

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 December 31,		One Year Ended December 31,	
	2012	2011	2012	2011
Income before income tax provision	\$ 1,795	\$ 1,810	\$ 6,323	\$ 5,746
Amortization	124	114	486	452
Adjusted income before income tax provision	1,919	1,924	6,809	6,198
Adjusted income tax provision ⁽¹⁾	712	756	2,628	2,436
Adjusted income from continuing operations	1,207	1,168	4,181	3,762
Net loss attributable to noncontrolling interest	-	1	2	4
Adjusted income from continuing operations attributable to CVS Caremark	\$ 1,207	\$ 1,169	\$ 4,183	\$ 3,766
Weighted average diluted common shares outstanding	1,249	1,310	1,280	1,347
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark	\$ 0.97	\$ 0.89	\$ 3.27	\$ 2.80

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

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>	One Year Ended December 31,	
	2012	2011
Net cash provided by operating activities	\$ 6,671	\$ 5,856
Subtract: Additions to property and equipment	(2,030)	(1,872)
Add: Proceeds from sale-leaseback transactions	529	592
Free Cash Flow	\$ 5,170	\$ 4,576

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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

	Three Months Ended		One Year Ended	
	December 31,		December 31,	
<i>In millions, except per adjusted claim amounts</i>	2012	2011	2012	2011
Operating profit	\$ 2,302	\$ 1,957	\$ 7,228	\$ 6,330
Depreciation and amortization	456	396	1,753	1,568
EBITDA	\$ 2,758	\$ 2,353	\$ 8,981	\$ 7,898

PHARMACY SERVICES SEGMENT

	Three Months Ended		One Year Ended	
	December 31,		December 31,	
<i>In millions, except per adjusted claim amounts</i>	2012	2011	2012	2011
Operating profit	\$ 1,035	\$ 724	\$ 2,679	\$ 2,220
Depreciation and amortization	137	116	517	433
EBITDA	1,172	840	3,196	2,653
Adjusted claims	264	244	1,033	906
EBITDA Per Adjusted Claim	\$ 4.44	\$ 3.45	\$ 3.09	\$ 2.93

RETAIL PHARMACY SEGMENT

	Three Months Ended		One Year Ended	
	December 31,		December 31,	
<i>In millions, except per adjusted claim amounts</i>	2012	2011	2012	2011
Operating profit	\$ 1,581	\$ 1,453	\$ 5,654	\$ 4,913
Depreciation and amortization	298	260	1,153	1,060
EBITDA	\$ 1,879	\$ 1,713	\$ 6,807	\$ 5,973

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CORPORATE SEGMENT

<i>In millions, except per adjusted claim amounts</i>	Three Months Ended		One Year Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Operating profit (loss)	\$ (182)	\$ (151)	\$ (694)	\$ (616)
Depreciation and amortization	21	20	83	75
EBITDA	\$ (161)	\$ (131)	\$ (611)	\$ (541)

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2013 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, 2011, 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 2013

<i>In millions, except per share amounts</i>	Year Ended December 31,		
	2013E		2012
	Low	High	Actual
Income before income tax provision	\$ 7,188	\$ 7,444	\$ 6,323
Amortization	485	485	486
Adjusted income before income tax provision	7,673	7,929	6,809
Adjusted income tax provision ⁽¹⁾	2,985	3,084	2,628
Adjusted income from continuing operations	4,688	4,845	4,181
Net loss attributable to noncontrolling interest	-	-	2
Adjusted income from continuing operations attributable to CVS Caremark	\$ 4,688	\$ 4,845	\$ 4,183
Weighted average diluted common shares outstanding	1,215	1,211	1,280
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark	\$ 3.86	\$ 4.00	\$ 3.27

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

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FIRST QUARTER 2013

<i>In millions, except per share amounts</i>	Three Months Ended March 31,		
	2013E		2012
	Low	High	Actual
Income before income tax provision	\$ 1,442	\$ 1,502	\$ 1,272
Amortization	120	120	118
Adjusted income before income tax provision	1,562	1,622	1,390
Adjusted income tax provision ⁽¹⁾	609	633	542
Adjusted income from continuing operations	953	989	848
Net loss attributable to noncontrolling interest	-	-	1
Adjusted income from continuing operations attributable to CVS Caremark	\$ 953	\$ 989	\$ 849
Weighted average diluted common shares outstanding	1,240	1,237	1,309
Adjusted Earnings Per Share from continuing operations attributable to CVS Caremark	\$ 0.77	\$ 0.80	\$ 0.65

- (1) The adjusted income tax provision is computed using the same effective income tax rate in the consolidated statement of income.

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,		
	2013E		2012
	Low	High	Actual
Net cash provided by operating activities	\$ 6,350	\$ 6,649	\$ 6,671
Subtract: Additions to property and equipment	(2,050)	(2,149)	(2,030)
Add: Proceeds from sale-leaseback transactions	500	600	529
Free Cash Flow	\$ 4,800	\$ 5,100	\$ 5,170