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. CVS Health defines Adjusted Debt as total borrowings plus the net present value of operating leases. CVS Health defines EBITDA as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA can be reconciled to operating profit, which we believe to be the most directly comparable GAAP financial measure. The following are reconciliations of total borrowings to adjusted debt and operating profit to adjusted EBITDA:

Adjusted Debt-to-EBITDA

Adjusted Debt

in millions	Year Ended December 31, 2017
Total borrowings [1]	**$ 27,002**
Net present value of operating leases [2]	**16,061**
Adjusted debt	**$ 43,063**

(1) Source: CVS Health Form 10-K for fiscal year 2017, Note 5: Borrowing and Credit Agreements.
(2) See attached schedule "Present Value of Operating Leases" on page 2.

Adjusted EBITDA

in millions	Year ended December 31 2017
Consolidated operating profit	**$ 9,517**
Depreciation and amortization	**2,479**
Other expenses	**(208)**
EBITDA	**11,788**
Implied interest expense on operating leases [1]	**1,384**
Adjusted EBITDA	**$ 13,172**

(1) See attached schedule "Adjustments to EBITDA" on page 3.

Adjusted Debt-to-EBITDA

in millions (except leverage ratio)	Year Ended December 31 2017
Adjusted debt	**$ 43,063**
Adjusted EBITDA	**$ 13,172**
Adjusted debt-to-EBITDA	**3.3x**

Below is a supporting schedule for the non-GAAP reconciliation on page 1.

Present Value of Operating Leases

2017 Present Value of Operating Leases

Summary of the future minimum lease payments under operating leases as of December 31, 2017 [1]:

	Operating Leases	
in millions	Actual [1][2]	Present Value [3]
2018	**$ 2,493**	**$ 2,298**
2019	**2,361**	**2,006**
2020	**2,201**	**1,723**
2021	**2,072**	**1,495**
2022	**1,934**	**1,286**
Thereafter [4]	**16,090**	**7,253**
Total future lease payments [5]	**$ 27,151**	**$ 16,061**

(1) Source: CVS Health Form 10-K for fiscal year 2017, Notes to Consolidated Financial Statements, Note 7: Leases

(2) Future operating lease payments have not been reduced by the minimum sublease rentals of $171 million due in the future under noncancelable subleases.

(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.

(4) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.7 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.

(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2022 operating lease payments to give the approximate number of years left, at the 2022 level, of lease payments. In this case, 16,090/1,934 = approximately eight years. Then, use eight years worth of operating lease payments of $1,934 million (the 2022 level) to calculate the associated present value.

2016 Present Value of Operating Leases

Summary of the future minimum lease payments under operating leases as of December 31, 2016 [1]:

	Operating Leases	
in millions	Actual [1][2]	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) Source: CVS Health Form 10-K for fiscal year 2016, Notes to Consolidated Financial Statements, Note 7: 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) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.7 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.

(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2021 operating lease payments to give 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.

Reconciliation of Non-GAAP Items Required by SEC Rules

Below is a supporting schedule for the non-GAAP reconciliation on page 1.

Adjustments to EBITDA

Implied Interest Expense on Operating Leases

in millions	Year Ended December 31, 2016	Year Ended December 31, 2017
Present value of operating leases [(1)]	**$ 16,515**	**$ 16,061**
Average present value of operating leases		**16,288**
Implied interest expense on operating leases [(2)]		**$ 1,384**

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