

CVS Caremark

CONSOLIDATED STATEMENTS OF INCOME

<i>in millions, except per share amounts</i>	Year Ended December 31,		
	2010	2009	2008
Net revenues	\$ 96,413	\$ 98,729	\$ 87,472
Cost of revenues	76,156	78,349	69,182
Gross profit	20,257	20,380	18,290
Operating expenses	14,092	13,942	12,244
Operating profit	6,165	6,438	6,046
Interest expense, net	536	525	509
Income before income tax provision	5,629	5,913	5,537
Income tax provision	2,190	2,205	2,193
Income from continuing operations	3,439	3,708	3,344
Loss from discontinued operations, net of income tax benefit	(15)	(12)	(132)
Net income	3,424	3,696	3,212

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CONSOLIDATED BALANCE SHEETS

<i>in millions, except per share amounts</i>	December 31,	
	2010	2009
Assets:		
Cash and cash equivalents	\$ 1,427	\$ 1,086
Short-term investments	4	5
Accounts receivable, net	4,925	5,457
Inventories	10,695	10,343
Deferred income taxes	511	506
Other current assets	144	140
Total current assets	17,706	17,537
Property and equipment, net	8,322	7,923
Goodwill	25,669	25,680
Intangible assets, net	9,784	10,127
Other assets	688	374
Total assets	\$ 62,169	\$ 61,641
Liabilities:		
Accounts payable	\$ 4,026	\$ 3,560
Claims and discounts payable	2,569	3,075
Accrued expenses	3,070	3,246
Short-term debt	300	315
Current portion of long-term debt	1,105	2,104
Total current liabilities	11,070	12,300
Long-term debt	8,652	8,756
Deferred income taxes	3,655	3,678
Other long-term liabilities	1,058	1,102
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interest	34	37
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; 1,624 shares issued and 1,363 shares outstanding at December 31, 2010 and 1,612 shares issued and 1,391 shares outstanding at December 31, 2009	16	16
Treasury stock, at cost: 259 shares at December 31, 2010 and 219 shares at December 31, 2009	(9,030)	(7,610)
Shares held in trust: 2 shares at December 31, 2010 and 2009	(56)	(56)
Capital surplus	27,610	27,198
Retained earnings	19,303	16,355
Accumulated other comprehensive loss	(143)	(135)
Total shareholders' equity	37,700	35,768
Total liabilities and shareholders' equity	\$ 62,169	\$ 61,641

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CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>in millions</i>	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Cash receipts from revenues	\$ 94,503	\$ 93,568	\$ 82,250
Cash paid for inventory and prescriptions dispensed by retail network pharmacies	(73,143)	(73,536)	(64,131)
Cash paid to other suppliers and employees	(13,778)	(13,121)	(11,832)
Interest and dividends received	4	5	20
Interest paid	(583)	(542)	(574)
Income taxes paid	(2,224)	(2,339)	(1,786)
Net cash provided by operating activities	4,779	4,035	3,947
Cash flows from investing activities:			
Additions to property and equipment	(2,005)	(2,548)	(2,180)
Proceeds from sale-leaseback transactions	507	1,562	204
Acquisitions (net of cash acquired) and other investments	(177)	(101)	(2,651)
Purchase of short-term investments	-	(5)	-
Proceeds from sale or maturity of short-term investments	1	-	28
Proceeds from sale or disposal of assets	34	23	19
Net cash used in investing activities	(1,640)	(1,069)	(4,580)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(15)	(2,729)	959
Repayment of debt assumed in acquisition	-	-	(353)
Issuance of long-term debt	991	2,800	350
Repayments of long-term debt	(2,103)	(653)	(2)
Dividends paid	(479)	(439)	(383)
Derivative settlements	(5)	(3)	-
Proceeds from exercise of stock options	285	250	328
Excess tax benefits from stock-based compensation	28	19	53
Repurchase of common stock	(1,500)	(2,477)	(23)
Net cash provided by (used in) financing activities	(2,798)	(3,232)	929
Net increase (decrease) in cash and cash equivalents	341	(266)	296
Cash and cash equivalents at beginning of year	1,086	1,352	1,056
Cash and cash equivalents at end of year	\$ 1,427	\$ 1,086	\$ 1,352
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 3,424	\$ 3,696	\$ 3,212
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,469	1,389	1,274
Stock-based compensation	150	165	92
Deferred income taxes and other noncash items	30	48	(3)
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	532	(86)	(291)
Inventories	(352)	(1,199)	(488)
Other current assets	(4)	48	12
Other assets	(210)	(2)	19
Accounts payable	(40)	4	(64)
Accrued expenses	(176)	(66)	183
Other long-term liabilities	(44)	38	1
Net cash provided by operating activities	\$ 4,779	\$ 4,035	\$ 3,947