

CVS/pharmacy

One CVS Drive Woonsocket, RI 02895

Rx

Prescription For:

A
Healthy
Tomorrow

SIGNATURE		PRINT NAME
SUBSTITUTION		REFILL
YES		PAD CONTROL NUMBER SHOULD BE RED
RX NUMBER		
NO		

824796

17070-009(2/02)



2001 Achievements

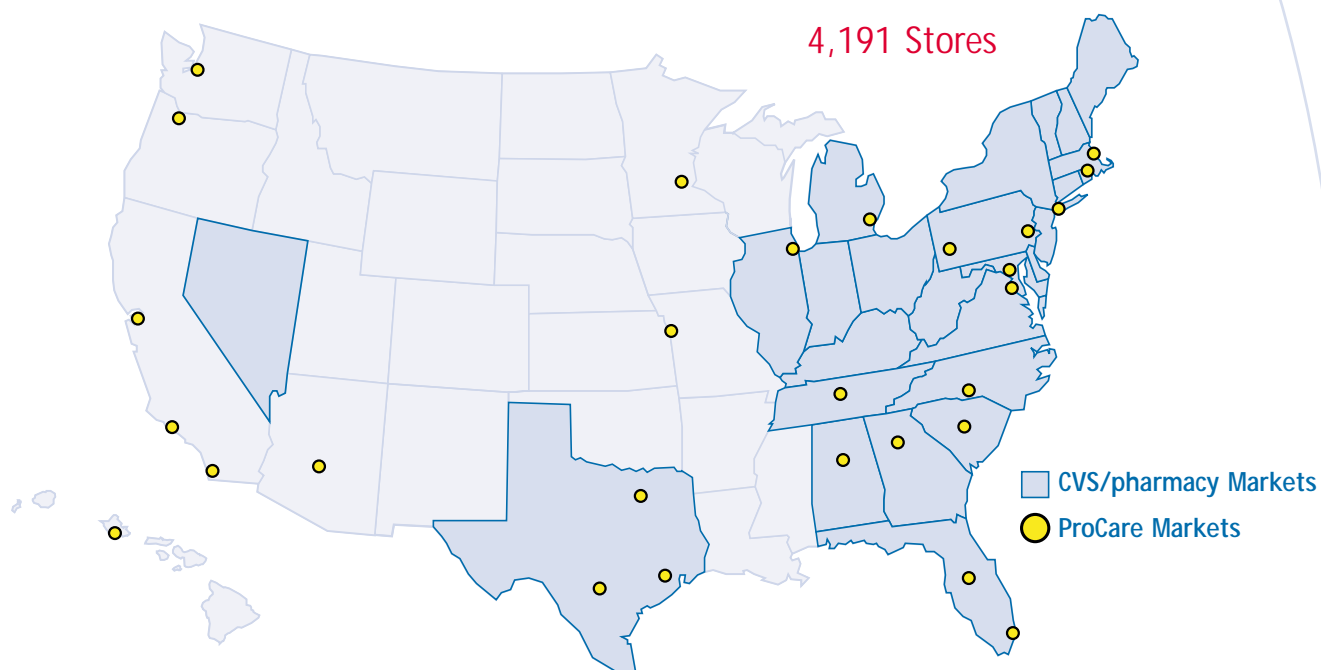
- Total sales increased 10.7% to more than \$22 Billion.
- Same store sales rose 8.6%, while pharmacy same store sales increased 13.0%.
- We opened 248 new and relocated stores, and ended the year with 4,191 stores.
- 43 of our new stores in 2001 were in new CVS markets with substantial growth potential, including Miami, Tampa, Orlando, Ft. Lauderdale, Chicago, Dallas, Houston, and Las Vegas.
- We rolled out our EPIC pharmacy system and workflow improvements to all of our stores.
- We improved inventory turns for the 4th consecutive year, hitting our 2001 goal of 4.3x.
- Our senior debt rating was upgraded by Moody's to A2, while our commercial paper rating was raised to Prime-1.
- We now operate 1,200 extended-hour stores, 1,600 drive-thru pharmacies, and 3,100 one-hour photo labs, offering convenience to our customers.
- More than 25 million people became ExtraCare® cardholders in the first year of our customer loyalty program, far exceeding our goal.

Financial Highlights

<i>In millions, except per share</i>	2001 (52 weeks)	2000 (52 weeks)	% Change
Sales	\$ 22,241.4	\$ 20,087.5	10.7
Operating profit*	1,119.6	1,303.5	-14.1
Net earnings*	641.6	734.5	-12.7
Diluted earnings per common share*	1.56	1.80	-13.3

* Excludes the impact of a restructuring charge in 2001 and nonrecurring gains recorded in 2000 and 2001. See page 31 for further information.

Store Count By State



139 Alabama	268 Indiana	29 New Hampshire	140 Tennessee
1 Arizona	66 Kentucky	219 New Jersey	11 Texas
7 California	18 Maine	414 New York	2 Vermont
129 Connecticut	172 Maryland	274 North Carolina	245 Virginia
2 Delaware	327 Massachusetts	375 Ohio	1 Washington
45 Florida	248 Michigan	1 Oregon	50 Washington, D.C.
281 Georgia	1 Minnesota	347 Pennsylvania	55 West Virginia
1 Hawaii	1 Missouri	54 Rhode Island	
90 Illinois	3 Nevada	175 South Carolina	

T O O U R S H A R E H O L D E R S

2001 will be remembered as a year of great challenge—for our country, for its citizens, and for our economy. CVS Corporation will remember the year no differently.

Businesses of all sizes and across every industry faced intense challenges as we adjusted to the realities of our weakening economy. We are fortunate that our business, for the most part, is recession-resistant since we sell items that people need in their daily lives. Nevertheless, we experienced some specific areas of disappointment in 2001. We have taken action to correct the isolated pockets of problems that were within our control. Those factors not within our control—including the absence of major new drug approvals, the timing of generic introductions, and the weak economy—are likely to rebound over time. We see significant cause for optimism in 2002 and beyond.

We believe the pharmacy industry has the best long-term growth dynamics in all of retail. According to IMS Health, the pharmacy industry is projected to grow at a 12 to 14% annual rate through 2005. By that time, the pharmacy industry is expected to fill one billion more prescriptions than it does today. An aging American population, the introduction of new drugs, a strong generic pipeline, and the prospect of expanding Medicare benefits all contribute to this promising outlook. With more market leadership positions than any competitor—we rank #1 or #2 in 75% of the markets we serve—we are extremely well positioned to seize such growth opportunities.

Our prescription for growth includes a renewed focus on what made us so successful in the past—superior execution at the store level—by assuring our stores meet the “Triple S” of customer service. We want to be sure our customers can find everything they expect *in-stock*, that they can *shop* in a neat, well-organized store, and that they experience quick, personal, courteous *service*.

We are positioning ourselves with cutting-edge technology and innovative marketing programs, designed to improve service to customers and keep them coming back to our stores. Our ExtraCare® Loyalty Card, launched in early 2001, already has more than 25 million cardholders, far surpassing our projections. Our EPIC (Excellence in Pharmacy Innovation and Care) solution is active now in every store, increasing pharmacy productivity and reducing customer wait times. And our Assisted Inventory Management (AIM) system, which will be rolled out in 2002, is expected to improve our in-stock position, thereby enhancing customer service.

Our strong balance sheet is more cause for optimism as we enter 2002. We have the financial strength to support our aggressive growth program in the years to come.

We intend to leverage that strength as we target and enter new markets. We are establishing beachhead positions in some of the fastest-growing drugstore markets in the U.S., including Tampa, Orlando, Ft. Lauderdale, Miami, Chicago, Las Vegas, Dallas, and Houston. Early results are extremely promising. We plan to continue penetrating these and other high-growth markets in 2002 and the foreseeable future.

Finally, I have great confidence in our people, particularly our senior management team, which I believe is the best in the industry. They have played an integral part in our past successes.

We have a strong history of growth at CVS, making swift, steady progress since becoming a public company in 1996. Then, we had annual sales of \$5 billion. Today, sales are more than \$22 billion. Then, we had 1,400 stores in 14 states and the District of Columbia. Today, we rank #1 in store count with approximately 4,200 stores in 33 states and the District of Columbia.



