

Reconciliation of Non-GAAP Items Required by SEC Rules

Below is a reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

ACTUAL RESULTS

ADJUSTED EARNINGS PER SHARE

CVS Caremark defines Adjusted Earnings Per Share as income before income tax provision plus amortization, less adjusted income tax provision, plus net loss attributable to noncontrolling interest divided by the weighted average diluted common shares outstanding. The following is a reconciliation of income before income tax provision to Adjusted Earnings Per Share:

<i>In millions, except per share amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011 ⁽²⁾	2012	2011 ⁽²⁾
Income before income tax provision	\$ 1,576	\$ 1,336	\$ 2,848	\$ 2,507
Amortization	123	114	241	220
Adjusted income before income tax provision	1,699	1,450	3,089	2,727
Adjusted income tax provision ⁽¹⁾	658	568	1,199	1,072
Adjusted income from continuing operations	1,041	882	1,890	1,655
Net loss attributable to noncontrolling interest	1	1	2	2
Adjusted income from continuing operations attributable to CVS Caremark	\$ 1,042	\$ 883	\$ 1,892	\$ 1,657
Weighted average diluted common shares outstanding	1,287	1,364	1,298	1,368
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark	\$ 0.81	\$ 0.65	\$ 1.46	\$ 1.21

- (1) The adjusted income tax provision is computed using the effective income tax rate from the consolidated statement of income.
- (2) The adjusted results for the three and six months ended June 30, 2011, have been revised to reflect the results of TheraCom as discontinued operations.

FREE CASH FLOW

CVS Caremark defines Free Cash Flow as net cash provided by operating activities less net additions to properties 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:

<i>In millions</i>	Six Months Ended June 30,	
	2012	2011
Net cash provided by operating activities	\$ 4,017	\$ 3,073
Subtract: Additions to property and equipment	(818)	(710)
Add: Proceeds from sale-leaseback transactions	-	11
Free Cash Flow	\$ 3,199	\$ 2,374

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EBITDA AND EBITDA PER ADJUSTED CLAIM

CVS Caremark defines EBITDA as earnings before interest, taxes, depreciation and amortization. We define EBITDA Per Adjusted Claim as EBITDA divided by adjusted pharmacy claims. Adjusted pharmacy claims normalize the claims volume statistic for the difference in average days' supply for mail and retail claims. Adjusted pharmacy claims are calculated by multiplying 90-day claims (the majority of total mail claims) by three and adding the 30-day claims. EBITDA can be reconciled to operating profit, which we believe to be the most directly comparable GAAP financial measure. The following are reconciliations of operating profit to EBITDA:

CONSOLIDATED STATEMENT OF INCOME

<i>In millions, except per adjusted claim amounts</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Operating profit	\$ 1,708	\$ 1,484	\$ 3,111	\$ 2,789
Depreciation and amortization	431	391	854	765
EBITDA	\$ 2,139	\$ 1,875	\$ 3,965	\$ 3,554

(1) The adjusted results for the three and six months ended June 30, 2011, have been revised to reflect the results of TheraCom as discontinued operations.

PHARMACY SERVICES SEGMENT

<i>In millions, except per adjusted claim amounts</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Operating profit	\$ 511	\$ 448	\$ 860	\$ 839
Depreciation and amortization	129	107	251	205
EBITDA	640	555	1,111	1,044
Adjusted claims	257	225	514	433
EBITDA Per Adjusted Claim	\$ 2.49	\$ 2.46	\$ 2.16	\$ 2.41

(1) The results of the Pharmacy Services segment for the three and six months ended June 30, 2011, have been revised to reflect the results of TheraCom as discontinued operations.

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RETAIL PHARMACY SEGMENT

<i>In millions, except per adjusted claim amounts</i>	Three Months Ended		Six Months Ended	
	June 30,	2011	June 30,	2011
	2012		2012	
Operating profit	\$ 1,469	\$ 1,240	\$ 2,766	\$ 2,336
Depreciation and amortization	281	266	562	524
EBITDA	\$ 1,750	\$ 1,506	\$ 3,328	\$ 2,860

CORPORATE SEGMENT

<i>In millions, except per adjusted claim amounts</i>	Three Months Ended		Six Months Ended	
	June 30,	2011	June 30,	2011
	2012		2012	
Operating profit (loss)	\$ (175)	\$ (162)	\$ (343)	\$ (309)
Depreciation and amortization	21	19	42	36
EBITDA	\$ (154)	\$ (143)	\$ (301)	\$ (273)

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2012 GUIDANCE

The following reconciliations contain forward-looking information that is subject to risks and uncertainties that could cause actual results to differ materially. CVS Caremark claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We strongly recommend that you become familiar with the specific risks and uncertainties outlined under the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2010, and under the section entitled “Cautionary Statement Concerning Forward-Looking Statements” in our most recently filed Quarterly Report on Form 10-Q.

ADJUSTED EARNINGS PER SHARE

CVS Caremark defines Adjusted Earnings Per Share as income before income tax provision plus amortization, less adjusted income tax provision, plus net loss attributable to noncontrolling interest divided by the weighted average diluted common shares outstanding. The following is a reconciliation of income before income tax provision to Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark:

FULL-YEAR 2012

<i>In millions, except per share amounts</i>	Year Ended December 31,		
	2012E		2011
	Low	High	Actual
Income before income tax provision	\$ 6,477	\$ 6,596	\$ 5,746
Amortization	480	482	452
Adjusted income before income tax provision	6,957	7,078	6,198
Adjusted income tax provision ⁽¹⁾	2,691	2,736	2,436
Adjusted income from continuing operations	4,266	4,342	3,762
Net loss attributable to noncontrolling interest	2	2	3
Adjusted income from continuing operations attributable to CVS Caremark	\$ 4,268	\$ 4,344	\$ 3,765
Weighted average diluted common shares outstanding	1,287	1,287	1,347
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark	\$ 3.32	\$ 3.38	\$ 2.80

(1) The adjusted income tax provision is computed using the effective income tax rate from the condensed consolidated statement of income.

Reconciliation of Non-GAAP Items Required by SEC Rules

Below is a reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

THIRD QUARTER 2012

<i>In millions, except per share amounts</i>	Three Months Ended September 30,		
	2012E		2011 ⁽²⁾
	Low	High	Actual
Income before income tax provision	\$ 1,558	\$ 1,606	\$ 1,429
Amortization	121	121	118
Adjusted income before income tax provision	1,679	1,727	1,547
Adjusted income tax provision ⁽¹⁾	649	668	608
Adjusted income from continuing operations	1,030	1,059	939
Net loss attributable to noncontrolling interest	-	-	1
Adjusted income from continuing operations attributable to CVS Caremark	\$ 1,030	\$ 1,059	\$ 940
Weighted average diluted common shares outstanding	1,279	1,279	1,340
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark ⁽²⁾	\$ 0.81	\$ 0.83	\$ 0.70

- (1) The adjusted income tax provision is computed using the same effective income tax rate in the consolidated statement of income.
- (2) The adjusted results for three months ended September 30, 2011, have been revised to reflect the results of TheraCom as discontinued operations.

FREE CASH FLOW

CVS Caremark 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:

<i>In millions</i>	Year Ended December 31,		
	2012E		2011 ⁽¹⁾
	Low	High	Actual
Net cash provided by operating activities	\$ 6,223	\$ 6,404	\$ 5,856
Subtract: Additions to property and equipment	(2,145)	(2,075)	(1,872)
Add: Proceeds from sale-leaseback transactions	500	600	592
Free Cash Flow	\$ 4,578	\$ 4,929	\$ 4,576

- (1) Free cash flow for the year ended December 31, 2011, includes \$5 million in proceeds from sale-leaseback transactions associated with the sale of properties acquired in the 2008 acquisition of Longs Drug Stores Corporation.