

Reconciliation of Non-GAAP Items Required by SEC Rules

The following is a reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

Free Cash Flow

The Company defines free cash flow as net cash provided by operating activities less net additions to properties and equipment (additions to property and equipment plus proceeds from sale-leaseback transactions).

Following is a reconciliation of net cash provided by operating activities to free cash flow:

<i>In millions</i>	<i>(Unaudited)</i> <i>13 Weeks Ended</i>	
	March 29, 2008	March 31, 2007
Net earnings	\$ 748.5	\$ 408.9
Non-cash charges (including depreciation and amortization)	310.9	210.9
Working capital change	(318.6)	87.9
Net cash provided by operating activities	\$ 740.8	\$ 707.7
Subtract: Additions to property and equipment	(400.3)	(311.9)
Add: Proceeds from sale-leaseback transactions	5.3	9.9
Free cash flow	\$ 345.8	\$ 405.7

Adjusted Earnings Per Share

For internal comparisons, management finds it useful to assess year-to-year performance by adjusting diluted earnings per share for amortization, which primarily relates to acquisition activities.

The Company defines adjusted earnings per share as earnings before income tax provision plus amortization, less income tax provision and dilutive earnings adjustment, divided by the weighted average diluted common shares outstanding.

Following is a reconciliation of earnings before income tax provision to adjusted earnings per share:

<i>In millions, except per share amounts</i>	<i>(Unaudited)</i> <i>13 Weeks Ended</i>	
	March 29, 2008	March 31, 2007
Earnings before income tax provision	\$ 1,239.2	\$ 672.6
Amortization	97.9	47.4
Adjusted earnings before income tax provision	1,337.1	720.0
Income tax provision	529.5	282.2
Adjusted net earnings	807.6	437.8
Dilutive earnings adjustment	(0.9)	(1.1)
Adjusted net earnings available to common shareholders	806.7	436.7
Weighted average diluted common shares outstanding	1,467.7	939.8
Adjusted earnings per share	\$ 0.55	\$ 0.46

Adjusted Earnings Per Share - Guidance

The following reconciliation of estimated earnings before income tax provision to estimated adjusted earnings per share contains forward-looking information that is subject to risks and uncertainties that could cause actual results to differ materially. The Company claims the protection of the safe harbor for forward-looking information contained in the Private Securities Litigation Reform Act of 1995. The Company strongly recommends that you become familiar with the specific risks and uncertainties outlined under the caption "Cautionary Statement Concerning Forward-Looking Statements" in its Quarterly Report on Form 10-Q for the quarter ended September 29, 2007.

<i>In millions, except per share amounts</i>	<i>(Unaudited)</i> 13 Weeks Ended		<i>(Unaudited)</i> Fiscal Year Ended	
	June 28, 2008	June 28, 2008	December 31, 2008	December 31, 2008
Earnings before income tax provision	\$ 1,349.5	\$ 1,398.5	\$ 5,607.8	\$ 5,755.3
Amortization	98.8	98.8	394.5	394.5
Adjusted earnings before income tax provision	1,448.3	1,497.3	6,002.3	6,149.8
Income tax provision	573.5	592.9	2,376.9	2,435.3
Adjusted net earnings	874.8	904.4	3,625.4	3,714.5
Dilutive earnings adjustment	(1.1)	(1.1)	(4.2)	(4.2)
Adjusted net earnings available to common shareholders	873.7	903.3	3,621.2	3,710.3
Weighted average diluted common shares outstanding	1,480.8	1,480.8	1,484.1	1,484.1
Adjusted earnings per share	\$ 0.59	\$ 0.61	\$ 2.44	\$ 2.50

EBITDA and EBITDA per Adjusted Claim

We define EBITDA as earnings before interest, taxes, depreciation and amortization (and excluding merger and integration related costs). 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 3 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.

Following is a reconciliation of operating profit to EBITDA:

<i>In millions, except per adjusted claim amounts</i>	<i>(Unaudited)</i> 13 Weeks Ended	
	March 29, 2008	March 31, 2007
Pharmacy Services Segment – Comparable Financial Information ⁽¹⁾		
Operating profit	\$ 530.0	\$ 290.9
Merger and integration costs ⁽²⁾	10.4	215.2
Comparable operating profit	\$ 540.4	\$ 506.1
Depreciation and amortization	86.5	88.3
EBITDA	\$ 626.9	\$ 594.4
Adjusted claims	184.1	186.3
EBITDA per adjusted claim	\$ 3.41	\$ 3.19

- (1) The Comparable Financial Information combines the historical Pharmacy Services Segment results of CVS and Caremark assuming the Caremark Merger and any adjustments to the estimated assets acquired and liabilities assumed as of March 22, 2007 occurred at the beginning of the period ended March 31, 2007. Accordingly, the comparable results include incremental depreciation and amortization resulting from the fixed and intangible assets recorded in connection with the Caremark Merger and exclude merger-related expenses and integration costs. The comparable financial information, which is used by management to assess year-to-year performance, has been provided for illustrative purposes only and does not purport to be indicative of the actual results that would have been achieved by the combined business segment for the periods presented or that will be achieved by the combined business segment in the future.
- (2) Merger and integration costs for the thirteen weeks ended March 29, 2008 primarily consist of severance and retention costs. Merger and integration costs for the thirteen weeks ended March 31, 2007, include \$80.3 million of stock option expense associated with the accelerated vesting of certain Caremark stock options, which vested upon consummation of the merger due to change in control provisions of the underlying Caremark stock option plans, \$42.9 million of change in control payments due upon the consummation of the merger due to change in control provisions in certain Caremark employment agreements and merger-related costs of \$92.1 million. Merger-related costs include \$43.8 million of investment banker fees, \$32.8 million of legal and accounting fees and \$15.5 million of other merger-related costs incurred by Caremark.