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

Q3 2020 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), baseline adjusted earnings per share (Baseline Adjusted EPS), adjusted income attributable to CVS Health, adjusted operating expenses and adjusted effective income tax rate 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 OPERATING EXPENSES

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

CONSOLIDATED

In millions	(Unaudited) Quarter Ended September 30, **2020**	2019	(Unaudited) Year to Date September 30, **2020**	2019
Operating expenses (GAAP Measure)	**$ 8,471**	$ 8,595	**$ 25,702**	$ 24,887
Non-GAAP adjustments:				
Amortization of intangible assets	**(587)**	(607)	**(1,751)**	(1,822)
Acquisition-related integration costs [(1)]	**(57)**	(111)	**(196)**	(365)
Gain (loss) on divestiture of subsidiary [(2)]	**271**	(205)	**271**	(205)
Store rationalization charges [(3)]	**-**	(96)	**-**	(231)
Adjusted operating expenses	**$ 8,098**	$ 7,576	**$ 24,026**	$ 22,264

(1) During the three and nine months ended September 30, 2020 and 2019, acquisition-related integration costs relate to the acquisition of Aetna Inc. (the "Aetna Acquisition"). The acquisition-related integration costs are reflected in the Company's unaudited GAAP condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.

(2) During the three and nine months ended September 30, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Coventry Health Care Workers' Compensation business ("Workers' Compensation business"), sold on July 31,2020. The gain on divestiture is reflected as a reduction in operating expenses in the Company's unaudited GAAP condensed consolidated statements of operations within the Health Care Benefit segment. During the three and nine months ended September 30, 2019, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda. ("Onofre"), which occurred on July 1, 2019 and is reflected in operating expenses in the Company's unaudited GAAP condensed consolidated statements of operations within the Retail/LTC segment.

(3) During the three and nine months ended September 30, 2019, the store rationalization charges relate to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020. During the nine months ended September 30, 2019, the store rationalization charges also relate to 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 and

Proprietary

are reflected in the Company's unaudited GAAP condensed consolidated statement of operations in operating expenses within the Retail/LTC segment.

ADJUSTED EFFECTIVE INCOME TAX RATE

The following are reconciliations of the effective income tax rate to the adjusted effective income tax rate:

CONSOLIDATED

	(Unaudited) Quarter Ended September 30,		(Unaudited) Year to Date September 30,	
	2020	2019	**2020**	2019
Effective income tax rate (GAAP measure)	**32.5%**	28.3%	**27.2%**	26.7%
Impact of non-GAAP adjustments [(1)]	**(6.4)**	(2.8)	**(1.5)**	(1.2)
Adjusted effective income tax rate	**26.1%**	25.5%	**25.7%**	25.5%

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health in the Company's third quarter 2020 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 integration costs, gain/losses on divestitures, store rationalization charges and losses on early extinguishment of debt. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

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 under the headings "Adjusted Earnings Per Share & Baseline Adjusted Earnings Per Share" and "Leverage Ratio Calculation" in this document are forward-looking. By their nature, all forward-looking statements are not guarantees of future performance or results and are subject to risks and uncertainties that are difficult to predict and/or quantify. Actual results may differ materially from those contemplated by the forward-looking statements due to the risks and uncertainties related to the coronavirus disease 2019 ("COVID-19") pandemic, the geographies impacted and the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and consumer behavior and health care utilization patterns, and the timing, scope and impact of stimulus legislation and other federal, state and local governmental responses to the pandemic, as well as the risks and uncertainties described in the Company's Securities and Exchange Commission ("SEC") filings, including those set forth in the Risk Factors section and under the heading "Cautionary Statement Concerning Forward-Looking Statements" in the Company's most recently filed Annual Report on Form 10-K and in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020.

You are cautioned not to place undue reliance on the Company's forward-looking statements. The Company's 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, uncertainties or otherwise.

ADJUSTED EARNINGS PER SHARE & BASELINE ADJUSTED EARNINGS PER SHARE

GAAP diluted EPS, Adjusted EPS and Baseline Adjusted EPS, respectively, are calculated by dividing net income attributable to CVS Health, adjusted income attributable to CVS Health and baseline adjusted

Proprietary

income attributable to CVS Health by the Company's weighted average diluted shares outstanding. The Company defines adjusted income attributable to CVS Health as net income 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 integration costs, store rationalization charges, gains/losses on divestitures, receipt of amounts owed to the Company under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA") risk corridor program, losses on early extinguishment of debt, the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health, and any other items specifically identified herein. Baseline adjusted income attributable to CVS Health also excludes from net income attributable to CVS Health the impact of items that the Company cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, the financial results of subsidiaries divested, the projected impact of COVID-19 on operating results and the corresponding tax benefit or expense per share related to the items excluded from baseline Adjusted EPS above. The following are reconciliations of GAAP diluted EPS to Adjusted EPS and Baseline Adjusted EPS:

	2020P			2019
	Low	**Mid**	**High**	Actual
In millions, except per share amounts	**Per Common Share**			
GAAP diluted EPS (GAAP measure)	$ 5.60	$ 5.65	$ 5.70	$ 5.08
Non-GAAP adjustments (per share):				
Amortization of intangible assets	1.77	1.77	1.77	1.87
Acquisition-related integration costs [(1)]	0.27	0.27	0.27	0.37
Store rationalization charges [(2)]	-	-	-	0.17
(Gain)/Loss on divestiture of subsidiaries [(3)]	(0.20)	(0.20)	(0.20)	0.16
Receipt of fully reserved ACA risk corridor receivable [(4)]	(0.23)	(0.23)	(0.23)	-
Loss on early extinguishment of debt [(5)]	0.58	0.58	0.58	0.06
Income tax benefit [(6)]	(0.44)	(0.44)	(0.44)	(0.63)
Adjusted EPS	**$ 7.35**	**$ 7.40**	**$ 7.45**	$ 7.08
Total baseline adjustments [(7)]		**(0.30)**		(0.29)
Baseline Adjusted EPS [(7)]		**$ 7.10**		$ 6.79
Weighted average diluted shares outstanding	1,320	1,320	1,320	1,305

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) Includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge related to 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) In 2020, gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, sold on July 31, 2020. In 2019, loss on divestiture of subsidiary represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019, and primarily relates to the elimination of the cumulative translation adjustment from accumulated other comprehensive income.
(4) Reflects the receipt of $313 million owed to the Company under the ACA's risk corridor program during October 2020 that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio rebate requirements and premium taxes, the Company expects to recognize pre-tax income of approximately $305 million during the fourth quarter of 2020.
(5) In 2020, represents the loss on early extinguishment of debt related to the Company's repayment of $6.0 billion of its outstanding senior notes in August 2020 pursuant to its tender offers for such senior notes. In 2019, 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.
(6) Represents the corresponding tax benefit or expense related to the items excluded from 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.
(7) In order to enhance the Company's and investors' ability to set Adjusted EPS growth expectations for future periods, the Company adjusted its 2019 Adjusted EPS and projected 2020 Adjusted EPS to remove the following items when determining baseline Adjusted EPS: (i) the impact of items that it cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, (ii) the financial results of subsidiaries divested such as the sale of the

Workers' Compensation business, (iii) the estimated impact of COVID-19 on operating results and (iv) the corresponding tax benefit or expense related to the items excluded from baseline Adjusted EPS above. Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. The Company experiences net realized capital gains or net realized capital losses, however the Company cannot project the amount of such gains or losses. In addition, the Company experiences changes to its prior years' health care cost estimates, however the Company cannot project the amount of such changes in estimates. When determining the income tax impact of the baseline Adjusted EPS adjustments, the nature of the total baseline adjustments were evaluated to determine whether a discrete adjustment should be made to the baseline income tax provision.

LEVERAGE RATIO CALCULATION

The Company defines its Leverage Ratio as Adjusted Debt divided by adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Adjusted Debt is defined as short-term debt and total long-term debt, including the current portion of long-term debt (GAAP measure), plus the present value of future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year. Adjusted EBITDA is defined as (i) net income (GAAP measure) before income taxes, depreciation and amortization, plus (ii) implied interest expense on future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year, less (iii) other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, and any other items specifically identified herein. The Company is not able to project the amount of any such other items for the year ended December 31, 2022 at this time and therefore cannot reconcile projected 2022 Adjusted EBITDA to projected 2022 net income. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.

Proprietary