

Caremark Rx and AdvancePCS Announce Strategic Combination Creating \$23 Billion Revenue Company

Answers to Frequently Asked Questions

1. Why does this transaction make sense?

A: The combination of Caremark and AdvancePCS joins together two highly complementary organizations in the competitive business of providing pharmaceutical and health improvement services to both the public and private sectors. The combination will create a diversified customer portfolio with a balanced, clinically focused offering that should enable us to deliver exceptional care, service and cost efficiency to our customers and their beneficiaries.

2. When will the transaction close?

A: This transaction has been approved by the Boards of Directors of both companies and is subject to certain conditions including shareholder and regulatory approvals. However, we cannot predict the exact timing for the completion of this transaction.

3. What are the terms of the deal and consideration being offered?

A: Under the terms of the definitive agreement, AdvancePCS shareholders will receive value equivalent to 2.15 shares of Caremark stock for each AdvancePCS share, to be paid in Caremark stock and cash, with 10 percent of the overall consideration in the form of cash. The 10 percent cash component will be based on Caremark's average closing stock price for the five day period prior to transaction closing. The transaction will be tax-free to both companies and their respective shareholders.

4. Will there be additional growth opportunities for the combined Company?

A: This combination is expected to create a company with enhanced growth opportunities stemming from a balanced business model, improved financial flexibility and exceptional cash flow.

For example, Caremark's mail penetration techniques will help to accelerate AdvancePCS's customers' use of home delivery service, and help lower their

drug spend. Management also views the transaction as an opportunity to significantly enhance the depth and breadth of the specialty pharmaceutical and disease management programs and services provided to customers.

5. Who will comprise the management team of the new Company?

A: Following the merger with AdvancePCS, Caremark's Mac Crawford will continue to serve as Chairman and Chief Executive Officer of the combined company.

6. Will there be any changes to client service levels?

A: Caremark and AdvancePCS are firmly committed to ensuring that this transaction will not disrupt service levels for our customers and their members. We will continue to operate both companies' claims processing and other major systems simultaneously. We are committed to developing a "best in class" customer service organization, which would mean that our client's dedicated, strong account services leaders and teams will remain intact.

7. Caremark has indicated that there is a potential \$125 million in synergies within twelve months of closing the transaction. Can you be more specific in terms of from where the \$125 million in synergies are expected to be achieved?

A: Caremark anticipates that approximately 75% of the \$125 million in potential synergies will be related to purchasing efficiencies. These synergies were calculated by an independent third party's review of existing purchasing relationships and practices of both companies. In addition, Caremark has indicated that the \$125 million in potential synergies includes eliminating duplicate public company expenses (e.g., duplicate executive expenses, insurance policies, securities filings, stock exchange expenses, etc.).

Caremark has indicated that the \$125 million in potential synergies does not include any potential revenue enhancements derived from cross selling opportunities or potential higher profitability that may result from increased mail order penetration. Caremark has indicated that they anticipate these enhancements, as well as further purchasing synergies and efficiencies, will begin occurring subsequent to year one.

8. When will you know what your new business wins are for 2004?

A: AdvancePCS will update shareholders on new business prospects during its September quarter earnings call.

9. What do customers think of the transaction?

A: Overall, the customer base has responded quite positively. We anticipate being able to give them expanded service offerings and choices after the transaction closes, including a broader set of specialty and disease management programs.