Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

2019 ACTUAL RESULTS

CVS Health Corporation (the "Company") uses non-GAAP financial measures to analyze underlying business performance and trends. The Company believes that providing these non-GAAP financial measures enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance. These non-GAAP financial measures are provided as supplemental information to the financial measures the Company discloses that are calculated and presented in accordance with GAAP. Non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. The Company's definitions of its non-GAAP financial measures may not be comparable to similarly titled measurements reported by other companies.

Non-GAAP financial measures such as adjusted operating income, adjusted earnings per share (EPS), adjusted income from continuing operations attributable to CVS Health, adjusted revenues, adjusted operating expenses, adjusted interest expense, adjusted effective income tax rate and cash available for debt repayment exclude from the relevant GAAP metrics, as applicable: amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance.

ADJUSTED INTEREST EXPENSE

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

CONSOLIDATED

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
In millions	**2019**	2018	**2019**	2018
Interest expense (GAAP measure)	**$ 747**	$ 674	**$ 2,301**	$ 1,886
Non-GAAP adjustment:				
Interest expense on financing for the acquisition of Aetna [1]	**-**	(436)	**-**	(1,150)
Adjusted interest expense	**$ 747**	$ 238	**$ 2,301**	$ 736

(1) Includes $436 million and $1.2 billion of interest expense for the three and nine months ended September 30, 2018, respectively, related to bridge financing costs and interest expense on the $40 billion of unsecured senior notes issued on March 9, 2018 (the "2018 Notes"), each of which was used to partially fund the acquisition of Aetna Inc. ("Aetna").

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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 September 30,		(Unaudited) Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Effective Income tax rate (GAAP measure)	**28.3%**	26.8%	**26.7%**	113.3%
Impact of non-GAAP adjustments [(1)]	**(2.8)**	(0.2)	**(1.2)**	(86.8)
Adjusted income tax rate	**25.5%**	26.6%	**25.5%**	26.5%

(1) Removes the corresponding tax benefit or expense related to the items excluded from income from continuing operations attributable to CVS Health on pages 15 and 16 of the Company's third quarter 2019 earnings press release that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance: amortization of intangible assets, acquisition-related transaction and integration costs, store rationalization charges, loss on divestiture of subsidiary, loss on early extinguishment of debt, goodwill impairments, and net interest expense on financing for the Aetna acquisition. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

2019 GUIDANCE

Cautionary Statement Concerning Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. The information on pages 3 through 7 of this document is forward-looking. By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in the Company's 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 the Company's most recently filed Annual Report on Form 10-K and in its most recently filed Quarterly Report on Form 10-Q.

You are cautioned not to place undue reliance on the Company's forward-looking statements. These forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company does not assume any duty to update or revise forward-looking statements, whether as a result of new information, future events or otherwise, as of any future date.

ADJUSTED EARNINGS PER SHARE

The Company defines adjusted income from continuing operations attributable to CVS Health as income (loss) from continuing operations attributable to CVS Health (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as acquisition-related transaction and integration costs, store rationalization charges, goodwill impairments, impairment of long-lived assets, gains/losses on divestitures, losses on early extinguishment of debt, net interest expense on financings associated with proposed acquisitions (for periods prior to the acquisition), the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health, the corresponding impact to income allocable to participating securities, net of tax, related to the items excluded from income from continuing operations attributable to CVS Health in determining adjusted income from continuing operations attributable to CVS Health, and any other items specifically identified herein. GAAP diluted EPS from continuing operations and Adjusted EPS, respectively, are calculated by dividing income from continuing operations attributable to CVS Health and adjusted income from continuing operations attributable to CVS Health by the Company's weighted average diluted shares outstanding. The following are reconciliations of projected income from continuing operations to projected adjusted income from continuing operations attributable to CVS Health and a calculation of projected GAAP diluted EPS from continuing operations and projected Adjusted EPS:

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

FULL-YEAR 2019

	Year Ending December					
	2019P				2018	
	Low		High		Actual	
In millions, except per share amounts	**Total Company**	**Per Common Share**	**Total Company**	**Per Common Share**	Total Company	Per Common Share
Income (loss) from continuing operations (GAAP measure)	$ 6,405		$ 6,510		$ (596)	
Net income attributable to noncontrolling interests (GAAP measure)	(10)		(10)		2	
Income allocable to participating securities (GAAP measure)	(5)		(5)		(3)	
Income (loss) from continuing operations attributable to CVS Health (GAAP measure)	6,390	$ 4.90	6,495	$ 4.98	(597)	$ (0.57)
Non-GAAP adjustments:						
Amortization of intangible assets	2,460	1.89	2,460	1.89	1,006	0.96
Acquisition-related transaction and integration costs [(1)]	550	0.42	550	0.42	492	0.47
Store rationalization charges [(2)]	231	0.17	231	0.17	-	-
Goodwill impairments [(3)]	-	-	-	-	6,149	5.89
Impairment of long-lived assets [(4)]	-	-	-	-	43	0.04
Losses on divestitures of subsidiaries [(5)]	205	0.15	205	0.15	86	0.08
Loss on early extinguishment of debt [(6)]	79	0.06	79	0.06	-	-
Net interest expense on financing for the acquisition of Aetna [(7)]	-	-	-	-	894	0.85
Income tax benefit [(8)]	(815)	(0.62)	(815)	(0.62)	(658)	(0.63)
Income allocable to participating securities, net of tax [(9)]	-	-	-	-	(9)	(0.01)
Adjusted income from continuing operations attributable to CVS Health	**$ 9,100**	**$ 6.97**	**$ 9,205**	**$ 7.05**	$ 7,406	$ 7.08
Weighted average diluted shares outstanding (GAAP)		1,305		1,305		1,044
Adjusted weighted average diluted shares outstanding (Non-GAAP) [(10)]		1,305		1,305		1,047

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

(2) The nine months ended September 30, 2019 includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge for the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.

(3) The goodwill impairments related to the LTC reporting unit within the Retail/LTC segment.

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

(5) The loss on divestiture of subsidiary in 2019 represents the pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda. ("Onofre"), which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.

(6) Represents the loss on early extinguishment of debt related to the Company's repayment of $4.0 billion of its outstanding senior notes in August 2019 pursuant to its tender offers for such senior notes.

(7) Includes interest expense of $1.4 billion related to (i) bridge financing costs, (ii) interest expense on 2018 Notes and (iii) interest expense on 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 Notes. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018.

(8) Represents the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health and Adjusted EPS above. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

(9) Represents the corresponding impact to income allocable to participating securities, net of tax, related to the items above excluded from income (loss) from continuing operations attributable to CVS Health in determining adjusted income from continuing operations attributable to CVS Health and calculating Adjusted EPS above.

(10) Adjusted EPS for the year ended December 31, 2018 is calculated utilizing adjusted weighted average diluted shares outstanding, which includes 3 million potential common equivalent shares, as the impact of these shares was dilutive. The potential common equivalent shares were excluded from the calculation of GAAP loss per share from continuing operations for the year ended December 31, 2018, as the shares would have had an anti-dilutive effect as a result of the GAAP net loss incurred.

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

ADJUSTED OPERATING INCOME

The Company defines adjusted operating income as operating income (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as acquisition-related transaction and integration costs, store rationalization charges, goodwill impairments, impairment of long-lived assets, gains/losses on divestitures, interest income on financings associated with proposed acquisitions (for periods prior to the acquisition), and any other items specifically identified herein. The following are reconciliations of projected operating income to projected adjusted operating income:

FULL-YEAR 2019

CONSOLIDATED

	Year Ending December 31,		
	2019P		2018
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 11,774**	**$ 11,954**	$ 4,021
Non-GAAP adjustments:			
Amortization of intangible assets	**2,460**	**2,460**	1,006
Acquisition-related transaction and integration costs [(1)]	**550**	**550**	492
Store rationalization charges [(2)]	**231**	**231**	**-**
Goodwill impairments [(3)]	**-**	**-**	6,149
Impairment of long-lived assets [(4)]	**-**	**-**	43
Losses on divestitures of subsidiaries [(5)]	**205**	**205**	86
Interest income on financing for the acquisition of Aetna [(6)]	**-**	**-**	(536)
Adjusted operating income	**$ 15,220**	**$ 15,400**	$ 11,261

(1) In 2019, acquisition-related integration costs relate to the acquisition of Aetna. In 2018, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(2) The nine months ended September 30, 2019 includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge for the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.
(3) The goodwill impairments related to the LTC reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily related to the impairment of property and equipment within the Retail/LTC segment.
(5) The loss on divestiture of subsidiary in 2019 represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(6) Interest income of $536 million earned on the proceeds of the 2018 Notes. All 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,		
	2019P		2018
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 4,705**	**$ 4,765**	$ 4,607
Non-GAAP adjustment:			
Amortization of intangible assets	**395**	**395**	348
Adjusted operating income	**$ 5,100**	**$ 5,160**	$ 4,955

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

RETAIL/LTC SEGMENT

In millions	Year Ending December 31, 2019P Low	2019P High	2018 Actual
Operating income (GAAP Measure)	**$ 5,764**	**$ 5,824**	$ 620
Non-GAAP adjustments:			
Amortization of intangible assets	**480**	**480**	498
Store rationalization charges [1]	**231**	**231**	**-**
Acquisition-related transaction and integration costs [2]	**-**	**-**	7
Goodwill impairments [3]	**-**	**-**	6,149
Impairment of long-lived assets [4]	**-**	**-**	43
Losses on divestitures of subsidiaries [5]	**205**	**205**	86
Adjusted operating income	**$ 6,680**	**$ 6,740**	$ 7,403

(1) The nine months ended September 30, 2019 includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge for the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.
(2) Acquisition-related transaction and integration costs related to the acquisition of Omnicare.
(3) The goodwill impairments related to the LTC reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily related to the impairment of property and equipment within the Retail/LTC segment.
(5) The loss on divestiture of subsidiary in 2019 represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 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

In millions	Year Ending December 31, 2019P Low	2019P High	2018 Actual
Operating income (GAAP Measure)	**$ 3,595**	**$ 3,655**	$ 368
Non-GAAP adjustment:			
Amortization of intangible assets	**1,585**	**1,585**	160
Adjusted operating income	**$ 5,180**	**$ 5,240**	$ 528

CORPORATE SEGMENT

In millions	Year Ending December 31, 2019P Low	2019P High	2018 Actual
Operating loss (GAAP Measure)	**$ (1,580)**	**$ (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	**$ (1,030)**	**$ (1,020)**	$ (856)

(1) In 2019 and 2018, acquisition-related transaction and integration costs relate to the acquisition of Aetna.
(2) Interest income of $536 million earned on the proceeds of the 2018 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 Financial Measures to the Most Directly Comparable GAAP Financial Measure

CASH AVAILABLE FOR DEBT REPAYMENT

The Company defines cash available for debt repayment as net cash provided by operating activities (GAAP Measure) minus cash allocated to fund: (i) net capital expenditures, (ii) shareholder dividends and (iii) additional retained capital needs of its insurance subsidiaries. The following is a reconciliation of projected net cash provided by operating activities to projected cash available for debt repayment:

	Year Ending December 31,	
	2019P	
In millions	Low	High
Net cash provided by operating activities (GAAP Measure)	$ 10,100	$ 10,600
Non-GAAP adjustments:		
Net capital expenditures [(1)]	(2,600)	(2,300)
Shareholder dividends	(2,600)	(2,600)
Additional retained capital needs of insurance subsidiaries [(2)]	(200)	(600)
Cash available for debt repayment	$ 4,700	$ 5,100

(1) Net capital expenditures include additions to property and equipment less (i) proceeds from sale leaseback transactions and (ii) proceeds from real estate transactions that do not qualify for sale leaseback treatment under the lease accounting standard that are included in cash provided by financing activities.

(2) Represents a portion of the retained capital required to support the projected insured membership growth in the Health Care Benefits segment.