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

Q3 2021 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 consolidated adjusted operating income, adjusted operating margin, adjusted earnings per share (EPS), baseline adjusted earnings per share (Baseline Adjusted EPS), adjusted income attributable to CVS Health, adjusted operating expenses, adjusted effective income tax rate and adjusted revenues 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, **2021**	2020	(Unaudited) Year to Date September 30, **2021**	2020
Operating expenses (GAAP measure)	**$ 9,210**	$ 8,471	**$ 27,001**	$ 25,702
Non-GAAP adjustments:				
Amortization of intangible assets	**(561)**	(587)	**(1,730)**	(1,751)
Acquisition-related integration costs [(1)]	**(20)**	(57)	**(101)**	(196)
Acquisition purchase price adjustment outside of measurement period [(2)]	**-**	-	**61**	-
Gain on divestiture of subsidiary [(3)]	**-**	271	**-**	271
Adjusted operating expenses	**$ 8,629**	$ 8,098	**$ 25,231**	$ 24,026

(1) During the three and nine months ended September 30, 2021 and 2020, acquisition-related integration costs relate to the Aetna acquisition. The acquisition-related integration costs are reflected in the Company's condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.

(2) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected in the Company's unaudited GAAP condensed consolidated statement of operations for the nine months ended September 30, 2021 as a reduction of operating expenses within the Health Care Benefits segment.

(3) 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"), which the Company sold on July 31, 2020 for approximately $850 million. 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 Benefits segment.

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

ADJUSTED OPERATING MARGIN

Operating margin and adjusted operating margin, respectively, are calculated by dividing operating income and adjusted operating income by total revenues. 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.

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

RETAIL/LTC SEGMENT

	(Unaudited) Quarter Ended September 30,		(Unaudited) Year to Date September 30,		(Unaudited) Quarter Over Quarter Basis Point Change	(Unaudited) Year Over Year Basis Point Change
	2021	2020	**2021**	2020		
Operating margin (GAAP measure)	**4.7%**	5.6%	**6.0%**	6.0%	(90)	-
Non-GAAP adjustments:						
Amortization of intangible assets	**0.5%**	0.6%	**0.5%**	0.5%	(10)	-
Goodwill impairment [(1)]	**1.7%**	**-**	**0.6%**	**-**	170	60
Adjusted operating margin	**6.9%**	6.2%	**7.1%**	6.5%	70	60

(1) During the three and nine months ended September 30, 2021, the goodwill impairment charge relates to the LTC reporting unit 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,	
	2021	2020	**2021**	2020
Effective income tax rate (GAAP measure)	**26.0%**	32.5%	**25.4%**	27.2%
Impact of non-GAAP adjustments [(1)]	**(0.2)**	(6.4)	**(0.1)**	(1.5)
Adjusted effective income tax rate	**25.8%**	26.1%	**25.3%**	25.7%

(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 2021 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, goodwill impairments, acquisition purchase price adjustments outside of measurement period, gains/losses on divestitures 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 on pages 4 to 9 of this document is 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, 2021.

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 income from continuing operations attributable to CVS Health, adjusted income from continuing operations attributable to CVS Health and baseline adjusted income from continuing operations attributable to CVS Health by the Company's weighted average diluted shares outstanding. The Company defines adjusted income from continuing operations attributable to CVS Health as income 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 integration costs, goodwill impairments, acquisition purchase price adjustments outside of measurement period, 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 and the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health. Baseline adjusted income from continuing operations attributable to CVS Health also excludes from income from continuing operations attributable to CVS Health the impact of items that the Company cannot project for future periods such as realized capital gains and losses, changes in prior years' health care costs estimates, the estimated impact of the full year incremental expense related to our minimum wage increase and the corresponding tax benefit or expense per share related to the items excluded from baseline Adjusted EPS above. The following are reconciliations of projected GAAP diluted EPS to projected Adjusted EPS and Baseline Adjusted EPS:

	2021P			2020
	Low	Mid	High	Actual
In millions, except per share amounts	Per Common Share			
GAAP diluted EPS (GAAP measure)	$ 6.13	$ 6.18	$ 6.23	$ 5.47
Non-GAAP adjustments:				
Amortization of intangible assets	1.70	1.70	1.70	1.78
Acquisition-related integration costs [(1)]	0.12	0.12	0.12	0.25
Goodwill impairment [(2)]	0.33	0.33	0.33	-
Acquisition purchase price adjustment outside of measurement period [(3)]	(0.05)	(0.05)	(0.05)	-
Gain on divestiture of subsidiary [(4)]	-	-	-	(0.20)
Receipt of fully reserved ACA risk corridor receivable [(5)]	-	-	-	(0.23)
Loss on early extinguishment of debt [(6)]	0.27	0.27	0.27	1.09
Tax impact of non-GAAP adjustments [(7)]	(0.60)	(0.60)	(0.60)	(0.67)
Receipt of ACA risk corridor receivable attributable to noncontrolling interest, net of tax [(5)]	-	-	-	0.01
Adjusted EPS	**$ 7.90**	**$ 7.95**	**$ 8.00**	$ 7.50
Total baseline adjustments [(8)]		**(0.40)**		
Baseline adjusted EPS [(8)]		**$ 7.55**		
Weighted average diluted shares outstanding	1,330	1,330	1,330	1,314

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.
(3) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected in the Company's unaudited GAAP condensed consolidated statements of operations as a reduction of operating expenses within the Health Care Benefits segment in the year ending December 31, 2021.
(4) 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 for approximately $850 million.
(5) 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 ("MLR") rebate requirements and premium taxes, the Company recognized pre-tax income of approximately $307 million within the Health Care Business during the fourth quarter of 2020. The portion of the ACA risk corridor payment

attributable to noncontrolling interest was $12 million related to third party ownership interests in the Company's consolidated operating entities.

(6) During the year ending December 31, 2021, the loss on early extinguishment of debt relates to the Company's repayment of approximately $2.0 billion of its outstanding senior notes in August 2021 pursuant to its tender offers for such senior notes. During the year ended December 31, 2020, the loss on early extinguishment of debt relates to the Company's repayment of $4.5 billion of its outstanding senior notes in December 2020 pursuant to its tender offers for such senior notes and the Company's repayment of $6.0 billion of its outstanding senior notes in August 2020 pursuant to its tender offer for such senior notes.

(7) 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.

(8) In order to enhance the Company's and investors' ability to set Adjusted EPS growth expectations for future periods, the Company adjusted its projected 2021 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 estimated impact of the full year incremental expense related to our minimum wage increase and (iii) the corresponding tax benefit or expense per share 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. The Company is unable to estimate the projected impact of the labor costs at this time because of the significant uncertainty in the current labor market. 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.

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 integration costs, goodwill impairments, acquisition purchase price adjustments outside of measurement period, gains/losses on divestitures and the receipt of amounts owed to the Company under the ACA risk corridor program. The Company uses adjusted operating income as its principal measure of segment performance as it enhances the Company's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The consolidated measure is not determined in accordance with GAAP and should not be considered a substitute for, or superior to, the most directly comparable GAAP measure, consolidated operating income. The following are reconciliations of projected operating income to projected adjusted operating income:

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

FULL-YEAR 2021

CONSOLIDATED

In millions	Year Ending December 31, 2021P Low	2021P High	2020 Actual
Operating income (GAAP measure)	**$ 13,650**	**$ 13,830**	$ 13,911
Amortization of intangible assets	**2,260**	**2,260**	2,341
Acquisition-related integration costs [(1)]	**160**	**160**	332
Goodwill impairment [(2)]	**431**	**431**	-
Acquisition purchase price adjustment outside of measurement period [(3)]	**(61)**	**(61)**	-
Gain on divestiture of subsidiary [(4)]	**-**	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [(5)]	**-**	**-**	(307)
Adjusted operating income	**$ 16,440**	**$ 16,620**	$ 16,008

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.
(3) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected in the Company's unaudited GAAP condensed consolidated statements of operations as a reduction of operating expenses within the Health Care Benefits segment in the year ending December 31, 2021.
(4) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately $850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.
(5) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's MLR rebate requirements and premium taxes, the Company recognized pre-tax income of $307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

HEALTH CARE BENEFITS SEGMENT

In millions	Year Ending December 31, 2021P Low	2021P High	2020 Actual
Operating income (GAAP Measure)	**$ 3,421**	**$ 3,511**	$ 5,166
Amortization of intangible assets	**1,550**	**1,550**	1,598
Acquisition purchase price adjustment outside of measurement period [(1)]	**(61)**	**(61)**	-
Gain on divestiture of subsidiary [(2)]	**-**	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [(3)]	**-**	**-**	(307)
Adjusted operating income	**$ 4,910**	**$ 5,000**	$ 6,188

(1) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected in the Company's unaudited GAAP condensed consolidated statements of operations as a reduction of operating expenses within the Health Care Benefits segment in the year ending December 31, 2021.
(2) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately $850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.
(3) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's MLR rebate requirements and premium taxes, the Company recognized pre-tax income of $307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

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

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 6,650**	**$ 6,740**	$ 5,454
Amortization of intangible assets	**200**	**200**	234
Adjusted operating income	**$ 6,850**	**$ 6,940**	$ 5,688

RETAIL/LTC SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 6,039**	**$ 6,129**	$ 5,640
Amortization of intangible assets	**510**	**510**	506
Goodwill impairment [(1)]	**431**	**431**	-
Adjusted operating income	**$ 6,980**	**$ 7,070**	$ 6,146

(1) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.

ADJUSTED REVENUES

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

CONSOLIDATED

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Revenues (GAAP measure)	**$ 286,490**	**$ 290,300**	$ 268,706
Non-GAAP adjustments:			
Receipt of fully reserved ACA risk corridor receivable [(1)]	-	**-**	(311)
Adjusted revenues	**$ 286,490**	**$ 290,300**	$ 268,395

(1) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program, net of MLR rebates of $2 million that was previously fully reserved for as payment was uncertain.

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

HEALTH CARE BENEFITS SEGMENT

In millions	Year Ending December 31, 2021P Low	2021P High	2020 Actual
Revenues (GAAP measure)	**$ 80,720**	**$ 81,850**	$ 75,467
Non-GAAP adjustments:			
Receipt of fully reserved ACA risk corridor receivable [(1)]	-	**-**	(311)
Adjusted revenues	**$ 80,720**	**$ 81,850**	$ 75,156

(1) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program, net of MLR rebates of $2 million that was previously fully reserved for as payment was uncertain.

ADJUSTED EFFECTIVE INCOME TAX RATE

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

CONSOLIDATED

	Year Ending December 31, 2021 Projected	2020 Actual
Effective income tax rate (GAAP measure)	**~25.7%**	26.3%
Impact of non-GAAP adjustments [(1)]	**(0.1)**	(0.4)
Adjusted effective income tax rate	**~25.6%**	25.9%

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health for the year ended December 31, 2020 in the Company's fourth quarter 2020 earnings press release and projected adjusted income from continuing operations attributable to CVS Health for the year ending December 31, 2021 in the Company's third quarter 2021 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, goodwill impairments, acquisition purchase price adjustments outside of the measurement period, gain/losses on divestitures, income associated with the receipt of fully reserved amounts owed to the Company under the ACA risk corridor program 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.

LEVERAGE RATIO CALCULATION

The Company defines its Leverage Ratio as Adjusted Debt divided by adjusted earnings before interest, tax, 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) income from continuing operations (GAAP measure) before interest expense, 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 such as acquisition purchase price adjustments outside of measurement period, gains/losses on divestitures, receipt of amounts owed to the Company under the ACA risk corridor program and losses on early extinguishment of debt. The Company is not able to project the amount of any such other items for its targeted leverage ratio at this time and therefore cannot reconcile projected Adjusted EBITDA to projected income from continuing operations for periods subsequent to the year ending December 31, 2021. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.