	**(9)**	**(9)**	(8)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,760**	**$ 1,821**	$ 1,704
Weighted average diluted common shares outstanding	**1,073**	**1,073**	1,114
Adjusted earnings per share	**$ 1.64**	**$ 1.70**	$ 1.53

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target are excluded from 2016 estimates.
(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]	**$ 8,588**	**$ 8,689**	$ 8,616
Non-GAAP adjustments:			
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
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)
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 earnings per share	**$ 5.77**	**$ 5.83**	$ 5.16

(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, are excluded from 2016 estimates.
(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 2017

	Year Ended December 31,		
	2017E		2016E
In millions, except per share amounts	**Low**	**High**	Midpoint
Income before income tax provision [(1)]	**$ 8,835**	**$ 9,152**	$ 8,638
Non-GAAP adjustments:			
Amortization of intangible assets	**820**	**820**	798
Loss on settlement of defined benefit plan	**220**	**220**	-
Acquisition-related transaction and integration costs [(1) (2)]	**-**	**-**	207
Loss on early extinguishment of debt	**-**	**-**	643
Charge related to a disputed 1999 legal settlement	**-**	**-**	3
Adjusted income before income tax provision	**9,875**	**10,192**	10,289
Adjusted income tax provision	**3,841**	**3,985**	3,992
Adjusted income from continuing operations	**6,034**	**6,207**	6,297
Net income attributable to noncontrolling interest	**(2)**	**(2)**	(2)
Income allocable to participating securities	**(33)**	**(33)**	(32)
Adjusted income from continuing operations attributable to CVS Health	**$ 5,999**	**$ 6,172**	$ 6,263
Weighted average diluted common shares outstanding	**1,040**	**1,040**	1,080
Adjusted earnings per share	**$ 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 full-year 2017 are excluded from estimates.
(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)	**$ 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 ended 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. 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.

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