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.

2018 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

CVS Health defines Adjusted Earnings per Share, or Adjusted EPS, as income before income tax provision excluding the impact of certain adjustments such as the amortization of intangible assets, acquisition-related transaction and integration costs, goodwill and long-lived asset impairments, gains and losses on divestitures and transaction costs on divestitures, net interest expense on financing associated with proposed acquisitions (for periods prior to the acquisition), losses on settlements of defined benefit plans, charges in connection with store rationalization, and any other items specifically identified herein, 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 2018

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions, except per share amounts	**2018**	2017	**2018**	2017
Income before income tax provision	**$ 102**	$ 2,809	**$ 1,406**	$ 8,268
Non-GAAP adjustments:				
Amortization of intangible assets	**367**	209	**1,006**	817
Acquisition-related transaction and integration costs [(1)]	**340**	34	**492**	65
Goodwill impairments [(2)]	**2,228**	46	**6,149**	181
Impairment of long-lived assets [(3)]	**43**	-	**43**	-
Loss on divestiture of subsidiary [(4)]	-	9	**86**	9
Charges in connection with store rationalization [(5)]	-	4	-	215
Net interest expense on financing for the acquition of Aetna [(6)]	**197**	56	**894**	56
Losses on settlements of defined benefit pension plans	**-**	-	-	187
Adjusted income before income tax provision	**3,277**	3,167	**10,076**	9,798
Adjusted income tax provision [(7)]	**862**	1,213	**2,660**	3,733
Adjusted income from continuing operations	**2,415**	1,954	**7,416**	6,065
(Income) loss from continuing operations attributable to noncontrolling interests	**2**	-	**2**	(1)
Adjusted Income allocable to participating securities	**(2)**	(5)	**(12)**	(22)
Adjusted income from continuing operations attributable to CVS Health	**$ 2,415**	$ 1,949	**$ 7,406**	$ 6,042
Weighted average diluted shares outstanding [(8)]	**1,126**	1,018	**1,047**	1,024
Adjusted EPS	**$ 2.14**	$ 1.92	**$ 7.08**	$ 5.90

(1) In 2018 and 2017, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(2) In 2018, the goodwill impairments relate to the LTC reporting unit within the Retail/LTC segment. In 2017, the goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.

(3) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(4) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018. In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads.
(5) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.
(6) The three months and year ended December 31, 2018 include interest expense of $280 million and $1.4 billion, respectively, related to (i) bridge financing costs, (ii) interest expense on the $40 billion of 2018 Senior Notes and (iii) the $5 billion term loan facility. The interest expense was reduced by related interest income of $83 million and $536 million, respectively, earned on the proceeds of the 2018 Senior Notes. The three months and year ended December 31, 2017 each include interest expense of $56 million related to bridge financing costs. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.
(7) The Company computes its adjusted income tax provision after taking into account items excluded from adjusted income before income tax provision. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision. The adjusted income tax provision for the three months and year ended December 31, 2017, excludes the approximately $1.5 billion income tax benefit associated with the enactment of the Tax Cuts and Jobs Act in December 2017.
(8) Adjusted earnings per share for the three months and year ended December 31, 2018 are calculated utilizing weighted average diluted shares outstanding, which include 5 million and 3 million, respectively, potential common shares, as the impact of the potential common shares was dilutive. The potential common shares were excluded from the calculation of GAAP loss per share for the three months and year ended December 31, 2018, as the shares would have had an anti-dilutive effect as a result of the GAAP net loss incurred in both periods.

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	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017 [1]
Net cash provided by operating activities	**$ 2,479**	$ (136)	**$ 8,865**	$ 8,007
Subtract: Additions to property and equipment	**(585)**	(506)	**(2,037)**	(1,918)
Add: Proceeds from sale-leaseback transactions	**-**	-	**-**	265
Free Cash Flow	**$ 1,894**	$ (642)	**$ 6,828**	$ 6,354

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 income performance before non-operating expenses and non-cash charges, using EBITDA. CVS Health defines EBITDA as income before income tax provision, interest expense, 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

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Income (loss) from continuing operations	**$ (422)**	$ 3,287	**$ (596)**	$ 6,631
Income tax provision	**524**	(478)	**2,002**	1,637
Income before income tax provision	**102**	2,809	**1,406**	8,268
Interest expense [1]	**733**	303	**2,619**	1,062
Depreciation and amortization	**807**	622	**2,718**	2,479
EBITDA	**$ 1,642**	$ 3,734	**$ 6,743**	$ 11,809
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [2]	**340**	34	**492**	65
Goodwill impairments [3]	**2,228**	46	**6,149**	181
Impairment of long-lived assets [4]	**43**	-	**43**	-
Loss on divestiture of subsidiary [5]	**-**	9	**86**	9
Charges in connection with store rationalization [6]	**-**	4	**-**	215
Interest income on financing for the acquisition of Aetna [7]	**(83)**	-	**(536)**	-
Losses on settlements of defined benefit pension plans	**-**	-	**-**	187
Adjusted EBITDA	**$ 4,170**	$ 3,827	**$ 12,977**	$ 12,466

(1) The three months and year ended December 31, 2018 include interest expense of $280 million and $1.4 billion, respectively, related to (i) bridge financing costs, (ii) interest expense on the $40 billion of 2018 Senior Notes and (iii) the $5 billion term loan facility. The three months and year ended December 31, 2017 each include interest expense of $56 million related to bridge financing costs. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

(2) In 2018 and 2017, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.

(3) In 2018, the goodwill impairments relate to the LTC reporting unit within the Retail/LTC segment. In 2017, the goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.

(4) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.

(5) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018. In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads.

(6) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.

(7) Interest income of $83 million and $536 million for the three months and year ended December 31, 2018, respectively, was earned on the proceeds of the 2018 Senior Notes.

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

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating income [1]	**$ 1,495**	$ 1,457	**$ 4,699**	$ 4,657
Depreciation and amortization [2]	**176**	176	**712**	710
Other expense	**-**	-	**-**	(3)
EBITDA	**$ 1,671**	$ 1,633	**$ 5,411**	$ 5,364

(1) Operating income was reduced by $26 million and $98 million for the three months and year ended December 31, 2017, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.

(2) In addition, depreciation and amortization for the year ended December 31, 2017 was reduced $2 million for the change in cost allocations between segments.

RETAIL/LTC SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating income (loss) [1]	**$ (270)**	$ 2,116	**$ 620**	$ 6,558
Depreciation and amortization [2]	**426**	416	**1,699**	1,652
Other expense	**-**	(2)	**-**	(16)
EBITDA	**$ 156**	$ 2,530	**$ 2,319**	$ 8,194

(1) Operating income for the year ended December 31, 2018, includes $7 million of acquisition-related transaction and integration costs related to the acquisition of Omnicare. Operating income for the year ended December 31, 2017, include $34 million of acquisition-related integration costs related to the acquisition of Omnicare. Operating income for the three months and year ended December 31, 2018, include goodwill impairment charges of $2.2 billion and $6.1 billion, respectively, related to the LTC reporting unit. Operating income for the three months and year ended December, 31, 2017, include goodwill impairment charges of $46 million and $181 million, respectively, related to the RxCrossroads reporting unit. Operating income for the three months and year ended December 31, 2018 both include $43 million related to the impairment of property and equipment within the Retail/LTC segment. Operating income for the year ended December 31, 2018, includes an $86 million loss on the divestiture of our RxCrossroads subsidiary. Operating income for the three months and year ended December 31, 2017, include $4 million and $215 million, respectively, of charges associated with stores closures. Operating income for the three months and year ended December 31, 2017, have been increased $22 million and $89 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.

(2) In addition, depreciation and amortization for the year ended December 31, 2017 increased by $1 million for the change in cost allocations between segments.

HEALTH CARE BENEFITS SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating income	**$ 276**	$ -	**$ 276**	$ -
Depreciation and amortization	**170**	-	**170**	-
Other Income (expense)	**-**	-	**-**	-
EBITDA	**$ 446**	$ -	**$ 446**	$ -

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	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017
Operating loss [1]	**$ (466)**	$ (270)	**$ (805)**	$ (936)
Depreciation and amortization [2]	**35**	30	**137**	117
Other Income (expense)	**11**	-	**4**	(189)
EBITDA	**$ (420)**	$ (240)	**$ (664)**	$ (1,008)

(1) Operating loss for the three months and year ended December 31, 2018, includes $340 million and $485 million in acquisition-related transaction and integration costs related to the Aetna acquisition. Operating loss for the three months and year ended December 31, 2017, include $34 million and $31 million in acquisition-related transaction and integration costs related to the acquisitions of Aetna and Omnicare. Operating loss for the three months and year ended December 31, 2017, includes transaction costs related to the loss on divestiture of subsidiary associated with the sale of RxCrossroads. Operating loss for the three months and year ended December 31, 2017, have been reduced by $10 million and $30 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.

(2) In addition, depreciation and amortization for the year ended December 31, 2017 increased by $1 million related to the change in cost allocations between segments.

ADJUSTED REVENUES

The following are reconciliations of revenues to adjusted revenues:

CONSOLIDATED

In millions	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017
Revenues	**$ 54,424**	$ 48,391	**$ 194,579**	$ 184,786
Non-GAAP adjustments:				
Interest income on financing for the acquisition of Aetna [1]	**(83)**	-	**(536)**	-
Adjusted revenues	**$ 54,341**	$ 48,391	**$ 194,043**	$ 184,786

(1) Represents interest income on the proceeds of the $40 billion of 2018 Senior Notes. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 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.

CORPORATE SEGMENT

In millions	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017
Revenues	**$ 131**	$ 5	**$ 606**	$ 16
Non-GAAP adjustments:				
Interest income on financing for the acquisition of Aetna [1]	**(83)**	-	**(536)**	-
Adjusted revenues	**$ 48**	$ 5	**$ 70**	$ 16

(1) Represents interest income on the proceeds of the $40 billion of 2018 Senior Notes. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

ADJUSTED COST OF PRODUCTS SOLD

The following are reconciliations of cost of products sold to adjusted cost of products sold:

CONSOLIDATED

In millions	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017
Cost of products sold	**$ 40,564**	$ 40,097	**$ 156,447**	$ 153,448
Non-GAAP adjustments:				
Acquisition-related integration costs [1]	**-**	5	**-**	(2)
Adjusted cost of products sold	**$ 40,564**	$ 40,102	**$ 156,447**	$ 153,446

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

RETAIL/LTC SEGMENT

In millions	(Unaudited) Three Months Ended December 31, **2018**	2017	(Unaudited) Year Ended December 31, **2018**	2017
Cost of products sold	**$ 15,588**	$ 14,626	**$ 59,906**	$ 56,066
Non-GAAP adjustments:				
Acquisition-related integration costs [1]	**-**	5	**-**	(2)
Adjusted cost of products sold	**$ 15,588**	$ 14,631	**$ 59,906**	$ 56,064

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

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

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating expenses [1]	**$ 8,841**	$ 4,785	**$ 27,517**	$ 18,990
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [2]	**(340)**	(39)	**(492)**	(63)
Goodwill impairments [3]	**(2,228)**	(46)	**(6,149)**	(181)
Impairment of long-lived assets [4]	**(43)**	-	**(43)**	-
Loss on divestiture of subsidiary [5]	-	(9)	**(86)**	(9)
Charges in connection with store rationalization [6]	-	(4)	-	(215)
Adjusted operating expenses	**$ 6,230**	$ 4,687	**$ 20,747**	$ 18,522

(1) Operating expenses for the three months and year ended December 31, 2017, have been reduced by $11 million and $38 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(3) In 2018, the goodwill impairments relate to the LTC reporting unit within the Retail/LTC segment. In 2017, the goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(5) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018. In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads.
(6) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.

RETAIL/LTC SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating expenses [1]	**$ 6,711**	$ 4,168	**$ 23,463**	$ 16,774
Non-GAAP adjustments:				
Acquisition-related integration costs [2]	-	(5)	**(7)**	(32)
Goodwill impairments [3]	**(2,228)**	(46)	**(6,149)**	(181)
Impairment of long-lived assets [4]	**(43)**	-	**(43)**	-
Loss on divestiture of subsidiary [5]	-	-	**(86)**	-
Charges in connection with store rationalization [6]	**-**	(4)	**-**	(215)
Adjusted operating expenses	**$ 4,440**	$ 4,113	**$ 17,178**	$ 16,346

(1) Operating expenses for the three months and year ended December 31, 2017, were reduced by $19 million and $74 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, integration costs relate to the acquisition of Omnicare.
(3) In 2018, the goodwill impairment relates to the LTC reporting unit within the Retail/LTC Segment. In 2017, the goodwill impairment relates to the RxCrossroads reporting unit within the Retail/LTC Segment.

(4) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(5) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(6) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.

CORPORATE SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating expenses [1]	**$ 575**	$ 275	**$ 1,389**	$ 952
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [2]	**(340)**	(34)	**(485)**	(31)
Transaction costs in connection with divestiture of subsidiary [3]	**-**	(9)	**-**	(9)
Adjusted operating expenses	**$ 235**	$ 232	**$ 904**	$ 912

(1) Operating expenses for the three months and year ended December 31, 2017, were reduced by $5 million and $14 million, respectively, to reflect the Company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(3) In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads

ADJUSTED OPERATING INCOME (LOSS)

The following are reconciliations of operating income (loss) to adjusted operating income (loss):

CONSOLIDATED

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating income [1]	**$ 824**	$ 3,114	**$ 4,021**	$ 9,538
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [2]	**340**	34	**492**	65
Goodwill impairments [3]	**2,228**	46	**6,149**	181
Impairment of long-lived assets [4]	**43**	-	**43**	-
Loss on divestiture of subsidiary [5]	-	9	**86**	9
Charges in connection with store rationalization [6]	**-**	4	**-**	215
Interest income on financing for the acquisition of Aetna [7]	**(83)**	-	**(536)**	-
Adjusted operating income	**$ 3,352**	$ 3,207	**$ 10,255**	$ 10,008

(1) Operating income for the three months and year ended December 31, 2017, increased $6 million and $21 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, acquisition-related transaction and integration costs relate to the acquisition of Aetna and Omnicare.
(3) In 2018, the goodwill impairments relate to the LTC reporting unit within the Retail/LTC segment. In 2017, the goodwill impairments relate to the RxCrossroads reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.

(5) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018. In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads.
(6) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.
(7) The three months and year ended December 31, 2018 include interest income of $83 million and $536 million, respectively, related to the $40 billion of senior notes on March 9, 2018. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

RETAIL/LTC SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating income (loss) [1]	**$ (270)**	$ 2,116	**$ 620**	$ 6,558
Non-GAAP adjustments:				
Acquisition-related integration costs [2]	**-**	-	**7**	34
Goodwill impairments [3]	**2,228**	46	**6,149**	181
Impairment of long-lived assets [4]	**43**	-	**43**	-
Loss on divestiture of subsidiary [5]	**-**	-	**86**	-
Charges in connection with store rationalization [6]	**-**	4	**-**	215
Adjusted operating income	**$ 2,001**	$ 2,166	**$ 6,905**	$ 6,988

(1) Operating income for the three months and year ended December 31, 2017, increased $22 million and $89 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, transaction and integration costs relate to the acquisition of Omnicare.
(3) In 2018, the goodwill impairment relates to the LTC reporting unit within the Retail/LTC Segment. In 2017, the goodwill impairment relates to the RxCrossroads reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(5) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(6) Charges in connection with store rationalization primarily represent charges for noncancelable lease obligations associated with stores closed in connection with the Company's enterprise streamlining initiative.

CORPORATE SEGMENT

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Operating loss [1]	**$ (466)**	$ (270)	**$ (805)**	$ (936)
Non-GAAP adjustments:				
Acquisition-related transaction and integration costs [2]	**340**	34	**485**	31
Transaction costs in connection with divestiture of subsidiary [3]	**-**	9	**-**	9
Interest income on financing for the acquisition of Aetna [4]	**(83)**	**-**	**(536)**	**-**
Adjusted operating loss	**$ (209)**	$ (227)	**$ (856)**	$ (896)

(1) Operating loss for the three months and year ended December 31, 2017, have been reduced by $10 million and $30 million, respectively, to reflect the company's retrospective change in cost allocations between segments in conjunction with the implementation of a new enterprise resource planning system in the first quarter of 2018.
(2) In 2018 and 2017, transaction and integration costs relate to the acquisition of Aetna and Omnicare. In 2017, the amount includes a change in estimated integration costs in connection with the acquisition of Omnicare.
(3) In 2017, the loss on divestiture of subsidiary represents transaction costs associated with the sale of RxCrossroads.

(4) The three months and year ended December 31, 2018 include interest income of $83 million and $536 million, respectively, related to the $40 billion of senior notes on March 9, 2018. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

ADJUSTED INTEREST EXPENSE

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

CONSOLIDATED

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2018**	2017	**2018**	2017
Interest expense	**$ 733**	$ 303	**$ 2,619**	$ 1,062
Non-GAAP adjustment:				
Interest expense on financing for the acquisition of Aetna [(1)]	**(280)**	(56)	**(1,430)**	(56)
Adjusted interest expense	**$ 453**	$ 247	**$ 1,189**	$ 1,006

(1) The three months and year ended December 31, 2018 include interest expense of $280 million and $1.4 billion, respectively, related to (i) bridge financing costs, (ii) interest expense on the $40 billion of 2018 Senior Notes and (iii) the $5 billion term loan facility. The three months and year ended December 31, 2017 each include interest expense of $56 million related to bridge financing costs. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

ADJUSTED EFFECTIVE INCOME TAX RATE

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

CONSOLIDATED

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
	2018	2017	**2018**	2017
Effective Income tax rate	**517.1%**	-17.0%	**142.4%**	19.8%
Impact of non-GAAP adjustments [(1)]	**(490.8)**	55.3	**(116.0)**	18.3
Adjusted income tax rate	**26.3%**	38.3%	**26.4%**	38.1%

(1) Removes the adjustments summarized above in the adjusted consolidated operating income table on page 8.

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.

2019 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

CVS Health defines Adjusted Earnings per Share, or Adjusted EPS, as income before income tax provision excluding the impact of certain adjustments such as the amortization of intangible assets, acquisition-related transaction and integration costs, goodwill and long-lived asset impairments, gains/losses and transaction costs on divestitures, net interest expense on financing associated with proposed acquisitions (for periods prior to the acquisition), losses on settlements of defined benefit pension plans, charges in connection with store rationalization, and any other items specifically identified herein, 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:

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 2019

In millions, except per share amounts	Year Ending December 31, 2019E Low	2019E High	2018 Actual
Income before income tax provision	**$ 8,735**	**$ 9,093**	$ 1,406
Non-GAAP adjustments:			
Amortization of intangible assets	**2,520**	**2,520**	1,006
Acquisition-related transaction and integration costs [1]	**550**	**550**	492
Goodwill impairment [2]	-	-	6,149
Impairment of long-lived assets [3]			43
Loss on divestiture of subsidiary [4]	-	-	86
Net interest expense on financing for the acquition of Aetna [5]	-	-	894
Adjusted income before income tax provision	**11,805**	**12,163**	10,076
Adjusted income tax provision	**3,070**	**3,163**	2,660
Adjusted income from continuing operations	**8,735**	**9,000**	7,416
Net income attributable to noncontrolling interest	**-**	**-**	2
Income allocable to participating securities	**-**	**-**	(12)
Adjusted income from continuing operations attributable to CVS Health	**$ 8,735**	**$ 9,000**	$ 7,406
Weighted average diluted common shares outstanding	**1,308**	**1,308**	1,047
Adjusted earnings per share	**$ 6.68**	**$ 6.88**	$ 7.08

(1) In 2019, integration costs relate to the acquisition of Aetna. In 2018, transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(2) The goodwill impairment related to the LTC reporting unit of the Retail/LTC segment.
(3) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(4) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(5) 2018 included interest expense of $1.4 billion related to (i) bridge financing costs, (ii) interest expense on the $40 billion of 2018 Senior Notes and (iii) interest expense the $5 billion term loan facility. The interest expense was reduced by related interest income of $536 million earned on the proceeds of the 2018 Senior Notes. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 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.

FIRST QUARTER 2019

In millions, except per share amounts	Three Months Ending March 31, 2019E Low	2019E High	2018 Actual
Income before income tax provision	**$ 1,866**	**$ 1,944**	$ 1,470
Non-GAAP adjustments:			
Amortization of intangible assets	**625**	**625**	210
Acquisition-related transaction and integration costs [(1)]	**135**	**135**	43
Loss on divestiture of subsidiary [(2)]	**-**	**-**	86
Net interest expense on financing for the acquition of Aetna [(3)]	**-**	**-**	231
Adjusted income before income tax provision	**2,626**	**2,704**	2,040
Adjusted income tax provision	**682**	**705**	533
Adjusted income from continuing operations	**1,944**	**1,999**	1,507
Net income attributable to noncontrolling interest	**(4)**	**(4)**	-
Adjusted income allocable to participating securities	**-**	**-**	(3)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,940**	**$ 1,995**	$ 1,504
Weighted average diluted common shares outstanding	**1,305**	**1,305**	1,019
Adjusted EPS	**$ 1.49**	**$ 1.53**	$ 1.48

(1) In 2019, integration costs relate to the acquisition of Aetna. In 2018, transaction and integration costs relate to the acquisitions of Aetna and Omnicare.

(2) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.

(3) 2018 includes $161 million of bridge financing costs, plus $112 million of interest expense on the $40 billion of senior notes issued on March 9, 2018 and the $5 billion term loan facility, less related interest income of $42 million earned on the proceeds of the senior notes.

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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 INCOME (LOSS)

Beginning in 2019, the Company is also excluding amortization of intangible assets in the calculation of Adjusted Operating Income (Loss). The following are reconciliations of operating income (loss) to adjusted operating income (loss):

FULL-YEAR 2019

CONSOLIDATED

	Year Ending December 31,		
	2019E		2018
In millions	**Low**	**High**	Actual
Operating income	**$ 11,770**	**$ 12,080**	$ 4,021
Non-GAAP adjustments:			
Amortization of intangible assets	**2,520**	**2,520**	1,006
Acquisition-related transaction and integration costs [(1)]	**550**	**550**	492
Goodwill impairment [(2)]	**-**	**-**	6,149
Impairment of long-lived assets [(3)]	**-**	**-**	43
Loss on divestiture of subsidiary [(4)]	**-**	**-**	86
Interest income on financing for the acquisition of Aetna [(5)]	**-**	**-**	(536)
Adjusted operating income	**$ 14,840**	**$ 15,150**	$ 11,261

(1) In 2019, integration costs relate to the acquisition of Aetna. In 2018, transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(2) In 2018, the goodwill impairment relates to the LTC reporting unit within the Retail/LTC Segment.
(3) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(4) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(5) In 2018, interest income of $536 million related to the $40 billion of senior notes on March 9, 2018. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2019E		2018
In millions	**Low**	**High**	Actual
Operating income	**$ 4,481**	**$ 4,571**	$ 4,699
Non-GAAP adjustments:			
Amortization of intangible assets	**349**	**349**	348
Adjusted operating income	**$ 4,830**	**$ 4,920**	$ 5,047

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

	Year Ending December 31,		
	2019E		2018
In millions	**Low**	**High**	Actual
Operating income	**$ 6,115**	**$ 6,235**	$ 620
Non-GAAP adjustments:			
Amortization of intangible assets	**475**	**475**	497
Acquisition-related transaction and integration costs [(1)]	**-**	**-**	7
Goodwill impairment [(2)]	**-**	**-**	6,149
Impairment of long-lived assets [(3)]	**-**	**-**	43
Loss on divestiture of subsidiary [(4)]	**-**	**-**	86
Adjusted operating income	**$ 6,590**	**$ 6,710**	$ 7,402

(1) In 2018, transaction and integration costs relate to the acquisition of Omnicare.
(2) In 2018, the goodwill impairment relates to the LTC reporting unit within the Retail/LTC Segment.
(3) The impairment of long-lived assets primarily relates to the impairment of property and equipment within the Retail/LTC segment.
(4) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2019E		2018
In millions	**Low**	**High**	Actual
Operating income	**$ 3,405**	**$ 3,495**	$ 276
Non-GAAP adjustments:			
Amortization of intangible assets	**1,695**	**1,695**	160
Adjusted operating income	**$ 5,100**	**$ 5,190**	$ 436

CORPORATE SEGMENT

	Year Ending December 31,		
	2019E		2018
In millions	**Low**	**High**	Actual
Operating loss	**$ (1,590)**	**$ (1,570)**	$ (805)
Non-GAAP adjustments:			
Acquisition-related transaction and integration costs [(1)]	**550**	**550**	485
Interest income on financing for the acquisition of Aetna [(2)]	**-**	**-**	(536)
Adjusted operating loss	**$ (1,040)**	**$ (1,020)**	$ (856)

(1) In 2018, transaction and integration costs relate to the acquisition of Aetna.
(2) In 2018, interest income of $536 million related to the $40 billion of senior notes on March 9, 2018. All such amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 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.

FIRST QUARTER 2019

CONSOLIDATED

In millions	Quarter Ended March 31, 2019E Low	2019E High	2018 Actual
Operating income	**$ 2,630**	**$ 2,690**	$ 1,997
Non-GAAP adjustments:			
Amortization of intangible assets	**625**	**625**	210
Acquisition-related transaction and integration costs [(1)]	**135**	**135**	43
Loss on divestiture of subsidiary [(2)]	**-**	**-**	86
Adjusted operating income	**$ 3,390**	**$ 3,450**	$ 2,336

(1) In 2019, transaction and integration costs relate to the acquisition of Aetna. In 2018, transaction and integration costs relate to the acquisitions of Aetna and Omnicare.

(2) In 2018, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.