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.

2017 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 certain adjustments such as the amortization of intangible assets, acquisition-related transaction and integration costs, adjustments to reserves in connection with certain legal settlements, charges in connection with store rationalization, losses on early extinguishment of debt and losses on settlements of defined benefit pension plans, 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 2017

In millions, except per share amounts	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Income before income tax provision	**$ 1,534**	$ 1,893
Non-GAAP adjustments:		
Amortization of intangible assets	**200**	199
Acquisition-related integration costs (1)	**15**	61
Charge in connection with store rationalization (2)	**199**	-
Charge related to a disputed 1999 legal settlement	**-**	3
Adjusted income before income tax provision	**1,948**	2,156
Adjusted income tax provision	**734**	847
Adjusted income from continuing operations	**1,214**	1,309
Net income attributable to noncontrolling interest	**(1)**	(1)
Adjusted Income allocable to participating securities	**(5)**	(7)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,208**	$ 1,301
Weighted average diluted shares outstanding	**1,035**	1,099
Adjusted EPS	**$ 1.17**	$ 1.18

(1) In 2017, the integration costs relate to the acquisition of Omnicare. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(2) Primarily represents a charge for noncancelable lease obligations associated with stores closed in connection with 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 property 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, **2017**	Three Months Ended March 31, 2016 (1)
Net cash provided by operating activities	**$ 3,533**	$ 2,439
Subtract: Additions to property and equipment	**(457)**	(598)
Free Cash Flow	**$ 3,076**	$ 1,841

(1) During the three months ended March 31, 2017, the company adopted Accounting Standard Update ("ASU") 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which resulted in a retrospective reclassification of $27 million of excess tax benefits from financing activities to operating activities, which increased net cash provided by operating activities for the three months ended March 31, 2016.

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.

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 March 31,	
In millions	**2017**	2016
Income from continuing operations	**$ 962**	$ 1,147
Income tax provision	**572**	746
Income before income tax provision	**1,534**	1,893
Interest expense, net	**252**	283
Depreciation and amortization (1)	**619**	617
EBITDA	**$ 2,405**	$ 2,793
Non-GAAP adjustments:		
Acquisition-related integration costs (2)	**15**	61
Charge in connection with store rationalization (3)	**199**	-
Charge related to a disputed 1999 legal settlement	**-**	3
Adjusted EBITDA	**$ 2,619**	$ 2,857

(1) For the three months ended March 31, 2016, depreciation and amortization includes $7 million of acquisition-related integration depreciation related 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). In 2016, the costs relate to both acquisitions. In 2017, the costs relate to the acquisition of Omnicare.

(3) Primarily represents a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

PHARMACY SERVICES SEGMENT

	Three Months Ended March 31,	
In millions	**2017**	2016
Operating profit (1)	**$ 784**	$ 784
Depreciation and amortization	**180**	178
Other expense	**(1)**	(2)
EBITDA	**$ 963**	$ 960

(1) The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased Pharmacy Services Segment operating profit by $2 million.

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, **2017**	Three Months Ended March 31, 2016
Operating profit (1)	**$ 1,411**	$ 1,784
Depreciation and amortization (2)	**411**	408
Other expense	**(5)**	(7)
EBITDA	**$ 1,817**	$ 2,185

(1) Operating profit for the three months ended March 31, 2017 and 2016, includes $15 million and $61 million, respectively, of acquisition-related integration costs. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare. Operating profit for the three months ended March 31, 2017, includes a $199 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased Retail/LTC Segment operating profit by $7 million.

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

CORPORATE SEGMENT

In millions	Three Months Ended March 31, **2017**	Three Months Ended March 31, 2016
Operating profit (loss) (1)	**$ (226)**	$ (212)
Depreciation and amortization	**28**	31
Other expense	**(1)**	-
EBITDA	**$ (199)**	$ (181)

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

ADJUSTED COST OF REVENUES

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

CONSOLIDATED

In millions	Three Months Ended March 31, **2017**	Three Months Ended March 31, 2016
Cost of revenues	**$ 37,934**	$ 36,471
Non-GAAP adjustments:		
Acquisition-related integration costs (1)	**-**	(4)
Adjusted cost of revenues	**$ 37,934**	$ 36,467

(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

	Three Months Ended March 31,	
In millions	**2017**	2016
Cost of revenues	**$ 13,665**	$ 14,282
Non-GAAP adjustments:		
Acquisition-related integration costs [(1)]	**-**	(4)
Adjusted cost of revenues	**$ 13,665**	$ 14,278

(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

	Three Months Ended March 31,	
In millions	**2017**	2016
Operating expenses [(1)]	**$ 4,787**	$ 4,559
Non-GAAP adjustments:		
Acquisition-related integration costs [(2)]	**(15)**	(57)
Charge in connection with store rationalization [(3)]	**(199)**	-
Charge related to a disputed 1999 legal settlement	**-**	(3)
Adjusted operating expenses	**$ 4,573**	$ 4,499

(1) The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased consolidated operating expenses by $9 million.
(2) In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare.
(3) Primarily related to a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

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

	Three Months Ended March 31,	
In millions	**2017**	2016
Operating expenses [1]	**$ 4,265**	$ 4,046
Non-GAAP adjustment:		
Acquisition-related integration costs [2]	**(15)**	(57)
Charge in connection with store rationalization [3]	**(199)**	-
Adjusted operating expenses	**$ 4,051**	$ 3,989

(1) The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased Retail/LTC Segment operating expenses by $7 million.
(2) In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare.
(3) Primarily related to a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

CORPORATE SEGMENT

	Three Months Ended March 31,	
In millions	**2017**	2016
Operating expenses	**$ 226**	$ 212
Non-GAAP adjustments:		
Charge related to a disputed 1999 legal settlement	**-**	(3)
Adjusted operating expenses	**$ 226**	$ 209

ADJUSTED OPERATING PROFIT

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

CONSOLIDATED

	Three Months Ended March 31,	
In millions	**2017**	2016
Operating profit [1]	**$ 1,793**	$ 2,185
Non-GAAP adjustments:		
Acquisition-related integration costs [2]	**15**	61
Charge in connection with store rationalization [3]	**199**	-
Charge related to a disputed 1999 legal settlement	**-**	3
Adjusted operating profit	**$ 2,007**	$ 2,249

(1) The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased consolidated operating profit by $9 million.
(2) In 2016, costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare.
(3) Primarily related to a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

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, **2017**	2016
Operating profit [1]	**$ 1,411**	$ 1,784
Non-GAAP adjustment:		
Acquisition-related integration costs [2]	**15**	61
Charge in connection with store rationalization [3]	**199**	-
Adjusted operating profit	**$ 1,625**	$ 1,845

(1) The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased Retail/LTC operating profit by $7 million.
(2) In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare.
(3) Primarily related to a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

CORPORATE SEGMENT

In millions	Three Months Ended March 31, **2017**	2016
Operating loss	**$ (226)**	$ (212)
Non-GAAP adjustments:		
Charge related to a disputed 1999 legal settlement	**-**	3
Adjusted operating loss	**$ (226)**	$ (209)

ADJUSTED EFFECTIVE INCOME TAX RATE

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

CONSOLIDATED

	Three Months Ended March 31, **2017**	2016
Effective Income tax rate	**37.3%**	39.4%
Impact of non-GAAP adjustments	**0.4**	(0.1)
Adjusted income tax rate	**37.7%**	39.3%

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.

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, acquisition-related integration costs, charges in connection with store rationalization, loss on settlement of defined benefit pension plan, loss on early extinguishment of debt, and adjustments to legal reserves in connection with certain legal settlements, 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:

SECOND QUARTER 2017

	Three Months Ended June 30,		
	2017E		2016
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision	**$ 1,917**	**$ 1,994**	$ 1,528
Non-GAAP adjustments:			
Amortization of intangible assets	**200**	**200**	197
Acquisition-related integration costs (1)	**15**	**15**	81
Charge in connection with store rationalization (2)	**10**	**10**	-
Loss on early extinguishment of debt	**-**	**-**	542
Adjusted income before income tax provision	**2,142**	**2,219**	2,348
Adjusted income tax provision	**812**	**843**	923
Adjusted income from continuing operations	**1,330**	**1,376**	1,425
Net income attributable to noncontrolling interest	**-**	**-**	-
Adjusted income allocable to participating securities	**(5)**	**(5)**	(6)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,325**	**$ 1,371**	$ 1,419
Weighted average diluted common shares outstanding	**1,029**	**1,029**	1,075
Adjusted EPS	**$ 1.29**	**$ 1.33**	$ 1.32

(1) In 2016, costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the estimated costs relate to the acquisition of Omnicare.
(2) Primarily represents a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

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		2016
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision	**$ 8,563**	**$ 8,806**	$ 8,637
Non-GAAP adjustments:			
Amortization of intangible assets	**820**	**820**	795
Acquisition-related integration costs [1]	**40**	**40**	291
Charge in connection with store rationalization [2]	**220**	**220**	34
Loss on settlement of defined benefit pension plan	**200**	**200**	-
Loss on early extinguishment of debt	**-**	**-**	643
Adjustments to legal reserves in connection with legal settlements [3]	**-**	**-**	(85)
Adjusted income before income tax provision	**9,843**	**10,086**	10,315
Adjusted income tax provision	**3,862**	**3,949**	3,982
Adjusted income from continuing operations	**5,981**	**6,137**	6,333
Net income attributable to noncontrolling interest	**(2)**	**(2)**	(2)
Income allocable to participating securities	**(25)**	**(25)**	(31)
Adjusted income from continuing operations attributable to CVS Health	**$ 5,954**	**$ 6,110**	$ 6,300
Weighted average diluted common shares outstanding	**1,031**	**1,031**	1,079
Adjusted earnings per share	**$ 5.77**	**$ 5.93**	$ 5.84

(1) In 2016, costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the estimated costs relate to the acquisition of Omnicare.

(2) Primarily represents a charge for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

(3) Represents legal charge of $3 million in the first quarter of 2016 in connection with a disputed 1999 legal settlement, and an $88 million reversal of an accrual in connection with a legal settlement in the fourth quarter of 2016.

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 property 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,		
	2017E		2016 (1)
In millions	**Low**	**High**	Actual
Net cash provided by operating activities	**$ 7,700**	**$ 8,600**	$ 10,141
Subtract: Additions to property and equipment	**(2,000)**	**(2,400)**	(2,224)
Add: Proceeds from sale-leaseback transactions	**300**	**200**	230
Free Cash Flow	**$ 6,000**	**$ 6,400**	$ 8,147

(1) During the three months ended March 31, 2017, the Company adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which resulted in a retrospective reclassification of $72 million of excess tax benefits from financing activities to operating activities which increased net cash provided by operating activities for the year ended December 31, 2016.