

# Consolidated Statements of Income

	Year Ended December 31,		
in millions, except per share amounts	2017	2016	2015
Net revenues	\$ 184,765	\$ 177,526	\$ 153,290
Cost of revenues	156,220	148,669	126,762
Gross profit	28,545	28,857	26,528
Operating expenses	19,028	18,491	17,053
Operating profit	9,517	10,366	9,475
Interest expense, net	1,041	1,058	838
Loss on early extinguishment of debt	—	643	—
Other expense	208	28	21
Income before income tax provision	8,268	8,637	8,616
Income tax provision	1,637	3,317	3,386
Income from continuing operations	6,631	5,320	5,230
Income (loss) from discontinued operations, net of tax	(8)	(1)	9
Net income	6,623	5,319	5,239
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Net income attributable to CVS Health	\$ 6,622	\$ 5,317	\$ 5,237
Basic earnings per share:			
Income from continuing operations attributable to CVS Health	\$ 6.48	\$ 4.93	\$ 4.65
Income (loss) from discontinued operations attributable to CVS Health	\$ (0.01)	\$ —	\$ 0.01
Net income attributable to CVS Health	\$ 6.47	\$ 4.93	\$ 4.66
Weighted average shares outstanding	1,020	1,073	1,118
Diluted earnings per share:			
Income from continuing operations attributable to CVS Health	\$ 6.45	\$ 4.91	\$ 4.62
Income (loss) from discontinued operations attributable to CVS Health	\$ (0.01)	\$ —	\$ 0.01
Net income attributable to CVS Health	\$ 6.44	\$ 4.90	\$ 4.63
Weighted average shares outstanding	1,024	1,079	1,126
Dividends declared per share	\$ 2.00	\$ 1.70	\$ 1.40

See accompanying notes to consolidated financial statements.

# Consolidated Balance Sheets

in millions, except per share amounts	December 31,	
	2017	2016
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,696	\$ 3,371
Short-term investments	111	87
Accounts receivable, net	13,181	12,164
Inventories	15,296	14,760
Other current assets	945	660
Total current assets	31,229	31,042
Property and equipment, net	10,292	10,175
Goodwill	38,451	38,249
Intangible assets, net	13,630	13,511
Other assets	1,529	1,485
Total assets	\$ 95,131	\$ 94,462
<b>Liabilities:</b>		
Accounts payable	\$ 8,863	\$ 7,946
Claims and discounts payable	10,355	9,451
Accrued expenses	6,609	6,937
Short-term debt	1,276	1,874
Current portion of long-term debt	3,545	42
Total current liabilities	30,648	26,250
Long-term debt	22,181	25,615
Deferred income taxes	2,996	4,214
Other long-term liabilities	1,611	1,549
<b>Shareholders' equity:</b>		
CVS Health shareholders' equity:		
Preferred stock, par value \$0.01: 0.1 shares authorized; none issued or outstanding	—	—
Common stock, par value \$0.01: 3,200 shares authorized; 1,712 shares issued and 1,014 shares outstanding at December 31, 2017, and 1,705 shares issued and 1,061 shares outstanding at December 31, 2016	17	17
Treasury stock, at cost: 697 shares at December 31, 2017, and 643 shares at December 31, 2016	(37,765)	(33,452)
Shares held in trust: 1 share at December 31, 2017 and December 31, 2016	(31)	(31)
Capital surplus	32,079	31,618
Retained earnings	43,556	38,983
Accumulated other comprehensive income (loss)	(165)	(305)
Total CVS Health shareholders' equity	37,691	36,830
Noncontrolling interest	4	4
Total shareholders' equity	37,695	36,834
Total liabilities and shareholders' equity	\$ 95,131	\$ 94,462

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

	Year Ended December 31,		
in millions	2017	2016	2015
Cash flows from operating activities:			
Cash receipts from customers	\$ 176,594	\$ 172,310	\$ 148,954
Cash paid for inventory and prescriptions dispensed by retail network pharmacies	(149,279)	(142,511)	(122,498)
Cash paid to other suppliers and employees	(15,348)	(15,478)	(14,035)
Interest received	21	20	21
Interest paid	(1,072)	(1,140)	(629)
Income taxes paid	(2,909)	(3,060)	(3,274)
Net cash provided by operating activities	8,007	10,141	8,539
Cash flows from investing activities:			
Purchases of property and equipment	(1,918)	(2,224)	(2,367)
Proceeds from sale-leaseback transactions	265	230	411
Proceeds from sale of property and equipment and other assets	33	37	35
Acquisitions (net of cash acquired) and other investments	(1,287)	(539)	(11,475)
Purchase of available-for-sale investments	(86)	(65)	(267)
Maturities of available-for-sale investments	61	91	243
Net cash used in investing activities	(2,932)	(2,470)	(13,420)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(598)	1,874	(685)
Proceeds from issuance of long-term debt	—	3,455	14,805
Repayments of long-term debt	—	(5,943)	(2,902)
Purchase of noncontrolling interest in subsidiary	—	(39)	—
Payment of contingent consideration	—	(26)	(58)
Dividends paid	(2,049)	(1,840)	(1,576)
Proceeds from exercise of stock options	329	296	362
Payments for taxes related to net share settlement of equity awards	(71)	(72)	(63)
Repurchase of common stock	(4,361)	(4,461)	(5,001)
Other	(1)	(5)	(3)
Net cash provided by (used in) financing activities	(6,751)	(6,761)	4,879
Effect of exchange rate changes on cash and cash equivalents	1	2	(20)
Net increase (decrease) in cash and cash equivalents	(1,675)	912	(22)
Cash and cash equivalents at the beginning of the period	3,371	2,459	2,481
Cash and cash equivalents at the end of the period	\$ 1,696	\$ 3,371	\$ 2,459
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 6,623	\$ 5,319	\$ 5,239
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,479	2,475	2,092
Goodwill impairments	181	—	—
Losses on settlements of defined benefit pension plans	187	—	—
Stock-based compensation	234	222	230
Loss on early extinguishment of debt	—	643	—
Deferred income taxes	(1,334)	18	(252)
Other noncash items	53	135	(14)
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(941)	(243)	(1,594)
Inventories	(514)	(742)	(1,141)
Other current assets	(341)	35	355
Other assets	3	(43)	2
Accounts payable and claims and discounts payable	1,710	2,189	2,834
Accrued expenses	(371)	131	892
Other long-term liabilities	38	2	(104)
Net cash provided by operating activities	\$ 8,007	\$ 10,141	\$ 8,539

See accompanying notes to consolidated financial statements.