# 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, acquisition-related bridge financing costs, transaction costs in connection with divestures of subsidiaries, goodwill impairments, charges in connection with store rationalization, losses on settlements of defined benefit pension plans, adjustments to reserves in connection with certain legal settlements, and losses 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 EPS:

### FOURTH QUARTER 2017

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *In millions, except per share amounts* | **2017** | 2016 | **2017** | 2016 |
| Income before income tax provision | **$ 2,809** | $ 2,753 | **$ 8,268** | $ 8,637 |
| *Non-GAAP adjustments:* | | | | |
| Amortization of intangible assets | **209** | 202 | **817** | 795 |
| Acquisition-related transaction and integration costs [(1)] | **34** | 84 | **65** | 291 |
| Acquisition-related bridge financing costs [(2)] | **56** | - | **56** | - |
| Transaction costs in connection with divestiture of subsidiary [(3)] | **9** | - | **9** | - |
| Goodwill impairments [(4)] | **46** | - | **181** | - |
| Charges in connection with store rationalization [(5)] | **4** | 34 | **215** | 34 |
| Losses on settlements of defined benefit pension plans | **-** | - | **187** | - |
| Adjustments to reserves in connection with certain legal settlements [(6)] | **-** | (88) | **-** | (85) |
| Loss on early extinguishment of debt | **-** | - | **-** | 643 |
| Adjusted income before income tax provision | **3,167** | 2,985 | **9,798** | 10,315 |
| Adjusted income tax provision [(7)] | **1,213** | 1,149 | **3,733** | 3,982 |
| Adjusted income from continuing operations | **1,954** | 1,836 | **6,065** | 6,333 |
| Net income attributable to noncontrolling interest | **-** | - | **(1)** | (2) |
| Adjusted Income allocable to participating securities | **(5)** | (9) | **(22)** | (31) |
| Adjusted income from continuing operations attributable to CVS Health | **$ 1,949** | $ 1,827 | **$ 6,042** | $ 6,300 |
| Weighted average diluted shares outstanding | **1,018** | 1,069 | **1,024** | 1,079 |
| Adjusted EPS | **$ 1.92** | $ 1.71 | **$ 5.90** | $ 5.84 |

(1) In 2017, the integration costs relate to the acquisition of Omnicare and the transaction costs relate to the proposed acquisition of Aetna. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(2) Bridge financing costs relate to the proposed acquisition of Aetna and are included in interest expense.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.

(4) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(5) Primarily represents charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.
(6) Represents a 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.
(7) The adjusted income tax provision for the three months and year ended December 31, 2017, excludes approximately $1.5 billion of an income tax benefit associated with the enactment of the Tax Cuts and Jobs Act in December 2017.

## 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 December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 [(1)] |
| Net cash provided by operating activities | **$ (136)** | $ 2,121 | **$ 8,007** | $ 10,141 |
| Subtract: Additions to property and equipment | **(506)** | (617) | **(1,918)** | (2,224) |
| Add: Proceeds from sale-leaseback transactions | **-** | - | **265** | 230 |
| Free Cash Flow | **$ (642)** | $ 1,504 | **$ 6,354** | $ 8,147 |

(1) Effective January 1, 2017, the company adopted Accounting Standard Update ("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.

# 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 December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *In millions* | **2017** | 2016 | **2017** | 2016 |
| Income from continuing operations | **$ 3,287** | $ 1,707 | **$ 6,631** | $ 5,320 |
| Income tax provision | **(478)** | 1,046 | **1,637** | 3,317 |
| Income before income tax provision | **2,809** | 2,753 | **8,268** | 8,637 |
| Loss on early extinguishment of debt | **-** | - | **-** | 643 |
| Interest expense, net | **297** | 242 | **1,041** | 1,058 |
| Depreciation and amortization (1) | **622** | 628 | **2,479** | 2,475 |
| EBITDA | **$ 3,728** | $ 3,623 | **$ 11,788** | $ 12,813 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related transaction and integration costs (2) | **34** | 76 | **65** | 261 |
| Transaction costs in connection with divestiture of subsidiary (3) | **9** | - | **9** | - |
| Goodwill impairments (4) | **46** | - | **181** | - |
| Charges in connection with store rationalization (5) | **4** | 34 | **215** | 34 |
| Losses on settlements of defined benefit pension plans | **-** | - | **187** | - |
| Adjustments to reserves in connection with certain legal settlements (6) | **-** | (88) | **-** | (85) |
| Adjusted EBITDA | **$ 3,821** | $ 3,645 | **$ 12,445** | $ 13,023 |

(1) For the three months and year ended December 31, 2016, depreciation and amortization includes $8 million and $30 million, respectively, 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 2017, the costs relate to the acquisition of Omnicare. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.
(4) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(5) Primarily represents charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.
(6) Represents a 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.*

## PHARMACY SERVICES SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating profit [1] | **$ 1,483** | $ 1,394 | **$ 4,755** | $ 4,676 |
| Depreciation and amortization | **176** | 179 | **712** | 713 |
| Other expense | **-** | - | **(3)** | (4) |
| EBITDA | **$ 1,659** | $ 1,573 | **$ 5,464** | $ 5,385 |

(1) Operating profit for the year ended December 31, 2016 were 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 $4 million. Includes an $88 million reversal of an accrual in connection with a legal settlement for the three months and year ended December 31, 2016.

## RETAIL/LTC SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating profit [1] | **$ 2,094** | $ 2,029 | **$ 6,469** | $ 7,302 |
| Depreciation and amortization [2] | **416** | 420 | **1,651** | 1,643 |
| Other expense | **(2)** | (3) | **(16)** | (21) |
| EBITDA | **$ 2,508** | $ 2,446 | **$ 8,104** | $ 8,924 |

(1) Operating profit for the three months ended December 31, 2016, includes $87 million of acquisition-related integration costs. Operating profit for the year ended December 31, 2017 and 2016, includes $34 million and $281 million, respectively, of acquisition-related integration costs. In 2017, the costs relate to the acquisition of Omnicare. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. Operating profit for the three months and year ended December 31, 2017, includes goodwill impairment charges of $46 million and $181 million, respectively, related to the RxCrossroads reporting unit. Operating profit for the three months ended December 31, 2017 and 2016, includes charges of $4 million and $34 million, respectively, primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. Operating profit for the year ended December 31, 2017 and 2016, includes charges of $215 million and $34 million in connection with store rationalization. Operating profit for the three months and year ended December 31, 2016 were 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 $2 million and $16 million, respectively.

(2) For the three months and year ended December 31, 2016, depreciation and amortization includes $8 million and $30 million, respectively, of acquisition-related integration depreciation related 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.*

## CORPORATE SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating loss [1] | **$ (280)** | $ (231) | **$ (966)** | $ (891) |
| Depreciation and amortization | **30** | 29 | **116** | 119 |
| Other expense [2] | **-** | (2) | **(189)** | (3) |
| EBITDA | **$ (250)** | $ (204) | **$ (1,039)** | $ (775) |

(1) Operating loss for the three months and year ended December 31, 2017, include $34 million and $31 million, respectively, of acquisition related transaction and integration costs related to the proposed acquisition of Aetna and the acquisition of Omnicare. Operating loss for the three months ended December 31, 2016, includes a $3 million reduction of acquisition-related integration costs for a change in estimate related to the acquisition of Omnicare. Operating loss for the year ended December 31, 2016, includes $10 million of acquisition-related integration costs related to the Omnicare and a $3 million charge related to a disputed 1999 legal settlement.

(2) Other expense for the year ended December 31, 2017, include $187 million of losses on settlements of defined benefit pension plans.

## ADJUSTED COST OF REVENUES

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

## CONSOLIDATED

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Cost of revenues | **$ 40,481** | $ 38,365 | **$ 156,220** | $ 148,669 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related integration costs [1] | **5** | (31) | **(2)** | (46) |
| Adjusted cost of revenues | **$ 40,486** | $ 38,334 | **$ 156,218** | $ 148,623 |

(1) In 2017, the costs are associated with the acquisition of Omnicare. In 2016, the costs are associated with the acquisitions of Omnicare and the pharmacies and clinics of Target.

## RETAIL/LTC SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Cost of revenues | **$ 14,629** | $ 14,669 | **$ 56,081** | $ 57,362 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related integration costs [1] | **5** | (31) | **(2)** | (46) |
| Adjusted cost of revenues | **$ 14,634** | $ 14,638 | **$ 56,079** | $ 57,316 |

(1) In 2017, the costs are associated with the acquisition of Omnicare. In 2016, the costs are 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.*

## ADJUSTED OPERATING EXPENSES

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

### CONSOLIDATED

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *In millions* | **2017** | 2016 | **2017** | 2016 |
| Operating expenses [1] | **$ 4,796** | $ 4,606 | **$ 19,028** | $ 18,491 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related transaction and integration costs [2] | **(39)** | (53) | **(63)** | (245) |
| Transaction costs in connection with divestiture of subsidiary [3] | **(9)** | - | **(9)** | - |
| Goodwill impairments [4] | **(46)** | - | **(181)** | - |
| Charges in connection with store rationalization [5] | **(4)** | (34) | **(215)** | (34) |
| Adjustments to reserves in connection with certain legal settlements [6] | **-** | 88 | **-** | 85 |
| Adjusted operating expenses | **$ 4,698** | $ 4,607 | **$ 18,560** | $ 18,297 |

(1) The 2016 operating expense amounts were 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 $5 million and $28 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the transaction costs relate to the proposed acquisition of Aetna and 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.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.
(4) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(5) Primarily related to charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.
(6) Represents a 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.

### PHARMACY SERVICES SEGMENT

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *In millions* | **2017** | 2016 | **2016** | 2015 |
| Operating expenses [1] | **$ 347** | $ 241 | **$ 1,285** | $ 1,225 |
| *Non-GAAP adjustment:* | | | | |
| Adjustment to reserve in connection with legal settlement | **-** | 88 | **-** | 88 |
| Adjusted operating expenses | **$ 347** | $ 329 | **$ 1,285** | $ 1,313 |

(1) The 2016 operating expense amounts were 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 Pharmacy Services Segment operating expenses by $4 million for the year ended December 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.*

## RETAIL/LTC SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating expenses [1] | **$ 4,187** | $ 4,149 | **$ 16,848** | $ 16,436 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related integration costs [2] | **(5)** | (56) | **(32)** | (235) |
| Goodwill impairments [3] | **(46)** | - | **(181)** | - |
| Charges in connection with store rationalization [4] | **(4)** | (34) | **(215)** | (34) |
| Adjusted operating expenses | **$ 4,132** | $ 4,059 | **$ 16,420** | $ 16,167 |

(1) The 2016 operating expense amounts were 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 $3 million and $21 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the costs relate to the acquisition of Omnicare. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(3) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(4) Primarily related to charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

## CORPORATE SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating expenses [1] | **$ 280** | $ 231 | **$ 966** | $ 891 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related transaction and integration costs [2] | **(34)** | 3 | **(31)** | (10) |
| Transaction costs in connection with divestiture of subsidiary [3] | **(9)** | - | **(9)** | - |
| Charge related to a disputed 1999 legal settlement | - | - | - | (3) |
| Adjusted operating expenses | **$ 237** | $ 234 | **$ 926** | $ 878 |

(1) The 2016 operating expense amounts were 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 Corporate Segment operating expenses by $2 million and $3 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the transaction costs relate to the proposed acquisition of Aetna and 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.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.

# 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 OPERATING PROFIT

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

### CONSOLIDATED

| *In millions* | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Operating profit [1] | **$ 3,108** | $ 3,000 | **$ 9,517** | $ 10,366 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related transaction and integration costs [2] | **34** | 84 | **65** | 291 |
| Transaction costs in connection with divestiture of subsidiary [3] | **9** | - | **9** | - |
| Goodwill impairments [4] | **46** | - | **181** | - |
| Charges in connection with store rationalization [5] | **4** | 34 | **215** | 34 |
| Adjustments to reserves in connection with certain legal settlements [6] | **-** | (88) | **-** | (85) |
| Adjusted operating profit | **$ 3,201** | $ 3,030 | **$ 9,987** | $ 10,606 |

(1) 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 $5 million and $28 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the transaction costs relate to the proposed acquisition of Aetna and 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.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.
(4) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(5) Primarily related to charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.
(6) Represents a 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.

### PHARMACY SERVICES SEGMENT

| *In millions* | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Operating profit [1] | **$ 1,483** | $ 1,394 | **$ 4,755** | $ 4,676 |
| *Non-GAAP adjustment:* | | | | |
| Adjustment to reserve in connection with legal settlement | **-** | (88) | **-** | (88) |
| Adjusted operating profit | **$ 1,483** | $ 1,306 | **$ 4,755** | $ 4,588 |

(1) 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 $4 million for the year ended December 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.*

## RETAIL/LTC SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating profit [1] | **$ 2,094** | $ 2,029 | **$ 6,469** | $ 7,302 |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related integration costs [2] | **-** | 87 | **34** | 281 |
| Goodwill impairments [3] | **46** | - | **181** | - |
| Charges in connection with store rationalization [4] | **4** | 34 | **215** | 34 |
| Adjusted operating profit | **$ 2,144** | $ 2,150 | **$ 6,899** | $ 7,617 |

(1) 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 $3 million and $21 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the costs relate to the acquisition of Omnicare. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(3) Goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(4) Primarily related to charges for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative.

## CORPORATE SEGMENT

| *In millions* | Three Months Ended December 31, **2017** | 2016 | Twelve Months Ended December 31, **2017** | 2016 |
|---|---|---|---|---|
| Operating loss [1] | **$ (280)** | $ (231) | **$ (966)** | $ (891) |
| *Non-GAAP adjustments:* | | | | |
| Acquisition-related transaction and integration costs [2] | **34** | (3) | **31** | 10 |
| Transaction costs in connection with divestiture of subsidiary [3] | **9** | - | **9** | - |
| Charge related to a disputed 1999 legal settlement | **-** | - | **-** | 3 |
| Adjusted operating loss | **$ (237)** | $ (234) | **$ (926)** | $ (878) |

(1) Operating loss 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 Corporate Segment operating loss by $2 million and $3 million for the three months and year ended December 31, 2016, respectively.
(2) In 2017, the transaction costs relate to the proposed acquisition of Aetna and 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.
(3) Transaction costs associated with the sale of RxCrossroads for $725 million which closed on January 2, 2018.

# 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 INTEREST EXPENSE, NET

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

### CONSOLIDATED

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *In millions* | **2017** | 2016 | **2017** | 2016 |
| Interest expense, net | **$ 297** | $ 242 | **$ 1,041** | $ 1,058 |
| *Non-GAAP adjustment:* | | | | |
| Acquisition-related bridge financing costs [(1)] | **(56)** | - | **(56)** | - |
| Adjusted interest expense, net | **$ 241** | $ 242 | **$ 985** | $ 1,058 |

(1) Costs associated with the proposed acquisition of Aetna.

## 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 December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Effective Income tax rate | **-17.0%** | 38.0% | **19.8%** | 38.4% |
| Impact of non-GAAP adjustments [(1)] | **55.3** | 0.5 | **18.3** | 0.2 |
| Adjusted income tax rate | **38.3%** | 38.5% | **38.1%** | 38.6% |

(1) Removes the adjustments summarized above in the adjusted consolidated operating profit table on page 8, as well as the approximately $1.5 billion income tax benefit associated with the enactment of the Tax Cuts and Jobs Act in December 2017.