

## Consolidated Statements of Operations

<i>In millions, except per share amounts</i>	For the Years Ended December 31,		
	2019	2018	2017
Revenues:			
Products	\$ 185,236	\$ 183,910	\$ 180,063
Premiums	63,122	8,184	3,558
Services	7,407	1,825	1,144
Net investment income	1,011	660	21
Total revenues	256,776	194,579	184,786
Operating costs:			
Cost of products sold	158,719	156,447	153,448
Benefit costs	52,529	6,594	2,810
Goodwill impairments	—	6,149	181
Operating expenses	33,541	21,368	18,809
Total operating costs	244,789	190,558	175,248
Operating income	11,987	4,021	9,538
Interest expense	3,035	2,619	1,062
Loss on early extinguishment of debt	79	—	—
Other expense (income)	(124)	(4)	208
Income before income tax provision	8,997	1,406	8,268
Income tax provision	2,366	2,002	1,637
Income (loss) from continuing operations	6,631	(596)	6,631
Loss from discontinued operations, net of tax	—	—	(8)
Net income (loss)	6,631	(596)	6,623
Net (income) loss attributable to noncontrolling interests	3	2	(1)
Net income (loss) attributable to CVS Health	<u>\$ 6,634</u>	<u>\$ (594)</u>	<u>\$ 6,622</u>
Basic earnings (loss) per share:			
Income (loss) from continuing operations attributable to CVS Health	\$ 5.10	\$ (0.57)	\$ 6.48
Loss from discontinued operations attributable to CVS Health	\$ —	\$ —	\$ (0.01)
Net income (loss) attributable to CVS Health	\$ 5.10	\$ (0.57)	\$ 6.47
Weighted average basic shares outstanding	1,301	1,044	1,020
Diluted earnings (loss) per share:			
Income (loss) from continuing operations attributable to CVS Health	\$ 5.08	\$ (0.57)	\$ 6.45
Loss from discontinued operations attributable to CVS Health	\$ —	\$ —	\$ (0.01)
Net income (loss) attributable to CVS Health	\$ 5.08	\$ (0.57)	\$ 6.44
Weighted average diluted shares outstanding	1,305	1,044	1,024
Dividends declared per share	\$ 2.00	\$ 2.00	\$ 2.00

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income (Loss)

<i><u>In millions</u></i>	For the Years Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ 6,631	\$ (596)	\$ 6,623
Other comprehensive income (loss), net of tax:			
Net unrealized investment gains	677	97	—
Foreign currency translation adjustments	162	(29)	(2)
Net cash flow hedges	(33)	330	(10)
Pension and other postretirement benefits	111	(124)	152
Other comprehensive income	917	274	140
Comprehensive income (loss)	7,548	(322)	6,763
Comprehensive (income) loss attributable to noncontrolling interests	3	2	(1)
Comprehensive income (loss) attributable to CVS Health	<u>\$ 7,551</u>	<u>\$ (320)</u>	<u>\$ 6,762</u>

See accompanying notes to consolidated financial statements.

## Consolidated Balance Sheets

<i>In millions, except per share amounts</i>	At December 31,	
	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,683	\$ 4,059
Investments	2,373	2,522
Accounts receivable, net	19,617	17,631
Inventories	17,516	16,450
Other current assets	5,113	4,581
Total current assets	50,302	45,243
Long-term investments	17,314	15,732
Property and equipment, net	12,044	11,349
Operating lease right-of-use assets	20,860	—
Goodwill	79,749	78,678
Intangible assets, net	33,121	36,524
Separate accounts assets	4,459	3,884
Other assets	4,600	5,046
<b>Total assets</b>	<b>\$ 222,449</b>	<b>\$ 196,456</b>
<b>Liabilities:</b>		
Accounts payable	\$ 10,492	\$ 8,925
Pharmacy claims and discounts payable	13,601	11,365
Health care costs payable	6,879	6,147
Policyholders' funds	2,991	2,939
Accrued expenses	12,133	10,711
Other insurance liabilities	1,830	1,937
Current portion of operating lease liabilities	1,596	—
Short-term debt	—	720
Current portion of long-term debt	3,781	1,265
Total current liabilities	53,303	44,009
Long-term operating lease liabilities	18,926	—
Long-term debt	64,699	71,444
Deferred income taxes	7,294	7,677
Separate accounts liabilities	4,459	3,884
Other long-term insurance liabilities	7,436	8,119
Other long-term liabilities	2,162	2,780
<b>Total liabilities</b>	<b>158,279</b>	<b>137,913</b>
Commitments and contingencies (Note 16)		
<b>Shareholders' equity:</b>		
Preferred stock, par value \$0.01: 0.1 shares authorized; none issued or outstanding	—	—
Common stock, par value \$0.01: 3,200 shares authorized; 1,727 shares issued and 1,302 shares outstanding at December 31, 2019 and 1,720 shares issued and 1,295 shares outstanding at December 31, 2018 and capital surplus	45,972	45,440
Treasury stock, at cost: 425 shares at both December 31, 2019 and 2018	(28,235)	(28,228)
Retained earnings	45,108	40,911
Accumulated other comprehensive income	1,019	102
Total CVS Health shareholders' equity	63,864	58,225
Noncontrolling interests	306	318
<b>Total shareholders' equity</b>	<b>64,170</b>	<b>58,543</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 222,449</b>	<b>\$ 196,456</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

<i>In millions</i>	For the Years Ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Cash receipts from customers	\$ 248,393	\$ 186,519	\$ 176,594
Cash paid for inventory and prescriptions dispensed by retail network pharmacies	(149,655)	(148,981)	(146,469)
Insurance benefits paid	(52,242)	(6,897)	(2,810)
Cash paid to other suppliers and employees	(28,932)	(17,234)	(15,348)
Interest and investment income received	955	644	21
Interest paid	(2,954)	(2,803)	(1,072)
Income taxes paid	(2,717)	(2,383)	(2,909)
Net cash provided by operating activities	12,848	8,865	8,007
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	7,049	817	61
Purchases of investments	(7,534)	(692)	(137)
Purchases of property and equipment	(2,457)	(2,037)	(1,918)
Proceeds from sale-leaseback transactions	5	—	265
Acquisitions (net of cash acquired)	(444)	(42,226)	(1,181)
Proceeds from sale of subsidiary and other assets	—	832	—
Other	42	21	33
Net cash used in investing activities	(3,339)	(43,285)	(2,877)
<b>Cash flows from financing activities:</b>			
Net repayments of short-term debt	(720)	(556)	(598)
Proceeds from issuance of long-term debt	3,736	44,343	—
Repayments of long-term debt	(8,336)	(5,522)	—
Derivative settlements	(25)	446	—
Repurchase of common stock	—	—	(4,361)
Dividends paid	(2,603)	(2,038)	(2,049)
Proceeds from exercise of stock options	210	242	329
Payments for taxes related to net share settlement of equity awards	(112)	(97)	(71)
Other	—	1	(1)
Net cash provided by (used in) financing activities	(7,850)	36,819	(6,751)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	(4)	1
Net increase (decrease) in cash, cash equivalents and restricted cash	1,659	2,395	(1,620)
Cash, cash equivalents and restricted cash at the beginning of the period	4,295	1,900	3,520
Cash, cash equivalents and restricted cash at the end of the period	\$ 5,954	\$ 4,295	\$ 1,900

<i><u>In millions</u></i>	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Reconciliation of net income (loss) to net cash provided by operating activities:			
Net income (loss)	\$ 6,631	\$ (596)	\$ 6,623
Adjustments required to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,371	2,718	2,479
Goodwill impairments	—	6,149	181
Loss on settlement of defined benefit pension plans	—	—	187
Stock-based compensation	453	280	234
Loss on sale of subsidiary	205	86	—
Loss on early extinguishment of debt	79	—	—
Deferred income taxes	(654)	87	(1,334)
Other noncash items	264	253	53
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(2,158)	(1,139)	(941)
Inventories	(1,075)	(1,153)	(514)
Other assets	(614)	(3)	(338)
Accounts payable and pharmacy claims and discounts payable	3,550	2,329	1,710
Health care costs payable and other insurance liabilities	320	(311)	—
Other liabilities	1,476	165	(333)
Net cash provided by operating activities	<u>\$ 12,848</u>	<u>\$ 8,865</u>	<u>\$ 8,007</u>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Shareholders' Equity

<i>In millions</i>	Attributable to CVS Health								
	Number of shares outstanding		Common Stock and Capital Surplus <sup>(2)</sup>	Treasury Stock <sup>(1)</sup>	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CVS Health Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
	Common Shares	Treasury Shares <sup>(1)</sup>							
<b>Balance at December 31, 2016</b>	<b>1,705</b>	<b>(644)</b>	<b>\$ 31,635</b>	<b>\$ (33,483)</b>	<b>\$ 38,983</b>	<b>\$ (305)</b>	<b>\$ 36,830</b>	<b>\$ 4</b>	<b>\$ 36,834</b>
Net income	—	—	—	—	6,622	—	6,622	1	6,623
Other comprehensive income (Note 13)	—	—	—	—	—	140	140	—	140
Stock option activity, stock awards and other	7	—	461	—	—	—	461	—	461
Purchase of treasury shares, net of ESPP issuances	—	(54)	—	(4,313)	—	—	(4,313)	—	(4,313)
Common stock dividends	—	—	—	—	(2,049)	—	(2,049)	—	(2,049)
Other decreases in noncontrolling interests	—	—	—	—	—	—	—	(1)	(1)
<b>Balance at December 31, 2017</b>	<b>1,712</b>	<b>(698)</b>	<b>32,096</b>	<b>(37,796)</b>	<b>43,556</b>	<b>(165)</b>	<b>37,691</b>	<b>4</b>	<b>37,695</b>
Adoption of new accounting standards <sup>(3)</sup>	—	—	—	—	(6)	(7)	(13)	—	(13)
Net loss	—	—	—	—	(594)	—	(594)	(2)	(596)
Other comprehensive income (Note 13)	—	—	—	—	—	274	274	—	274
Common shares issued to acquire Aetna	—	274	12,923	9,561	—	—	22,484	—	22,484
Stock option activity, stock awards and other	8	—	421	—	—	—	421	—	421
Purchase of treasury shares, net of ESPP issuances	—	(1)	—	7	—	—	7	—	7
Common stock dividends	—	—	—	—	(2,045)	—	(2,045)	—	(2,045)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	329	329
Other decreases in noncontrolling interests	—	—	—	—	—	—	—	(13)	(13)
<b>Balance at December 31, 2018</b>	<b>1,720</b>	<b>(425)</b>	<b>45,440</b>	<b>(28,228)</b>	<b>40,911</b>	<b>102</b>	<b>58,225</b>	<b>318</b>	<b>58,543</b>
Adoption of new accounting standards (Note 1)	—	—	—	—	178	—	178	—	178
Net income (loss)	—	—	—	—	6,634	—	6,634	(3)	6,631
Other comprehensive income (Note 13)	—	—	—	—	—	917	917	—	917
Stock option activity, stock awards and other	7	2	532	—	—	—	532	—	532
Purchase of treasury shares, net of ESPP issuances	—	(2)	—	(7)	—	—	(7)	—	(7)
Common stock dividends	—	—	—	—	(2,615)	—	(2,615)	—	(2,615)
Other decreases in noncontrolling interests	—	—	—	—	—	—	—	(9)	(9)
<b>Balance at December 31, 2019</b>	<b>1,727</b>	<b>(425)</b>	<b>\$ 45,972</b>	<b>\$ (28,235)</b>	<b>\$ 45,108</b>	<b>\$ 1,019</b>	<b>\$ 63,864</b>	<b>\$ 306</b>	<b>\$ 64,170</b>

- (1) Treasury shares include 1 million shares held in trust for each of the years ended December 31, 2019, 2018 and 2017. Treasury stock includes \$29 million related to shares held in trust for each of the years ended December 31, 2019 and 2018 and \$31 million related to shares held in trust for the year ended December 31, 2017. See Note 1 "Significant Accounting Policies" for additional information.
- (2) Common stock and capital surplus includes the par value of common stock of \$17 million as of December 31, 2019, 2018 and 2017.
- (3) Reflects the adoption of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which resulted in a reduction to retained earnings of \$13 million and the adoption of ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which resulted in a reduction to accumulated other comprehensive income of \$7 million and an increase to retained earnings of \$7 million, each during the year ended December 31, 2018.

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