Reconciliation of Non-GAAP Items Required by SEC Rules

Below is 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 DEBT

The following is a reconciliation of total borrowings to adjusted debt:

in millions	Year Ended December 31, 2016
Total borrowings [(1)]	**$ 27,531**
Net present value of operating leases [(2)]	**16,515**
Adjusted debt	**$ 44,046**

(1) Source: CVS Health Form 10-K for fiscal year 2016, Note 5: Borrowing and Credit Agreements.
(2) See attached schedule "Present Value of Operating Leases" on page 3.

ADJUSTED EBITDA

For purposes of calculating Adjusted Debt-to-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 and adjusted EBITDA:

in millions	Year ended December 31 2016
Consolidated operating profit [(1)]	**$ 10,338**
Depreciation and amortization	**2,475**
EBITDA	**12,813**
Implied interest expense on operating leases [(2)]	**1,393**
Adjusted EBITDA	**$ 14,206**

(1) For the year ended December 31, 2016, includes $291 million of acquisition-related integration costs, $85 million of adjustments to reserves in connection with certain legal settlements and a $34 million asset impairment charge in connection with planned store closures in 2017 related to our enterprise streamlining initiative. The integration costs relate to the acquisitions of Omnicare, Inc. and the pharmacies and clinics of Target Corporation.
(2) See attached schedule "Adjustments to EBITDA" on page 2.

Reconciliation of Non-GAAP Items Required by SEC Rules

Below are schedules that are derived from or support the reconciliation of non-GAAP items on page 1.

ADJUSTED DEBT-TO-EBITDA

in millions (except leverage ratio)	Year Ended December 31 2016
Adjusted debt	**$ 44,046**
Adjusted EBITDA	**$ 14,206**
Adjusted debt-to-EBITDA	**3.1x**

ADJUSTMENTS TO EBITDA

in millions	Year Ended December 31, **2015**	Year Ended December 31, **2016**
Present value of operating leases (1)	**$ 16,270**	**$ 16,515**
Average present value of operating leases		**16,393**
Implied interest expense on operating leases (2)		**$ 1,393**

(1) See attached schedule "Present Value of Operating Leases" on page 3.
(2) Interest rate = discount rate = 8.5%.

Below are schedules that are derived from or support the reconciliation of non-GAAP items on page 1.

PRESENT VALUE OF OPERATING LEASES

Summary of the future minimum lease payments under operating leases as of December 31, 2016:

2016

in millions	Operating Leases Actual [1][2]	Operating Leases Present Value [3]
2017	$ **2,458**	$ **2,265**
2018	**2,361**	**2,006**
2019	**2,209**	**1,729**
2020	**2,040**	**1,472**
2021	**1,910**	**1,270**
Thereafter [4]	**16,368**	**7,773**
Total future lease payments [5]	$ **27,346**	$ **16,515**

(1) Costs Source: CVS Health Form 10-K for fiscal year 2016, Notes to Consolidated Financial Statements, Note 6: Leases.
(2) Future operating lease payments have not been reduced by the minimum sublease rentals of $176 million due in the future under noncancelable subleases.
(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(4) CVS Health leases pharmacy and clinic space from Target Corporation. Amounts related to such operating leases are reflected in this schedule. Amounts due in excess of the remaining estimated economic life of the buildings are not reflected herein because the estimated economic life of the buildings is shorter than the contractual term of the lease agreement.
(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2021 operating lease payments to obtain the approximate number of years left, at the 2021 level, of lease payments. In this case, 16,368/1,910 = approximately nine years. Then, use nine years worth of operating lease payments of $1,910 million (the 2021 level) to calculate the associated present value.

Summary of the future minimum lease payments under operating leases as of December 31, 2015:

2015

in millions	Operating Leases Actual [1][2]	Operating Leases Present Value [3]
2016	$ **2,405**	$ **2,217**
2017	**2,321**	**1,972**
2018	**2,197**	**1,720**
2019	**2,044**	**1,475**
2020	**1,877**	**1,248**
Thereafter [4]	**16,837**	**7,638**
Total future lease payments [5]	$ **27,681**	$ **16,270**

(1) Costs Source: CVS Health Form 10-K for fiscal year 2015, Notes to Consolidated Financial Statements, Note 7: Leases.
(2) Future operating lease payments have not been reduced by the minimum sublease rentals of $180 million due in the future under noncancelable subleases.
(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(4) CVS Health leases pharmacy and clinic space from Target Corporation. Amounts related to such operating leases are reflected in this schedule. Amounts due in excess of the remaining estimated economic life of the buildings are not reflected herein because the estimated economic life of the buildings is shorter than the contractual term of the lease agreement.
(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2020 operating lease payments to obtain the approximate number of years left, at the 2020 level, of lease payments. In this case, 16,837/1,877 = approximately nine years. Then, use nine years worth of operating lease payments of $1,877 million (the 2020 level) to calculate the associated present value.