Achieving Our Goal:

To be the most

customer-focused,

innovative,

and convenient

healthcare service

retailer in America.

CVS/pharmacy®

2000 Annual Report

CVS Corporation

2000

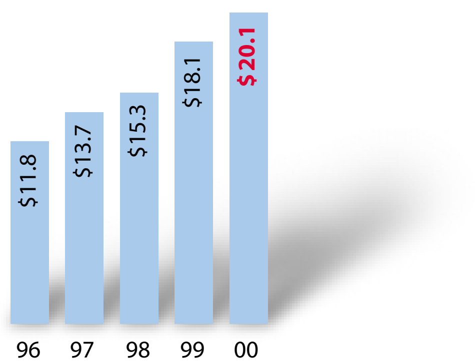
A Year of Great Achievement

- Our total sales jumped 13% on a comparable 52-week basis to $20.1 billion.
- Same store sales rose 11%, while pharmacy same store sales climbed 18%.
- Our earnings per share advanced 18% on a comparable 52-week basis.
- We once again filled more prescriptions than any other retailer in America, dispensing approximately 300 million in 2000.
- We opened 388 new and relocated stores, including 35 CVS ProCare stores, and ended the year with a record 4,133 stores.
- We entered new markets with substantial growth potential: Chicago, Orlando and Tampa.
- We now operate approximately 1,100 extended-hour stores, 1,200 drive-thru pharmacies and 3,000 one-hour photo labs—making life easier for our customers.
- We completed the acquisition of Stadtlander Pharmacy, making CVS ProCare #1 in the fast-growing specialty pharmacy market.
- We generated $384 million in free cash, significantly higher than 1999's level.
- Our stock price soared more than 50% and our market capitalization grew to $24 billion.

Financial Highlights

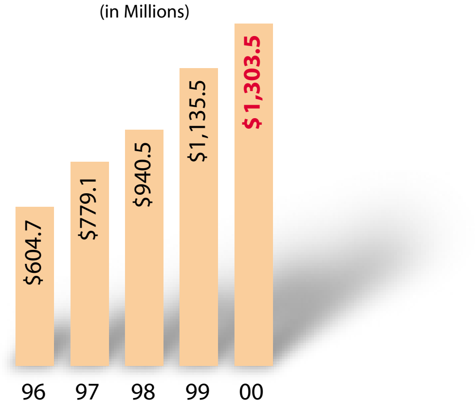
In millions, except per share	**2000 (52 weeks)**	1999 (53 weeks)	% Change
Sales	$ 20,087.5	$ 18,098.3	11.0
Operating profit*	1,303.5	1,135.5	14.8
Net earnings*	734.5	635.1	15.7
Diluted earnings per common share*	1.80	1.55	16.1
Closing stock price per common share	59.94	39.88	50.3

Sales
(in Billions)



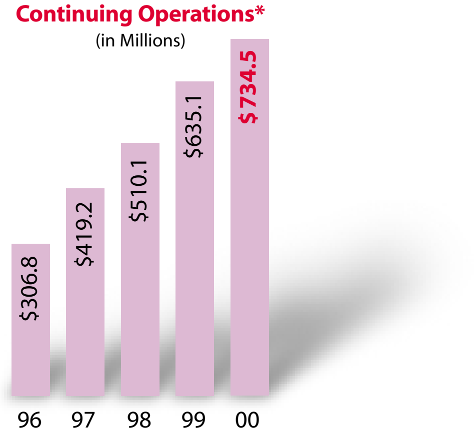
Five-year compounded annual growth rate **13.8%**

Operating Profit*
(in Millions)



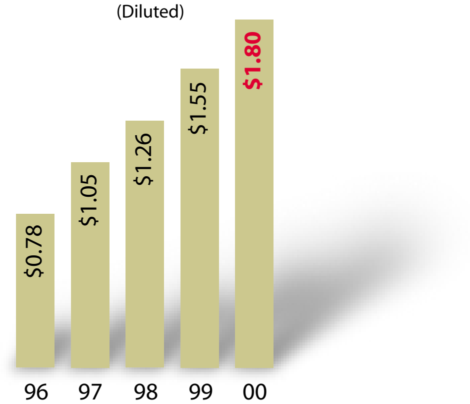
Five-year compounded annual growth rate **21.8%**

Earnings from Continuing Operations*
(in Millions)



Five-year compounded annual growth rate **28.4%**

Earnings Per Common Share from Continuing Operations*
(Diluted)



Five-year compounded annual growth rate **27.7%**

** Excludes the effect of the merger, restructuring and other nonrecurring charges and gain that were recorded in 2000, 1998, 1997 and 1996. See page 39 for further information.*

To Our Shareholders

The year 2000 was an exceptional year for CVS by any measure. We achieved continued strong financial results, including record sales, operating profit and net earnings. We also made significant strides toward our goal of being the most customer-focused, innovative and convenient healthcare service retailer in America, with four complementary and growing healthcare businesses—CVS/pharmacy, ProCare, PharmaCare, and CVS.com—serving the needs of all our customers.

Excellent Financial Performance and Shareholder Returns

Net sales for the year reached a record $20.1 billion, up 13% from $17.7 billion in 1999 (on a comparable 52-week basis), while same store sales surged 11% and led the industry. Net earnings, excluding a one-time gain of $19 million related to a litigation settlement, advanced to a record $735 million, or $1.80 per share, up 18% from $1.52 per share in 1999 on a comparable 52-week basis. We continue to generate significant free cash flow, reaching $384 million in 2000, ahead of our goal and significantly higher than the $233 million we reported in 1999. This outstanding performance solidified our track record of meeting or beating Wall Street's expectations every quarter since we became a stand-alone public company in the Fall of 1996, and has translated into excellent returns for our shareholders.

"We are a **recognized leader** in our industry and believe CVS is **better positioned** than at any time in the Company's history to capitalize on the significant **opportunities** in healthcare."

For the year, CVS' share price climbed more than 50%, compared with a 6% decline in the Dow Jones Industrial Average, and a 10% decline in the S&P 500 Index. In contrast to 1999, when investors flocked to technology stocks and, more specifically, to pure-play Internet stocks, investors have now come back to companies such as CVS that offer the best of both worlds: old economy fundamentals with above average growth and new economy innovation.

CVS pharmacists filled approximately 300 million prescriptions in 2000, providing pharmacy counseling to millions of customers.

America's Pharmacy Leader

The drugstore industry remains extremely vibrant, possessing perhaps the most compelling growth demographics in all of retail—and CVS is America's #1 Pharmacy. With 4,133 locations, we operate more drugstores than any other company in the U.S. Our pharmacy business continues to register phenomenal same store sales growth, up nearly 18% in 2000. In fact, more prescriptions are filled at CVS/pharmacy than at any other retailer. The $140 billion pharmacy industry will continue to be among the fastest-growing segments of the retail sector, driven by the introduction of new drugs and the aging American population. We continue to capture an increasing share of this expanding market.

Our front-end business also continues to thrive, achieving broad-based category growth. We gained market share in all core categories, including photo, skin care, hair care, candy, cold and stomach remedies, diet/nutrition and cosmetics. Our unique photo offerings, which integrate our in-store photo processing business with digital uploads onto the Kodak Picture Center® at CVS.com, have generated excellent results. In 2000, we became the #1 online photo provider in the U.S.

Thomas M. Ryan Chairman of the Board, President and Chief Executive Officer

We are very enthusiastic about the benefits we can derive from greater customer loyalty through our new relationship marketing program, ExtraCare®. We recently rolled out our ExtraCare card chainwide and expect to create superior value for our customers, unmatched by competitors' programs.

Growing by Remaining Focused on Our Vision

To achieve our objective of being the most customer-focused, innovative and convenient healthcare retailer in America, we have concentrated our efforts on building our presence in the nation's top drugstore markets. We have added our traditional CVS/pharmacy stores, through organic growth or strategic acquisitions, and developed new channels, such as ProCare and CVS.com, to meet the needs of all our customers.

CVS currently enjoys the #1 or #2 market share in 75% of the top markets in which we operate. We have a presence in 59 of the top 100 U.S. drugstore markets, which leaves 41 of the top 100 markets for CVS' possible expansion, many of which are underserved and offer tremendous potential.

During 2000, we opened or relocated 388 stores. These included new CVS and ProCare stores in current and new markets as well as relocations of existing units to more convenient sites. We also took advantage of opportunities to expand into markets that we identified as having strong fundamentals for drugstores. We recently entered the Chicago market, currently the 2nd largest drugstore market in the U.S., and we launched an aggressive expansion into several Florida markets, beginning with Tampa, the 16th largest drugstore market, and Orlando, the 27th largest. In February 2001 we announced plans to build CVS/pharmacy stores in two of the fastest-growing drugstore markets in the U.S.—Phoenix, Arizona and Las Vegas, Nevada. We will announce our intentions to enter several new markets each year, but at a pace that will allow us to sustain our strong earnings growth progression.

Our 1997 acquisition of Revco D.S. Inc. and our 1998 acquisition of Arbor Drugs, Inc. provided us with leadership in new markets, earnings accretion and incremental upside potential. Both companies have been fully integrated—from a systems, people and operational perspective—and are performing very well. Additionally, the businesses we acquired have become important sources of idea generation for further enhancing the performance of the entire company.

CVS ProCare: #1 in a Fast-Growing Industry

One of our successful new channels, CVS ProCare, has grown to become an important complement to our core CVS drugstore chain by enabling us to reach a new customer segment with specialized pharmacy needs. We introduced our first CVS ProCare apothecaries in 1999 and, during 2000, accelerated the expansion of this business through our acquisition of Stadtlander Pharmacy, a leading specialty pharmacy company, and the addition of new ProCare locations. The acquisition of Stadtlander provided CVS with the nation's largest specialty retail/mail business. ProCare is now the #1 player in the highly fragmented, rapidly growing, $14 billion market for patients requiring complex and expensive drug therapies for long-term health conditions—and the only specialty pharmacy player with integrated retail and mail order services. We expect the addition of Stadtlander to help propel ProCare to a $2+ billion business within three to four years.

We now operate 46 CVS ProCare specialty pharmacies across the U.S., serving customers requiring complex and expensive prescription therapies.

Our expansion of ProCare parallels, in many respects, the growth we have achieved over the years with our PharmaCare subsidiary. Designed to meet the needs of a specific customer audience—managed care organizations—PharmaCare has become one of the top pharmacy benefit management companies (PBMs) in the nation, currently managing more than 9 million lives. Through its proprietary systems and services, PharmaCare has enabled the managed care community to provide its members with the best healthcare in the most cost-effective manner, while assuring CVS' presence in this growing segment of the healthcare industry.

CVS.com: A Winning "Clicks and Mortar" Strategy

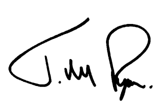
CVS.com has provided us with a new vehicle to enhance the convenience and value we offer customers…on the corner, on the phone, and on the web. Through unique partnerships with healthcare leaders, we are providing a level of healthcare information and services unmatched by our competitors, backed by the trusted CVS brand name. The strength of the "clicks and mortar" drugstore format is evidenced by the fact that approximately 70% of CVS.com's pharmacy customers choose in-store pickup. In markets where we have CVS/pharmacy stores, more than 90% choose in-store pickup. We are continuing to drive growth in the business, and we expect CVS.com to be profitable by no later than 2002.

More than 90% of customers who use CVS.com in our markets choose to pick up their prescriptions in our stores, confirming the strength of our "clicks and mortar" format.

CVS' Strong Outlook

I believe CVS is better positioned than at any time in the Company's history to capitalize on the significant opportunities in healthcare. We are optimistic that we can achieve our targets for top-line and bottom-line growth while we continue to invest for the future. CVS is the leading player in an industry that is itself vibrant and growing. We have dynamic and expanding businesses in multiple segments of the retail healthcare industry, proven strategies in place, and a solid financial position. Our investments in new technology, such as the EPIC pharmacy system and our Assisted Inventory Management program, are expected to have a positive impact on efficiency and profitability. And, we expect to reap the benefits of our participation in the Worldwide Retail Exchange (WWRE) through better communications and streamlined ordering processes with our suppliers. CVS was a founding member of the WWRE, which has grown to encompass 53 companies representing more than $700 billion in combined retail revenue.

CVS' success in 2000 was directly attributable to the hard work and commitment of our 100,000 colleagues, and I want to thank each of them for their contributions. We also appreciate the wise counsel of our Board of Directors and the loyal support of our business partners and customers. We thank you, our shareholders, for your continued confidence in CVS, and we look forward to reporting on our future successes.



Thomas M. Ryan
Chairman of the Board,
President and Chief Executive Officer

CVS/pharmacy

Positioned for Growth

America's #1 Pharmacy

Customer-focused, innovative and convenient healthcare strategies have propelled CVS to #1 on the list of U.S. drugstore chains. More people filled their prescriptions at CVS last year than at any other drugstore. Our pharmacy sales climbed 17% to nearly $13 billion, representing 63% of our total annual revenues. Moreover, given the highly attractive fundamentals of the retail pharmacy industry, we expect this strong growth to continue.

...the most customer-focused...

"More people trust CVS for their healthcare needs than any other drugstore chain in America."

It is estimated that 35 "blockbuster" drugs, with the potential to generate more than $1 billion in annual sales each, are in the final stages of trial. This strong pipeline bodes well for the future, as 40% of pharmaceutical sales are historically generated by drugs developed within the preceding five years.

At the same time, patents on an estimated $40 billion worth of branded drugs are set to expire over the next 10 years, opening the door for generic alternatives. That's good news for our customers, who will benefit from lower prices.

Key Trends Driving Growth

The retail pharmacy industry is a $140 billion market with a projected compound annual growth rate of more than 13% through 2004. The increases in pharmaceutical sales are being fueled by the convergence of a number of positive trends. Drug companies are introducing a steady stream of new pharmaceuticals into the marketplace, while investing heavily to advertise these products directly to the consumer.

CVS led the industry with an 18% increase in pharmacy same store sales in 2000.

Demographic trends and the expansion of managed care are also playing substantial roles in driving retail pharmacy growth. With members of the "Baby Boom" generation moving into their 50s, demand for prescriptions should continue to accelerate. Individuals over age 65 take approximately 16 prescriptions per year, compared to about six prescriptions annually for Americans under age 45. We have found that when people switch from no prescription coverage to a managed care plan requiring only a customer co-pay, prescription use nearly doubles. These trends, coupled with the possibility of a prescription drug benefit for Medicare enrollees, provide further catalysts for continued pharmacy growth.

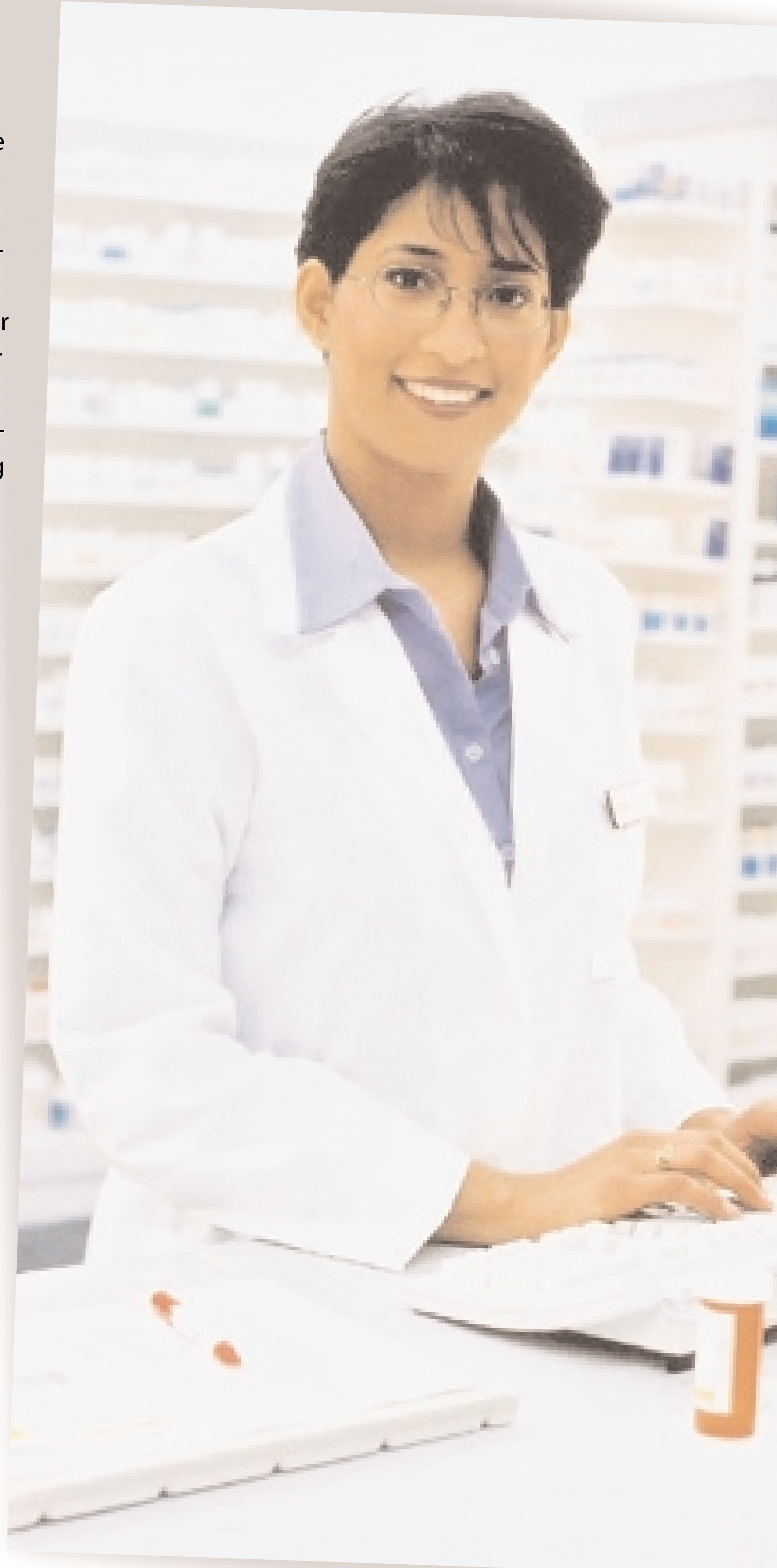
Demand for prescriptions continues to rise as the population ages, and CVS continues to capture an increasing share of this growing market.

CVS' Technological Edge

We have positioned CVS to capture a growing share of the expanding pharmacy market by achieving an industry leadership position and utilizing technology to enhance our capabilities. A cornerstone of our pharmacy strategy is our Excellence in Pharmacy Innovation and Care (EPIC) project, which will help us maintain our pharmacy leadership as the industry low-cost provider of prescriptions. Through workflow improvements and proprietary technology, we are able to let pharmacy technicians who have completed a comprehensive training program perform many of the tasks related to filling a prescription. This frees our pharmacists to spend more time doing what they were trained to do—counsel patients and oversee drug interaction reviews. We are also adding pill-counting automation to our higher-volume stores to improve productivity and reduce wait times for customers. As we continue to roll out the EPIC program throughout our stores, we expect to see improved quality assurance and customer service, while reducing labor costs throughout the Company.

We were the first in the industry to introduce Drug Utilization Review (DUR) technology that checks for harmful interactions between prescription drugs, over-the-counter products, vitamins and herbal remedies. Our DUR system reduces the risk of adverse drug interactions by cross-checking each prescription against other medications that a patient may be taking. It is unique in that it also looks for potential incompatibilities between prescriptions and over-the-counter medications. As a result of DUR, customers who fill their prescriptions at CVS can be confident that the latest technology is working to improve their health and safety.

Programs like EPIC underscore our role as the clear industry leader in introducing new technologies as well as our commitment to quality assurance. We were also the first in the industry to install a chain-wide automated prescription refill system. We call it the Rapid Refill System because it lets customers renew prescriptions, 24 hours a day over the phone, without having to speak directly to someone in our store. This provides greater convenience for our customers by eliminating wait time, and benefits CVS by reducing labor costs and improving our productivity.



The aggressive rollout of EPIC, our state-of-the-art pharmacy workflow modernization program, began in 2000. EPIC will help streamline the prescription filling process by using new information technology hardware and software systems.

Our new grl>lab area is designed to capture the attention of teenage girls by offering beauty, hair and other accessory items in a fun and appealing environment. The introduction of grl>lab is part of CVS' efforts to establish loyalty at an early age by an important group of core customers.

Front-End Business

Unparalleled Convenience in the Front Store

Today's busy customers appreciate convenience. Therefore, our strategy at CVS has been to find the most convenient locations and to develop in the front of our stores the best selection of merchandise to meet our customers' everyday needs.

Unique Products Exclusive to CVS

One of the ways that we create value for CVS customers is by offering products and services that are unique to CVS. Because of our size and scale, we are able to forge partnerships with some of the nation's largest manufacturers to jointly develop merchandising strategies solely for CVS. For example, in 2000 we teamed up with Procter & Gamble to launch grl>lab®, an area in our stores featuring beauty, hair and other accessory items that are relevant to teenage girls. grl>lab will help us grow by reaching out to a whole new group of convenience shoppers, who we hope will remain loyal customers into their adult lives.

We tailor our stores to focus on key customer segments. For example, we have a Women's Health Initiative focusing on the health needs of women with specific conditions, such as diabetes or osteoporosis. We also carry ethnic beauty products in certain markets. We further reinforce CVS' convenience through an accessible, easy-to-shop store format and our extended hours.

Private label and controlled label products serve as another important vehicle for differentiating CVS from its drugstore and mass merchant competitors. During 2000, we introduced a line of exclusive bath and body products under the Essence of Beauty® brand name. The early results demonstrate the generation of strong repeat purchases and customer traffic in our stores; therefore we have already begun to add new products to the Essence of Beauty line.

We also continue to register solid growth in our CVS-brand products, which increased 7% and represented 12% of our total front-store sales. We

CVS' exclusive Essence of Beauty bath and body products have received an excellent response, generating strong repeat purchases.

now have more than 1500 CVS-brand products, including over-the-counter items and health and beauty aids, as well as our premium line of Gold Emblem® snacks and beverages. These private label products offer quality and cost savings for our customers and competitive profit margins for us.

CVS' First-to-Market Advantage

For those new products that are not exclusive to CVS, we place a priority on bringing these items to market faster than our competitors. Our success with the introduction of Olay Total Effects® demonstrates the benefits of this strategy. By being first to market, CVS has achieved a 36% share within the total U.S. drug market, significantly higher than our 23% moisturizer segment share. We have found that being first to market allows us to build sustainable market share ahead of our competitors and reinforces our innovation with consumers.

...innovative...

"We take pride in **knowing our customers**, and creating **unique products** and services to meet their different and changing needs."

The most dramatic front-end growth occurred last year in our photo business where sales rose more than 20%, and our market share of Kodak's business increased significantly. To enhance convenience, we added more one-hour labs in 2000, reaching a total of 3,000 chainwide. At the same time, we have been at the forefront in introducing new photo-related services. For example, we now offer a service that allows customers to drop off film from a regular camera and have their pictures uploaded onto the Kodak Picture Center® at CVS.com. The popularity of this site has made it the industry's fastest-growing photo-sharing service, making us Kodak's #1 online customer. We continue to explore opportunities for the introduction of other unique photo services.

CVS operates 3,000 one-hour photo labs, up from 2,000 in 1999, and our share of the U.S. photo processing market continues its rapid growth.

We aim to further enhance our value to customers through the introduction in 2001 of a new branded relationship marketing initiative, ExtraCare®, making us the only major drugstore with a loyalty program chainwide. This initiative has been tested in six markets for a number of years, enabling us to continually refine our program. Through ExtraCare, we are offering special promotions and incentives to our best customers, to reward their patronage of CVS and encourage higher loyalty. For example, benefits may include opportunities to earn rewards and free merchandise in select categories through support from our vendor partners, exclusive savings on purchases, access to special mailings with highly customized coupons and health information, automatic sweepstakes entries, and participation in a college savings program. CVS is the exclusive pharmacy participant in UPromise, a savings network that makes it easy for families to accelerate savings for college through partnership with America's most trusted brands.

Innovative Technology to Improve Efficiency

Consistent with other areas of our business, we are investing in technology to improve efficiency and maximize performance in our front-store operations. Computer-assisted ordering is lowering inventory levels in selected categories, and we are testing vendor-managed inventory programs with key over-the-counter and prescription suppliers. We believe that the reduction of inventory levels will accelerate our ability to reach our return on invested capital goals. In addition, we are continuing to reap the benefits of our Promotional forecasting and allocation system, which helps reduce promotional out-of-stocks, increase sales and reduce seasonal residual inventories. After a pilot test in more than 30 stores, we are also rolling out an improved store-level system, Assisted Inventory Management, or AIM, which we believe will significantly reduce out-of-stocks, drive sales and improve inventory productivity.

Our new Tampa store represents entry into a high-growth market that capitalizes on the Company's name recognition among the thousands of people who have migrated from current CVS markets.

...and convenient...

"We place a **high priority** on selecting prime locations, which offer our customers **convenient access** to CVS and generate strong sales."

New Store Growth Program

Real Estate Strategy

The location and expansion of our store base are critical components of CVS' success. We place a high priority on both the quality of the markets we enter and the sites we select. We focus on three key strategies: 1) entering new markets, 2) adding stores within existing markets, and 3) relocating stores to more convenient, freestanding sites. During 2000, we opened a total of 388 stores, including new stores, relocations and ProCare apothecaries.

Through sophisticated analysis that includes extensive market research and the use of proprietary CVS software systems, our CVS Realty team is able to identify the prime locations for our stores, right down to a specific corner at an intersection. We take advantage of statistical and in-the-field research, as well as our own spatial modeling software, to reach important conclusions about the various demographic and other factors that drive growth in our stores. As a result, when we open a new store or enter a new market, we can be confident in the potential of the investments we are making and their ability to deliver an attractive return on invested capital over the long term.

We remain committed to carefully controlled and managed growth and, in that regard, the vast majority of new market stores will be delivered through our highly successful preferred developer program. These arrangements afford us maximum flexibility and have greatly mitigated occupancy costs, as the pricing of these transactions reflects our superior credit worthiness.

We currently operate stores in 59 of the top 100 U.S. markets. In 34 of those markets, we are the #1 drugstore chain. The 41 top markets we are not in represent enormous untapped potential for two reasons: their populations are growing and they are underserved. In 2001, we expect more than one third of all new CVS stores will be in new markets. Our growth plan is structured to allow us to achieve this goal while sustaining strong earnings growth.

New High-Growth Markets

In 2000, we entered four new markets: Chicago, Illinois; Grand Rapids, Michigan; and Tampa and Orlando, Florida. Chicago is the 2nd largest drugstore market in the U.S., and our expansion here supports our strategy to grow in high-quality markets with substantial potential. Our early results suggest that these stores will exceed our expectations.

We also launched an aggressive growth initiative in Florida. During 2000, we opened stores in Tampa, the 16th largest market in the U.S., and in Orlando, the 27th largest market, and we have plans to enter Fort Lauderdale, the 23rd largest market, in 2001. These are especially promising markets for CVS; the population in these Florida locations is expected to grow at a rate three times that of the population in our most successful markets. Our strong name recognition precedes us among thousands of people who have migrated to Florida from northern cities where CVS already has a strong presence.

Our entry into the Grand Rapids market was a

Through sophisticated analysis, CVS is able to pinpoint prime locations for new stores, such as our new store in Orlando pictured below, which will deliver attractive returns on invested capital over the long term.

natural extension from our #1 position in Detroit, the 4th largest drugstore market. Since our acquisition of Michigan-based Arbor Drugs, Inc. in 1998, we have reinforced and built upon our presence in this highly attractive market.

Economic Lift from Relocations

Store relocations, the third leg of our real estate strategy, are highly productive investments for CVS. When we relocate a store from an inline shopping center to a freestanding, convenient corner location, we typically generate 25% to 35% higher front-end sales, improved margins and a better return on invested capital than the stores they replace. The new sites, which are in higher-profile locations with convenient parking, have more appeal to consumers. Today, nearly 40% of our stores are in freestanding locations. Our goal over the next five to seven years is to reach 80%. Although the number of relocations will decrease over time, our relocation strategy will remain an important component of our overall growth strategy.

CVS Procare

America's #1 Specialty Pharmacy: CVS ProCare

During 2000, we solidified CVS' position as the leading provider of specialty pharmacy services through our CVS ProCare subsidiary. We now operate 46 ProCare apothecaries in 18 urban markets across the U.S., and, with our September 2000 acquisition of Stadtlander Pharmacy, we have established ProCare as the largest specialty mail order pharmacy in the nation. Importantly, we are the only specialty pharmacy provider offering integrated retail and mail order services.

We launched ProCare with the objective of providing a pharmacy resource uniquely focused on serving patients with chronic conditions, such as HIV/AIDS, organ transplants, infertility, multiple sclerosis and cancer. Estimated at $14 billion in size today, the specialty pharmacy market is growing at an annual rate of 20%, with much of this growth being driven by medical advancements.

ProCare pharmacists are active patient advocates and partner with physicians, pharmaceutical manufacturers and other healthcare providers to offer in-depth patient treatment and counseling services.

ProCare's Unique Business Model

A major factor differentiating the needs of specialty and traditional pharmacy customers is the cost of treatment. Specialty pharmacy customers often require complex, highly expensive drug therapies over an extended period of time. While it is impractical to stock such medications in more than 4,000 CVS/pharmacy stores, we are able to maintain inventories in our ProCare apothecaries, where we have steady demand for these products. ProCare's emphasis on healthcare is further reinforced in the front of the store, which is stocked with wellness-oriented products such as alternative medications, homeopathic remedies and vitamins.

INDIVIDUAL NEEDS. INDIVIDUAL CARE.

Due to the high cost of treatment, there are complex billing procedures associated with specialty pharmacy. ProCare customers often have primary, secondary and even tertiary insurance.

We have created a sophisticated platform to manage these billing issues, including our customers' insurance claims and our own receivables. This is not only a valuable convenience for our customers but also sets us apart from many smaller competitors that have been unable to develop an effective system for managing receivables and insurance-related billing requirements.

Our growth strategy calls for the continued expansion of ProCare, with a goal of operating 100-125 strategically located ProCare apothecaries within a few years. These retail stores are an important mechanism for establishing ties with local communities. We have opened ProCare apothecaries in markets not currently served by CVS/pharmacy, such as Texas, Oregon and California, where there is significant demand for specialty pharmacy services. In addition, we will continue to evaluate opportunities to make acquisitions, like Stadtlander, that accelerate our market leadership position.

...healthcare service retailer...

"CVS is **on the corner**, **on the phone** and **on the web**, offering healthcare products and services to meet all of our customers' needs."

CVS.com

America's 1st Major Integrated Pharmacy and Front-End Offering

CVS.com was the industry's first major "clicks and mortar" pharmacy to offer pharmacy and front-end products, a perfect example of how we have been putting innovative technology to work to make life more convenient for our customers. CVS.com provides 24-hour access to registered pharmacists through the Internet or via a toll-free telephone number. Visitors to CVS.com can research health-related information or shop for thousands of over-the-counter items at highly competitive prices.

The CVS.com Pharmacy Counter offers prescription refills and advice for Internet customers.

They can pick up their purchases at the nearest CVS/ pharmacy or have them delivered to their homes.

In only its second year of operation, the CVS.com site has been significantly enhanced and is on its way to profitability by no later than 2002. In fact, in recent Gomez rankings, CVS.com was ranked among the top pharmacy sites.

About 70% of CVS.com's pharmacy customers choose in-store pickup of their prescriptions. In markets where we have stores, however, more than 90% choose in-store pickup, indicating the significance of a "clicks and mortar" strategy.

We have entered into two important strategic partnerships, with Merck-Medco and WebMD. We now have the exclusive right to sell over-the-counter medications, such as vitamins, herbal remedies and health and beauty aids, to Merck-Medco.com customers, gaining exposure to Merck-Medco's 53 million members nationwide, many of whom are in areas west of the Mississippi where CVS does not yet have a presence. Early sales from the site are robust. WebMD became our exclusive provider of health content, providing our customers with Internet access to reliable health-related information from expert sources.

Our private label vitamins, herbal remedies and nutritional supplements are available not just in our stores, but online as well.

We made the decision in 2000 to relocate CVS.com's operations to our headquarters in Rhode Island to better leverage our existing retail support infrastructure and to accelerate our path to profitability. Our vision for this fast-growing new business includes providing a vehicle for physicians to write prescriptions and send them directly to pharmacies via the Internet. We are working toward a total e-connectivity solution that will improve healthcare delivery by directly linking physicians, pharmacists and patients over the Internet. In the long term, we will roll out additional programs that will link our Internet business with our stores in order to deliver greater value to customers.

Customers who get their film developed at CVS can have their pictures uploaded to the Kodak Picture Center® at CVS.com, a popular and fast-growing service.

...in America.

"At CVS, **we believe** it is important to become part of **every community** we serve, supporting healthcare and educational initiatives, and **training thousands of workers** through the Welfare-to-Work program."

Community Involvement

Serving America's Communities

Corporate philanthropy and community involvement are integral parts of how we do business. By focusing on health and education, CVS seeks to maximize the impact of our charitable resources.

Our desire to improve the communities in which we do business has extended into the workforce through our support of the Welfare-to-Work program. We have transitioned 10,000 welfare recipients to work, training them as pharmacy technicians, photo technicians and supervisors. Identified by President Clinton as a leader in this area, CVS is one of a number of prominent national companies that have embraced the Welfare-to-Work concept, providing jobs that benefit our communities. Our industry-leading retention rate, achieved through training and public/private partnerships, helps to increase employment and productivity while maintaining the economic health of both the Company and the nation.

Our longstanding charitable initiatives continue to thrive. The Innovations Grants Program is in its ninth year of providing funds for cutting-edge education programs in the communities where we are located. Through our Volunteer Challenge Grants Program, CVS colleagues who volunteer for community organizations obtain corporate donations from CVS that benefit those organizations, and ultimately the communities they serve.

Other national programs that help our communities include Reach Out and Read, a children's literacy program that provides children's books to physicians' offices; the CVS/Samaritan Vans, which patrol the nation's highways and offer free roadside assistance to motorists; and major financial support for United Way agencies and other local and national charities. CVS is also a leading sponsor of the CVS Charity Golf Classic, an annual tournament featuring PGA pros that has contributed almost $900,000 to dozens of charities in just two years.

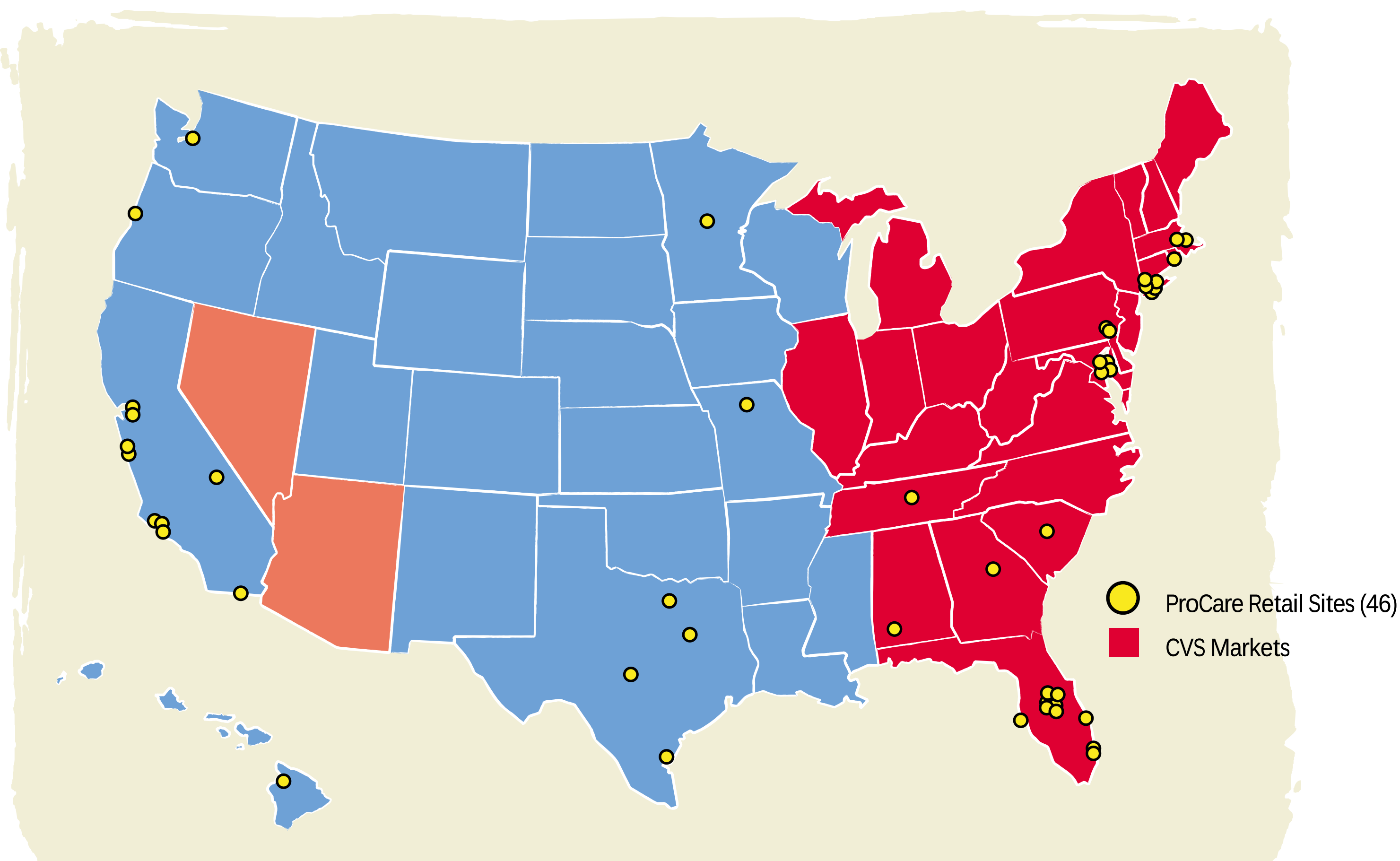
These initiative contribute to the fulfillment of our mission to help people live longer, healthier, happier lives.

CVS is actively involved in the communities we serve. Our philanthropic and community service efforts focus on healthcare and education programs.

Store Count by State

137 Alabama
* Arizona
9 California
125 Connecticut
2 Delaware
31 Florida
280 Georgia
1 Hawaii
73 Illinois
274 Indiana
67 Kentucky
19 Maine
172 Maryland
324 Massachusetts
240 Michigan
1 Minnesota
1 Missouri
* Nevada
29 New Hampshire
209 New Jersey
404 New York
275 North Carolina
388 Ohio
1 Oregon
342 Pennsylvania
55 Rhode Island
177 South Carolina
141 Tennessee
4 Texas
2 Vermont
244 Virginia
1 Washington
50 Washington, D.C.
55 West Virginia

* New Markets Announced in February 2001 include Phoenix, Arizona and Las Vegas, Nevada.



2000 Financial Report

Management's Discussion and Analysis of Financial Condition and Results of Operation

Introduction

We strongly recommend that you read our accompanying audited consolidated financial statements and footnotes along with this important discussion and analysis.

Results of Operations

Fiscal 2000, which ended on December 30, 2000 and fiscal 1998, which ended on December 26, 1998, each included 52 weeks. Fiscal 1999, which ended on January 1, 2000, included 53 weeks.

Net sales increased 11.0% in 2000 to $20.1 billion. This compares to increases of 18.5% in 1999 and 11.1% in 1998. Same store sales, consisting of sales from stores that have been open for more than one year, rose 10.9% in 2000, 12.5% in 1999 and 10.8% in 1998. Pharmacy same store sales increased 17.7% in 2000, 19.4% in 1999 and 16.5% in 1998. Our pharmacy sales as a percentage of total net sales were 63% in 2000, 59% in 1999 and 58% in 1998. Our third party prescription sales as a percentage of total pharmacy sales were 89% in 2000, 87% in 1999 and 84% in 1998.

As you review our sales performance, we believe you should consider the following important information:

- Our pharmacy sales growth continued to benefit from our ability to attract and retain managed care customers and favorable industry trends. These trends include an aging American population; many "baby boomers" are now in their fifties and are consuming a greater number of prescription drugs. The increased use of pharmaceuticals as the first line of defense for healthcare and the introduction of a number of successful new prescription drugs also contributed to the growing demand for pharmacy services.

- Our front store sales growth was driven by strong performance in the general merchandise, health and beauty, convenience foods and film and photofinishing categories.

- The increase in net sales in 2000 was negatively affected by the 53rd week in 1999. Excluding the impact of the 53rd week in 1999, comparable net sales increased 13.4% in 2000 when compared to 1999.

- The increase in net sales in 1999 was positively affected by the 53rd week in 1999. Excluding the impact of the 53rd week in 1999, comparable net sales increased 16.0% in 1999 when compared to 1998.

- The increase in net sales in 1998 was positively affected by our efforts to improve the performance of the Revco stores, which we acquired in 1997. To do this, we converted the retained Revco stores to the CVS store format and relocated certain stores. Our performance during the conversion period was positively affected by temporary promotional events.

- We continued to relocate our existing shopping center stores to larger, more convenient, freestanding locations. Historically, we have achieved significant improvements in customer count and net sales when we do this. The resulting increase in net sales has typically been driven by an increase in front store sales, which normally have a higher gross margin. We believe that our relocation program offers a significant opportunity for future growth, as only 39% of our existing stores are freestanding. We currently expect to have approximately 44% of our stores in freestanding locations by the end of 2001. Our long-term goal is to have 80% of our stores located in freestanding sites. We cannot, however, guarantee that future store relocations will deliver the same results as those historically achieved. Please read the "Cautionary Statement Concerning Forward-Looking Statements" section below.

Gross margin as a percentage of net sales was 26.7% in 2000. This compares to 26.9% in 1999 and 27.0% in 1998. As you review our gross margin performance, please remember to consider the impact of the following nonrecurring charge:

- During 1998, we recorded a $10.0 million charge to cost of goods sold to reflect markdowns on noncompatible Arbor merchandise, which resulted from the CVS/Arbor merger transaction. Please read Note 10 to the consolidated financial statements for other important information about the CVS/Arbor merger.

If you exclude the effect of this nonrecurring charge, our comparable gross margin as a percentage of net sales was 26.7% in 2000, 26.9% in 1999 and 27.1% in 1998.

Why has our comparable gross margin rate been declining?

- Pharmacy sales are growing at a faster pace than front store sales. On average, our gross margin on pharmacy sales is lower than our gross margin on front store sales.

- Sales to customers covered by third party insurance programs have continued to increase and, thus, have become a larger part of our total pharmacy business. On average, our gross margin on third party pharmacy sales is lower than our gross margin on cash pharmacy sales.

- Our third party gross margin rates have historically reflected varying degrees of pressure due to the efforts of managed care organizations and other pharmacy benefit managers to reduce prescription drug costs. To address this trend, we have dropped and/or renegotiated a number of third party programs that fell below our minimum profitability standards. These continuing efforts have resulted in a stabilization of third party rates. However, in the event this trend were to continue and we elect to drop additional programs and/or decide not to participate in future programs that fall below our minimum profitability standards, we may not be able to sustain our current rate of sales growth.

Total operating expenses were 20.1% of net sales in 2000. This compares to 20.6% of net sales in 1999 and 22.1% in 1998. As you review our performance in this area, please remember to consider the impact of the following nonrecurring gain and charge:

- During 2000, we recorded a $19.2 million pre-tax ($11.5 million after-tax) nonrecurring gain in total operating expenses, which represented a partial payment of our share of the settlement proceeds from a class action lawsuit against certain manufacturers of brand name prescription drugs. The timing and amount of any future payments have yet to be determined.

- During 1998, we recorded a $147.3 million pre-tax ($101.3 million after-tax) charge in total operating expenses for direct and other merger-related costs pertaining to the CVS/Arbor merger transaction and related restructuring activities. In addition, we incurred $31.3 million of nonrecurring costs ($18.4 million after-tax) in connection with eliminating Arbor's information technology systems and Revco's noncompatible store merchandise fixtures. Please read Note 10 to the consolidated financial statements for other important information about the CVS/Arbor merger.

If you exclude the effect of the nonrecurring gain and charges we recorded in 2000 and 1998, respectively, comparable total operating expenses as a percentage of net sales were 20.2% in 2000, 20.6% in 1999 and 20.9% in 1998.

What have we done to improve our comparable total operating expenses as a percentage of net sales?

- Our strong sales performance has consistently allowed our net sales to grow at a faster pace than total operating expenses.

- Our information technology initiatives have led to greater productivity, which has resulted in lower operating costs, particularly at the store level.

Operating profit increased $187.2 million in 2000 to $1.3 billion. This compares to $1.1 billion in 1999 and $751.9 million in 1998. If you exclude the effect of the nonrecurring gain we recorded in total operating expenses in 2000 and the nonrecurring charges we recorded in gross margin and in total operating expenses in 1998, our comparable operating profit increased $168.0 million in 2000 to $1.3 billion (or 14.8%). This compares to $1.1 billion in 1999 and $940.5 million in 1998. Comparable operating profit as a percentage of net sales was 6.5% in 2000, 6.3% in 1999 and 6.2% in 1998.

Interest expense, net consisted of the following:

		Fiscal Year	
In millions	**2000**	1999	1998
Interest expense	**$ 84.1**	$ 66.1	$ 69.7
Interest income	**(4.8)**	(7.0)	(8.8)
Interest expense, net	**$ 79.3**	$ 59.1	$ 60.9

The increase in interest expense in 2000 was primarily due to higher average interest rates and higher average borrowing levels during the year.

Income tax provision ~ Our effective income tax rate was 40.0% in 2000, 41.0% in 1999 and 44.4% in 1998. The decrease in our effective income tax rate in 2000 and 1999 was primarily due to lower state income taxes. Our effective income tax rate was higher in 1998 because certain components of the nonrecurring charges we recorded in conjunction with the CVS/Arbor merger transaction were not deductible for income tax purposes.

Net earnings increased $110.9 million to $746.0 million (or $1.83 per diluted share) in 2000. This compares to $635.1 million (or $1.55 per diluted share) in 1999 and $384.5 million (or $0.95 per diluted share) in 1998. If you exclude the effect of the nonrecurring gain we recorded in total operating expenses in 2000 and the nonrecurring charges we recorded in gross margin and in total operating expenses in 1998, our comparable net earnings increased $99.4 million to $734.5 million (or $1.80 per diluted share) in 2000. This compares to $635.1 million (or $1.55 per diluted share) in 1999 and $510.1 million (or $1.26 per diluted share) in 1998.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Liquidity & Capital Resources

Liquidity ~ We generally finance our working capital and capital expenditure requirements with internally generated funds and our commercial paper program. In addition, we may elect to use additional long-term borrowings and/or other financing sources in the future to support our continued growth.

Our commercial paper program is supported by a $670 million, five-year unsecured revolving credit facility, which expires on May 30, 2002 and a $995 million unsecured revolving credit facility, which expires on May 25, 2001. We can also obtain short-term financing through various uncommitted lines of credit. As of December 30, 2000, we had $589.6 million of commercial paper outstanding at a weighted average interest rate of 6.9%.

Our credit facilities and unsecured senior notes contain customary restrictive financial and operating covenants. We do not believe that the restrictions contained in these covenants materially affect our financial or operating flexibility.

On March 6, 2000, the Board of Directors approved a common stock repurchase program, which allows the Company to acquire up to $1 billion of its common stock. During 2000, we repurchased 4.7 million shares of common stock at an aggregate cost of $163.2 million.

On September 18, 2000, the Company completed the acquisition of certain assets of Stadtlander Pharmacy of Pittsburgh, Pennsylvania, a subsidiary of Bergen Brunswig Corporation, for $124 million in cash plus the assumption of certain liabilities. The results of operations of Stadtlander have been included in the consolidated financial statements since this date.

Capital Resources ~ Although there can be no assurance and assuming market interest rates remain favorable, we currently believe that we will continue to have access to capital at attractive interest rates in 2001. We further believe that our cash on hand and cash provided by operations, together with our ability to obtain additional short-term and long-term financing, will be sufficient to cover our future working capital needs, capital expenditures and debt service requirements for at least the next 12 months.

Net Cash Provided by Operations ~ Net cash provided by operations increased to $780.2 million in 2000. This compares to $726.3 million in 1999 and $292.4 million in 1998. The improvement in net cash provided by operations was primarily the result of higher net earnings. As of December 30, 2000, the future cash payments associated with various restructuring programs totaled $105.2 million, which primarily consists of continuing lease obligations extending through 2020.

Capital Expenditures ~ Our capital expenditures, before the effect of the sale-leaseback transactions discussed below, totaled $695.3 million in 2000. This compared to $722.7 million, in 1999 and $502.3 million in 1998. During 2000, we opened 158 new stores, relocated 230 existing stores and closed 123 stores. This includes 34 new ProCare stores and 1 relocation. We also entered three new major markets in 2000 including Chicago, Illinois, Tampa and Orlando, Florida. As of December 30, 2000, we operated 4,133 retail and specialty pharmacy stores in 31 states and the District of Columbia. This compares to 4,098 stores as of January 1, 2000. The Company finances a portion of its store development program through sale-leaseback transactions. Proceeds from sale-leaseback transactions totaled $299.3 million in 2000 and $229.2 million in 1999. The properties were sold at net book value and the resulting leases are being accounted for as operating leases.

Recent Accounting Pronouncements

Effective fiscal 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment to FASB Statement No. 133." These statements, which established the accounting and financial reporting requirements for derivative instruments, require companies to recognize derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The adoption of this standard did not have a material effect on our consolidated financial statements.

During the fourth quarter of 2000, we adopted the Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements." This bulletin summarizes the application of generally accepted accounting principles to revenue recognition in financial statements. The adoption of this standard did not have a material effect on our consolidated financial statements.

Cautionary Statement Concerning Forward-Looking Statements

We have made forward-looking statements in this Annual Report that are subject to risks and uncertainties that could cause actual results to differ materially. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We strongly recommend that you become familiar with the specific risks and uncertainties that we have outlined for you under the caption "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the fiscal year ended December 30, 2000.

Management's Responsibility for Financial Reporting

The integrity and objectivity of the financial statements and related financial information in this Annual Report are the responsibility of the management of the Company. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include, when necessary, the best estimates and judgments of management.

The Company maintains a system of internal controls designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded, transactions are executed in accordance with management's authorization, and the accounting records provide a reliable basis for the preparation of the financial statements. The system of internal accounting controls is continually reviewed by management and improved and modified as necessary in response to changing business conditions and the recommendations of the Company's internal auditors and independent auditors.

KPMG LLP, independent auditors, were engaged to render an opinion regarding the fair presentation of the consolidated financial statements of the Company. Their accompanying report is based upon an audit conducted in accordance with auditing standards generally accepted in the United States of America and included a review of the system of internal controls to the extent they considered necessary to support their opinion.

The Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management, internal auditors and the independent auditors to review matters relating to the Company's financial reporting, the adequacy of internal accounting controls and the scope and results of audit work. The internal auditors and independent auditors have free access to the Audit Committee.

Thomas M. Ryan
Chairman of the Board, President and
Chief Executive Officer

David B. Rickard
Executive Vice President and
Chief Financial Officer

February 1, 2001

Independent Auditor's Report

KPMG

Board of Directors and Shareholders
CVS Corporation:

We have audited the accompanying consolidated balance sheets of CVS Corporation and subsidiaries as of December 30, 2000 and January 1, 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the fifty-two week period ended December 30, 2000, the fifty-three week period ended January 1, 2000 and the fifty-two week period ended December 26, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CVS Corporation and subsidiaries as of December 30, 2000 and January 1, 2000, and the results of their operations and their cash flows for the the fifty-two week period ended December 30, 2000, the fifty-three week period ended January 1, 2000 and the fifty-two week period ended December 26, 1998, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP
Providence, Rhode Island

February 1, 2001

Consolidated Statements of Operations

In millions, except per share amounts	**December 30, 2000 (52 weeks)**	*Fiscal Year Ended* January 1, 2000 (53 weeks)	December 26, 1998 (52 weeks)
Net sales	**$ 20,087.5**	$ 18,098.3	$ 15,273.6
Cost of goods sold, buying and warehousing costs	**14,725.8**	13,236.9	11,144.4
Gross margin	**5,361.7**	4,861.4	4,129.2
Selling, general and administrative expenses	**3,742.4**	3,448.0	2,949.0
Depreciation and amortization	**296.6**	277.9	249.7
Merger, restructuring and other nonrecurring charges	**—**	—	178.6
Total operating expenses	**4,039.0**	3,725.9	3,377.3
Operating profit	**1,322.7**	1,135.5	751.9
Interest expense, net	**79.3**	59.1	60.9
Earnings before income tax provision	**1,243.4**	1,076.4	691.0
Income tax provision	**497.4**	441.3	306.5
Net earnings	**746.0**	635.1	384.5
Preference dividends, net of income tax benefit	**14.6**	14.7	13.6
Net earnings available to common shareholders	**$ 731.4**	$ 620.4	$ 370.9
Basic earnings per common share:			
Net earnings	**$ 1.87**	$ 1.59	$ 0.96
Weighted average common shares outstanding	**391.0**	391.3	387.1
Diluted earnings per common share:			
Net earnings	**$ 1.83**	$ 1.55	$ 0.95
Weighted average common shares outstanding	**408.0**	408.9	405.2
Dividends declared per common share	**$ 0.230**	$ 0.230	$ 0.225

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

In millions, except shares and per share amounts	**December 30, 2000**	January 1, 2000
Assets:		
Cash and cash equivalents	**$ 337.3**	$ 230.0
Accounts receivable, net	**824.5**	699.3
Inventories	**3,557.6**	3,445.5
Deferred income taxes	**124.9**	139.4
Other current assets	**92.3**	93.8
Total current assets	**4,936.6**	4,608.0
Property and equipment, net	**1,742.1**	1,601.0
Goodwill, net	**818.5**	706.9
Other assets	**452.3**	359.5
Total assets	**$ 7,949.5**	$ 7,275.4
Liabilities:		
Accounts payable	**$ 1,351.5**	$ 1,454.2
Accrued expenses	**1,001.4**	967.4
Short-term borrowings	**589.6**	451.0
Current portion of long-term debt	**21.6**	17.3
Total current liabilities	**2,964.1**	2,889.9
Long-term debt	**536.8**	558.5
Deferred income taxes	**28.0**	27.2
Other long-term liabilities	**116.0**	120.1
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, $0.01 par value: authorized 120,619 shares; no shares issued or outstanding	**—**	—
Preference stock, series one ESOP convertible, par value $1.00: authorized 50,000,000 shares; issued and outstanding 5,006,000 shares at December 30, 2000, and 5,164,000 shares at January 1, 2000	**267.5**	276.0
Common stock, par value $0.01: authorized 1,000,000,000 shares; issued 407,395,000 shares at December 30, 2000, and 403,047,000 shares at January 1, 2000	**4.1**	4.0
Treasury stock, at cost: 15,073,000 shares at December 30, 2000, and 11,051,000 shares at January 1, 2000	**(404.9)**	(258.5)
Guaranteed ESOP obligation	**(240.6)**	(257.0)
Capital surplus	**1,493.8**	1,371.7
Retained earnings	**3,184.7**	2,543.5
Total shareholders' equity	**4,304.6**	3,679.7
Total liabilities and shareholders' equity	**$ 7,949.5**	$ 7,275.4

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

In millions	Shares **December 30, 2000**	Shares January 1, 2000	Shares December 26, 1998	Dollars **December 30, 2000**	Dollars January 1, 2000	Dollars December 26, 1998
			Fiscal Year Ended			
Preference stock:						
Beginning of year	**5.2**	5.2	5.3	**$ 276.0**	$ 280.0	$ 284.6
Conversion to common stock	**(0.2)**	—	(0.1)	**(8.5)**	(4.0)	(4.6)
End of year	**5.0**	5.2	5.2	**267.5**	276.0	280.0
Common stock:						
Beginning of year	**403.0**	401.4	393.7	**4.0**	4.0	3.9
Stock options exercised and awards under stock plans	**4.4**	1.0	7.5	**0.1**	—	0.1
Other	—	0.6	0.2	—	—	—
End of year	**407.4**	403.0	401.4	**4.1**	4.0	4.0
Treasury stock:						
Beginning of year	**(11.1)**	(11.2)	(11.3)	**(258.5)**	(260.2)	(262.9)
Purchase of treasury shares	**(4.7)**	—	—	**(163.2)**	—	—
Conversion of preference stock	**0.4**	0.2	0.2	**9.1**	4.0	4.2
Other	**0.3**	(0.1)	(0.1)	**7.7**	(2.3)	(1.5)
End of year	**(15.1)**	(11.1)	(11.2)	**(404.9)**	(258.5)	(260.2)
Guaranteed ESOP obligation:						
Beginning of year				**(257.0)**	(270.7)	(292.2)
Reduction of guaranteed ESOP obligation				**16.4**	13.7	21.5
End of year				**(240.6)**	(257.0)	(270.7)
Capital surplus:						
Beginning of year				**1,371.7**	1,336.4	1,154.0
Conversion of preference stock				**(0.7)**	0.1	0.3
Stock options exercised and awards under stock plans				**120.1**	31.3	176.2
Other				**2.7**	3.9	5.9
End of year				**1,493.8**	1,371.7	1,336.4
Retained earnings:						
Beginning of year				**2,543.5**	2,021.1	1,739.1
Net earnings				**746.0**	635.1	384.5
Dividends:						
Preference stock, net of income tax benefit				**(14.6)**	(14.7)	(13.6)
Common stock				**(90.2)**	(90.0)	(88.9)
Immaterial pooling of interests				—	(8.0)	—
End of year				**3,184.7**	2,543.5	2,021.1
Total shareholders' equity				**$ 4,304.6**	$ 3,679.7	$ 3,110.6

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

In millions	**December 30, 2000 (52 weeks)**	*Fiscal Year Ended* January 1, 2000 (53 weeks)	December 26, 1998 (52 weeks)
Cash flows from operating activities:			
Net earnings	**$ 746.0**	$ 635.1	$ 384.5
Adjustments required to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**296.6**	277.9	249.7
Merger, restructuring and other nonrecurring charges	**—**	—	188.6
Deferred income taxes and other noncash items	**43.8**	124.8	80.6
Change in operating assets and liabilities, providing/(requiring) cash, net of effects from acquisitions:			
Accounts receivable, net	**(86.7)**	(48.9)	(197.9)
Inventories	**(98.1)**	(255.0)	(315.0)
Other current assets	**7.0**	(16.7)	(18.5)
Other assets	**(50.1)**	(97.9)	7.2
Accounts payable	**(133.6)**	166.8	52.6
Accrued expenses	**59.6**	(37.7)	(134.5)
Other long-term liabilities	**(4.3)**	(22.1)	(4.9)
Net cash provided by operating activities	**780.2**	726.3	292.4
Cash flows from investing activities:			
Additions to property and equipment	**(695.3)**	(722.7)	(502.3)
Proceeds from sale-leaseback transactions	**299.3**	229.2	—
Acquisitions, net of cash	**(263.3)**	(101.1)	(133.6)
Proceeds from sale or disposal of assets	**18.8**	28.2	50.5
Net cash used in investing activities	**(640.5)**	(566.4)	(585.4)
Cash flows from financing activities:			
Additions to (reductions in) short-term borrowings	**138.7**	(324.5)	304.6
Proceeds from exercise of stock options	**97.8**	20.4	121.1
(Reductions in) additions to long-term debt	**(0.9)**	298.1	(41.9)
Dividends paid	**(104.8)**	(104.7)	(102.5)
Purchase of treasury shares	**(163.2)**	—	—
Net cash (used in) provided by financing activities	**(32.4)**	(110.7)	281.3
Net increase (decrease) in cash and cash equivalents	**107.3**	49.2	(11.7)
Cash and cash equivalents at beginning of year	**230.0**	180.8	192.5
Cash and cash equivalents at end of year	**$ 337.3**	$ 230.0	$ 180.8

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1

Significant Accounting Policies

Description of business ~ CVS Corporation ("CVS" or the "Company") is principally in the retail drugstore business. As of December 30, 2000, the Company operated 4,133 retail and specialty pharmacy drugstores and various mail order facilities located in 31 states and the District of Columbia. See Note 9 for further information about the Company's business segments.

Basis of presentation ~ The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated.

Fiscal Year ~ The Company operates on a "52/53 week" fiscal year. Fiscal year 2000 ended December 30, 2000 and included 52 weeks. Fiscal 1999 and 1998 ended on January 1, 2000 and December 26, 1998 and included 53 weeks and 52 weeks, respectively. Unless otherwise noted, all references to years relate to the Company's fiscal year.

Use of estimates ~ The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications ~ Certain reclassifications have been made to the consolidated financial statements of prior years to conform to the current year presentation.

Cash and cash equivalents ~ Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased.

Accounts receivable ~ Accounts receivable are stated net of an allowance for uncollectible accounts of $45.7 million and $41.1 million as of December 30, 2000 and January 1, 2000, respectively. The balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies) and vendors.

Inventories ~ Inventories are stated at the lower of cost or market using the first-in, first-out method.

Financial instruments ~ Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings. Due to the short-term nature of these instruments, the Company's carrying value approximates fair value. The fair value of long-term debt was $290 million as of December 30, 2000. The Company has no investments in derivative financial instruments.

Property and equipment ~ Depreciation of property and equipment is computed on a straight-line basis, generally over the estimated useful lives of the asset or, when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings and improvements, 3 to 10 years for fixtures, equipment and software and 5 to 10 years for leasehold improvements.

Following are the components of property and equipment included in the consolidated balance sheets as of the respective balance sheet dates:

In millions	**December 30, 2000**	January 1, 2000
Land	**$ 97.1**	$ 89.6
Buildings and improvements	**333.1**	239.1
Fixtures, equipment and software	**1,536.6**	1,488.4
Leasehold improvements	**632.3**	585.3
Capital leases	**2.2**	2.2
	2,601.3	2,404.6
Accumulated depreciation and amortization	**(859.2)**	(803.6)
	$ 1,742.1	$ 1,601.0

Impairment of long-lived assets ~ The Company primarily groups and evaluates fixed and intangible assets at an individual store level, which is the lowest level at which individual cash flows can be identified. Goodwill is allocated to individual stores based on historical store contribution, which approximates store cash flow. Other intangible assets (i.e., patient prescription files and favorable lease interests) are typically store specific and, therefore, are directly assigned to individual stores. When evaluating assets for potential impairment, the Company first compares the carrying amount of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset to the asset's estimated future cash flows (discounted and with interest charges). If the carrying amount exceeds the asset's estimated future cash flows (discounted and with interest charges), an impairment loss is recorded.

Goodwill ~ Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis generally over periods of 40 years. Accumulated amortization was $127.3 million and $105.0 million as of December 30, 2000 and January 1, 2000, respectively. The Company evaluates goodwill for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the goodwill exceeds the expected undiscounted future cash flows, the Company records an impairment loss.

Other assets ~ Other assets primarily include patient prescription file purchases, which are amortized on a straight-line basis over their estimated useful life, cash surrender values of certain Company-owned life insurance policies and favorable leases, which are amortized on a straight-line basis over the life of the lease.

Revenue recognition ~ The Company recognizes revenue from the sale of merchandise at the time the merchandise is sold. Service revenue from the Company's pharmacy benefit management and internet segments is recognized at the time the service is provided.

Vendor allowances ~ The total value of any up-front or other periodic payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of goods sold over the life of the contract based upon periodic purchase volume. The total value of any up-front or other periodic payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of goods sold on a straight-line basis over the life of the related contract. Funds that are directly linked to advertising commitments are recognized as a reduction of advertising expense when the related advertising commitment is satisfied.

Store opening and closing costs ~ New store opening costs are charged directly to expense when incurred. When the Company closes a store, the estimated unrecoverable costs, including the remaining lease obligation, are charged to expense.

Advertising costs ~ External costs incurred to produce media advertising are charged to expense when the advertising takes place.

Stock-based compensation ~ The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under SFAS No. 123, companies can elect to account for stock-based compensation using a fair value based method or continue to measure compensation expense using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue to account for its stock-based compensation plans under APB Opinion No. 25. See Note 5 for further information about the Company's stock incentive plans.

Insurance ~ The Company is self-insured for general liability, workers' compensation and automobile liability claims up to $500,000. Third party insurance coverage is maintained for claims that exceed this amount. The Company's self-insurance accruals are calculated using standard insurance industry actuarial assumptions and the Company's historical claims experience.

Income taxes ~ Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes as well as for the deferred tax effects of tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Interest expense, net ~ Interest expense was $84.1 million, $66.1 million and $69.7 million and interest income was $4.8 million, $7.0 million and $8.8 million in 2000, 1999 and 1998, respectively.

Nonrecurring gain ~ During 2000, the Company recorded a $19.2 million pre-tax ($11.5 million after-tax) nonrecurring gain in total operating expenses, which represented a partial payment of the Company's share of the settlement proceeds from a class action lawsuit against certain manufacturers of brand name prescription drugs. The timing and amount of any future payments have yet to be determined.

Earnings per common share ~ Basic earnings per common share is computed by dividing: (i) net earnings, after deducting the after-tax dividends on the ESOP preference stock, by (ii) the weighted average number of common shares outstanding during the year (the "Basic Shares").

When computing diluted earnings per common share, the Company assumes that the ESOP preference stock is converted into common stock and all dilutive stock options are exercised. After the assumed ESOP preference stock conversion, the ESOP trust would hold common stock rather than ESOP preference stock and would receive common stock dividends (currently $0.23 per share) rather than ESOP preference stock dividends (currently $3.90 per share). Since the ESOP Trust uses the dividends it receives to service its debt, the Company would have to increase its contribution to the ESOP trust to compensate it for the lower dividends. This additional contribution would reduce the Company's net earnings, which in turn, would reduce the amounts that would be accrued under the Company's incentive compensation plans.

Diluted earnings per common share is computed by dividing: (i) net earnings, after accounting for the difference between the dividends on the ESOP preference stock and common stock and after making adjustments for the incentive compensation plans by (ii) Basic Shares plus the additional shares that would be issued assuming that all dilutive stock options are exercised and the ESOP preference stock is converted into common stock.

New Accounting Pronouncements ~ Effective fiscal 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment to FASB Statement No. 133." These statements, which established the accounting and financial reporting requirements for derivative instruments, require companies to recognize derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

During the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements." The bulletin summarizes the application of generally accepted accounting principles to revenue recognition in financial statements. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

2 Borrowing and Credit Agreements

Following is a summary of the Company's borrowings as of the respective balance sheet dates:

In millions	**December 30, 2000**	January 1, 2000
Commercial paper	**$ 589.6**	$ 451.0
ESOP note payable[(1)]	**240.6**	257.0
5.5% unsecured senior notes	**300.0**	300.0
Mortgage notes payable	**16.6**	17.3
Capital lease obligations	**1.2**	1.5
	1,148.0	1,026.8
Less:		
Short-term borrowings	**(589.6)**	(451.0)
Current portion of long-term debt	**(21.6)**	(17.3)
	$ 536.8	$ 558.5

(1) See Note 4 for further information about the Company's ESOP Plan.

The Company's commercial paper program is supported by a $670 million, five-year unsecured revolving credit facility, which expires on May 30, 2002 and a $995 million, unsecured revolving credit facility, which expires on May 25, 2001 (collectively, the "Credit Facilities"). The Credit Facilities require the Company to pay a quarterly facility fee of 0.07%, regardless of usage. The Company can also obtain up to $35.0 million of short-term financing through various uncommitted lines of credit. Interest paid totaled $98.3 million in 2000, $69.0 million in 1999 and $70.7 million in 1998. The weighted average interest rate for short-term borrowings was 6.9% as of December 30, 2000 and 6.2% as of January 1, 2000.

In February 1999, the Company issued $300 million of 5.5% unsecured senior notes due February 15, 2004. The proceeds from the issuance were used to repay outstanding commercial paper borrowings.

The Credit Facilities and unsecured senior notes contain customary restrictive financial and operating covenants. The covenants do not materially effect the Company's financial or operating flexibility.

As of December 30, 2000, the aggregate long-term debt maturing during the next five years, excluding capital lease obligations, is: $21.6 million in 2001, $26.3 million in 2002, $32.1 million in 2003, $323.3 million in 2004 and $28.0 million in 2005.

3 Leases

The Company and its subsidiaries lease retail stores, warehouse facilities, office facilities and equipment under noncancelable operating leases typically over periods ranging from 5 to 25 years, along with options that permit renewals for additional periods.

Following is a summary of the Company's net rental expense for operating leases for the respective years:

In millions	**2000**	*Fiscal Year* 1999	1998
Minimum rentals	**$ 684.9**	$ 572.4	$ 459.1
Contingent rentals	**66.3**	64.8	60.3
	751.2	637.2	519.4
Less: sublease income	**(9.2)**	(13.2)	(14.0)
	$ 742.0	$ 624.0	$ 505.4

Following is a summary of the future minimum lease payments under capital and operating leases as of December 30, 2000:

In millions	*Capital Leases*	*Operating Leases*
2001	$ 0.4	$ 718.6
2002	0.2	679.8
2003	0.2	637.7
2004	0.2	597.0
2005	0.2	542.7
Thereafter	0.9	4,955.3
	2.1	$ 8,131.1
Less: imputed interest	(0.9)	
Present value of capital lease obligations	$ 1.2	

The Company finances a portion of its store development program through sale-leaseback transactions. Proceeds from sale-leaseback transactions totaled $299.3 million in 2000 and $229.2 million in 1999. The properties were sold at net book value and the resulting leases are being accounted for as operating leases and are included in the above table.

The future cash payments associated with the noncancelable lease obligations related to various restructuring programs totaled $83.6 million at December 30, 2000 and $98.5 million at January 1, 2000. The Company believes that the reserve balances as of December 30, 2000 are adequate to cover the remaining noncancelable lease liabilities associated with the various restructuring programs. These leases are included in the above table.

4 Employee Stock Ownership Plan

The Company sponsors a defined contribution Employee Stock Ownership Plan (the "ESOP") that covers full-time employees with at least one year of service.

In 1989, the ESOP Trust borrowed $357.5 million through a 20-year note (the "ESOP Note"). The proceeds from the ESOP Note were used to purchase 6.7 million shares of Series One ESOP Convertible Preference Stock (the "ESOP Preference Stock") from the Company. Since the ESOP Note is guaranteed by the Company, the outstanding balance is reflected as long-term debt and a corresponding guaranteed ESOP obligation is reflected in shareholders' equity in the accompanying consolidated balance sheets.

Each share of ESOP Preference Stock has a guaranteed minimum liquidation value of $53.45, is convertible into 2.314 shares of common stock and is entitled to receive an annual dividend of $3.90 per share. The ESOP Trust uses the dividends received and contributions from the Company to repay the ESOP Note. As the ESOP Note is repaid, ESOP Preference Stock is allocated to participants based on: (i) the ratio of each year's debt service payment to total current and future debt service payments multiplied by (ii) the number of unallocated shares of ESOP Preference Stock in the plan. As of December 30, 2000, 5.0 million shares of ESOP Preference Stock were outstanding, of which 2.0 million shares were allocated to participants and the remaining 3.0 million shares were held in the ESOP Trust for future allocations.

Annual ESOP expense recognized is equal to (i) the interest incurred on the ESOP Note plus (ii) the higher of (a) the principal repayments or (b) the cost of the shares allocated, less (iii) the dividends paid. Similarly, the guaranteed ESOP obligation is reduced by the higher of (i) the principal payments or (ii) the cost of shares allocated.

Following is a summary of the ESOP activity for the respective years:

In millions	**2000**	*Fiscal Year* 1999	1998
ESOP expense recognized	**$ 18.8**	$ 16.6	$ 25.8
Dividends paid	**19.5**	20.1	20.5
Cash contributions	**18.8**	16.6	25.8
Interest payments	**21.9**	23.1	24.9
ESOP shares allocated	**0.3**	0.3	0.4

Notes to Consolidated Financial Statements

5 Stock Incentive Plans

As of December 30, 2000, the Company had the following stock incentive plans:

1997 Incentive Compensation Plan
The 1997 Incentive Compensation Plan (the "1997 ICP") provides for the granting of up to 23,382,245 shares of common stock in the form of stock options, stock appreciation rights, restricted shares, deferred shares and performance-based awards to selected officers, employees and directors of the Company. All grants under the 1997 ICP are awarded at fair market value on the date of grant. The right to exercise or receive these awards generally commences between one and five years from the date of the grant and expires not more than ten years after the date of the grant, provided that the holder continues to be employed by the Company. As of December 30, 2000, there were 11,930,278 shares available for future grants under the 1997 ICP.

Restricted shares issued under the 1997 ICP may not exceed 3.6 million shares. In 2000, 1999 and 1998, 952,251, 59,908 and 155,400 shares of restricted stock were granted at a weighted average grant date fair value of $30.58, $51.26 and $37.80, respectively. Participants are entitled to vote and receive dividends on their restricted shares, although they are subject to certain transfer restrictions. Compensation costs, which are recognized over the restricted period, totaled $5.9 million in 2000, $2.3 million in 1999 and $3.1 million in 1998.

The 1996 Directors Stock Plan
The 1996 Directors Stock Plan (the "1996 DSP") provides for the granting of up to 346,460 shares of common stock to the Company's nonemployee directors (the "Eligible Directors"). The 1996 DSP allows the Eligible Directors to elect to receive shares of common stock in lieu of cash compensation. Eligible Directors may also elect to defer compensation payable in common stock until their service as a director concludes. As of December 30, 2000, there were 230,416 shares available for future grant under the 1996 DSP.

Following is a summary of the stock option activity for the respective years:

	2000		1999		1998	
	Shares	***Weighted Average Exercise Price***	*Shares*	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*
Outstanding at beginning of year	**12,964,600**	**$ 27.38**	11,982,122	$ 23.31	16,070,146	$ 16.95
Granted[1]	**6,964,015**	**33.84**	2,175,342	48.02	3,119,410	37.16
Exercised	**(3,510,785)**	**19.55**	(927,080)	18.87	(7,137,027)	15.01
Canceled	**(1,770,840)**	**37.37**	(265,784)	37.65	(70,407)	26.48
Outstanding at end of year	**14,646,990**	**31.11**	12,964,600	27.38	11,982,122	23.31
Exercisable at end of year	**4,048,842**	**$ 18.85**	6,065,351	$ 17.92	6,127,402	$ 17.16

(1) During 2000, the Company granted 5.1 million stock options to substantially all full-time pharmacists and store managers.

Following is a summary of the stock options outstanding and exercisable as of December 30, 2000:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Prices	*Number Outstanding*	*Weighted Average Remaining Life*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
Under $15	398,062	4.2	$ 11.84	386,920	$ 12.13
$15.01 to $20.00	2,631,166	3.9	16.65	2,631,166	16.65
20.01 to 25.00	1,355,267	5.5	22.80	710,526	22.60
25.01 to 40.00	8,586,392	8.6	34.43	304,831	36.44
40.01 to 51.56	1,676,103	7.7	48.13	15,399	42.52
Total	14,646,990	7.2	$ 31.11	4,048,842	$ 18.85

The Company applies APB Opinion No. 25 to account for its stock incentive plans. Accordingly, no compensation cost has been recognized for stock options granted. Had compensation cost been recognized based on the fair value of stock options granted consistent with SFAS No. 123, net earnings and net earnings per common share ("EPS") would approximate the pro forma amounts shown below:

In millions, except per share amounts	**2000**	*Fiscal Year* 1999	1998
Net earnings:			
As reported	**$ 746.0**	$ 635.1	$ 384.5
Pro forma	**717.7**	614.7	359.0
Basic EPS:			
As reported	**$ 1.87**	$ 1.59	$ 0.96
Pro forma	**1.80**	1.53	0.89
Diluted EPS:			
As reported	**$ 1.83**	$ 1.55	$ 0.95
Pro forma	**1.76**	1.50	0.88

The fair value of each stock option grant was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2000	*Fiscal Year* 1999	1998
Dividend yield	**0.40%**	0.58%	0.40%
Expected volatility	**27.92%**	25.86%	22.49%
Risk-free interest rate	**6.25%**	6.50%	5.75%
Expected life	**6.5**	6.0	7.0

1999 Employee Stock Purchase Plan

The 1999 Employee Stock Purchase Plan provides for the granting of up to 7,400,000 shares of common stock. Under the plan, eligible employees may purchase common stock at the end of each six month offering period, at a purchase price equal to 85% of the lower of the fair market value on the first day or the last day of the offering period.

Employees pay for the shares ratably over each offering period through payroll deductions. As of December 30, 2000, approximately 875,000 shares of common stock have been issued under the plan.

6 Pension Plans and Other Postretirement Benefits

The Company sponsors a noncontributory defined benefit pension plan that covers certain full-time employees of Revco who are not covered by collective bargaining agreements. On September 20, 1997, the Company suspended future benefit accruals under this plan. Benefits paid to retirees are based upon age at retirement, years of credited service and average compensation during the five year period ending September 20, 1997. The plan is funded based on actuarial calculations and applicable federal regulations.

Pursuant to various labor agreements, the Company is also required to make contributions to certain union-administered pension and health and welfare plans that totaled $9.3 million, $8.4 million and $7.5 million in 2000, 1999 and 1998, respectively. The Company also has nonqualified supplemental executive retirement plans in place for certain key employees for whom it has purchased cost recovery variable life insurance.

Defined Contribution Plans

The Company sponsors a voluntary 401(k) Savings Plan that covers substantially all employees who meet plan eligibility requirements. The Company makes matching contributions consistent with the provisions of the plan. The Company also maintains a nonqualified, unfunded Deferred Compensation Plan for certain key employees. This plan provides participants the opportunity to defer portions of their compensation and receive matching contributions that they would have otherwise received under the 401(k) Savings Plan if not for certain restrictions and limitations under the Internal Revenue Code. The Company's contributions under the above defined contribution plans totaled $23.0 million, $17.0 million and $26.4 million in 2000, 1999 and 1998, respectively. The Company also sponsors an Employee Stock Ownership Plan. See Note 4 for further information about this plan.

Other Postretirement Benefits

The Company provides postretirement healthcare and life insurance benefits to retirees who meet eligibility requirements. The Company's funding policy is generally to pay covered expenses as they are incurred.

Following is a reconciliation of the benefit obligation, fair value of plan assets and funded status of the Company's defined benefit and other postretirement benefit plans as of the respective balance sheet dates:

	Defined Benefit Plans		Other Postretirement Benefits	
In millions	**2000**	1999	**2000**	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 254.8**	$ 297.6	**$ 14.0**	$ 14.0
Service cost	**0.9**	0.7	**—**	—
Interest cost	**19.8**	19.8	**1.0**	0.9
Actuarial loss (gain)	**9.6**	(40.3)	**(0.5)**	1.1
Benefits paid	**(17.9)**	(23.0)	**(1.1)**	(2.0)
Benefit obligation at end of year	**$ 267.2**	$ 254.8	**$ 13.4**	$ 14.0
Change in plan assets:				
Fair value at beginning of year	**$ 248.8**	$ 223.1	**$ —**	$ —
Actual return on plan assets	**(3.3)**	37.3	**—**	—
Company contributions	**7.1**	11.4	**1.1**	2.0
Benefits paid	**(17.9)**	(23.0)	**(1.1)**	(2.0)
Fair value at end of year(1)	**$ 234.7**	$ 248.8	**$ —**	$ —
Funded status:				
Funded status	**$ (32.5)**	$ (6.0)	**$ (13.4)**	$ (14.0)
Unrecognized prior service cost	**1.0**	1.1	**(0.8)**	(0.9)
Unrecognized net (gain) loss	**(27.7)**	(60.6)	**(0.4)**	0.8
Accrued pension costs	**$ (59.2)**	$ (65.5)	**$ (14.6)**	$ (14.1)

(1) Plan assets consist primarily of mutual funds, common stock and insurance contracts.

Following is a summary of the net periodic pension cost for the defined benefit and other postretirement benefit plans for the respective years:

	Defined Benefit Plans			Other Postretirement Benefits		
In millions	**2000**	1999	1998	**2000**	1999	1998
Service cost	**$ 0.9**	$ 0.7	$ 0.5	**$ —**	$ —	$ —
Interest cost on benefit obligation	**19.8**	19.8	19.5	**1.0**	0.9	1.0
Expected return on plan assets	**(18.6)**	(16.6)	(16.4)	**—**	—	—
Amortization of net (gain) loss	**(0.1)**	1.3	1.2	**(0.2)**	—	(0.2)
Amortization of prior service cost	**0.1**	0.1	0.1	**(0.1)**	(0.1)	(0.1)
Net periodic pension cost	**$ 2.1**	$ 5.3	$ 4.9	**$ 0.7**	$ 0.8	$ 0.7
Weighted average assumptions:						
Discount rate	**7.75%**	8.00%	6.75%	**7.75%**	7.75%	6.75%
Expected return on plan assets	**9.25%**	9.00%	9.00%	**—**	—	—
Rate of compensation increase	**4.00%**	4.00%	4.50%	**—**	—	—

For measurement purposes, future healthcare costs are assumed to increase at an annual rate of 8.0%, decreasing to an annual growth rate of 5.0% in 2004 and thereafter. A one percent change in the assumed healthcare cost trend rate would change the accumulated postretirement benefit obligation by $0.8 million and the total service and interest costs by $0.1 million.

7 Income Taxes

The income tax provision consisted of the following for the respective years:

In millions		**2000**	*Fiscal Year* 1999	1998
Current:	Federal	**$ 397.2**	$ 289.6	$ 197.3
	State	**73.9**	68.4	41.4
		471.1	358.0	238.7
Deferred:	Federal	**21.9**	72.6	44.1
	State	**4.4**	10.7	23.7
		26.3	83.3	67.8
Total		**$ 497.4**	$ 441.3	$ 306.5

Following is a reconciliation of the statutory income tax rate to the Company's effective tax rate for the respective years:

	2000	*Fiscal Year* 1999	1998
Statutory income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**4.1**	4.8	5.8
Goodwill and other	**0.9**	1.2	1.2
Effective tax rate before merger-related costs	**40.0**	41.0	42.0
Merger-related costs(1)	**—**	—	2.4
Effective tax rate	**40.0%**	41.0%	44.4%

(1) Includes state tax effect.

Following is a summary of the significant components of the Company's deferred tax assets and liabilities as of the respective balance sheet dates:

In millions	**December 30, 2000**	January 1, 2000
Deferred tax assets:		
Employee benefits	**$ 65.1**	$ 56.7
Other	**137.4**	135.1
Total deferred tax assets	**202.5**	191.8
Deferred tax liabilities:		
Accelerated depreciation	**(98.6)**	(68.9)
Inventory	**(7.0)**	(10.7)
Total deferred tax liabilities	**(105.6)**	(79.6)
Net deferred tax assets	**$ 96.9**	$112.2

Income taxes paid were $342.5 million, $354.5 million and $102.6 million for 2000, 1999 and 1998, respectively.

Based on historical pre-tax earnings, the Company believes it is more likely than not that the deferred tax assets will be realized.

8 Commitments & Contingencies

In connection with certain business dispositions completed between 1991 and 1997, the Company continues to guarantee lease obligations for approximately 1,300 former stores. The Company is indemnified for these obligations by the respective purchasers. Assuming that each respective purchaser became insolvent, an event which the Company believes to be highly unlikely, management estimates that it could settle these obligations for approximately $876 million as of December 30, 2000.

In the opinion of management, the ultimate disposition of these guarantees will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows.

As of December 30, 2000, the Company had outstanding commitments to purchase $335 million of merchandise inventory for use in the normal course of business. The Company currently expects to satisfy these purchase commitments by 2003.

The Company is also a defendant in various lawsuits arising in the ordinary course of business. In the opinion of management and the Company's outside counsel, the ultimate disposition of these lawsuits, exclusive of potential insurance recoveries, will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows.

9

Business Segments

The Company currently operates four business segments: Retail Pharmacy, Pharmacy Benefit Management ("PBM"), Specialty Pharmacy and Internet Pharmacy. The Company's business segments are operating units that offer different products and services, and require distinct technology and marketing strategies.

The Retail Pharmacy segment, which includes 4,087 retail drugstores located in 24 states and the District of Columbia, operates under the CVS/pharmacy name. The Retail Pharmacy segment is the Company's only reportable segment.

The PBM segment provides a full range of prescription benefit management services to managed care providers and other organizations. These services include plan design and administration, formulary management, mail order pharmacy services, claims processing and generic substitution. The PBM segment operates under the PharmaCare Management Services name.

The Specialty Pharmacy segment, which includes mail order facilities and 46 retail pharmacies located in 17 states and the District of Columbia, operates under the CVS ProCare name. The Specialty Pharmacy segment focuses on supporting individuals that require complex and expensive drug therapies.

The Internet Pharmacy segment, which includes a mail order facility and a complete online retail pharmacy, operates under the CVS.com name.

The accounting policies of the segments are substantially the same as those described in Note 1. The Company evaluates segment performance based on operating profit before the effect of nonrecurring charges and gains and intersegment profits.

Following is a reconciliation of the significant components of the Retail Pharmacy segment's net sales for the respective years.

	2000	1999	1998
Pharmacy	**62.7%**	58.7%	57.6%
Front store	**37.3**	41.3	42.4
Total net sales	**100.0%**	100.0%	100.0%

Following is a reconciliation of the Company's business segments to the consolidated financial statements:

In millions	Retail Pharmacy Segment	All Other Segments	Intersegment Eliminations(1)	Other Adjustments(2)	Consolidated Totals
2000:					
Net sales	**$ 19,372.4**	**$ 975.8**	**$ (260.7)**	**$ —**	**$ 20,087.5**
Operating profit	**1,290.7**	**12.8**	**—**	**19.2**	**1,322.7**
Depreciation and amortization	**285.4**	**11.2**	**—**	**—**	**296.6**
Total assets	**7,498.8**	**478.7**	**(28.0)**	**—**	**7,949.5**
Capital expenditures	**679.2**	**16.1**	**—**	**—**	**695.3**
1999:					
Net sales	$ 17,625.7	$ 888.4	$ (415.8)	$ —	$ 18,098.3
Operating profit	1,120.4	15.1	—	—	1,135.5
Depreciation and amortization	274.6	3.3	—	—	277.9
Total assets	7,146.1	173.4	(44.1)	—	7,275.4
Capital expenditures	706.3	16.4	—	—	722.7
1998:					
Net sales	$ 15,081.1	$ 488.4	$ (295.9)	$ —	$ 15,273.6
Operating profit	927.8	12.7	—	(188.6)	751.9
Depreciation and amortization	248.6	1.1	—	—	249.7
Total assets	6,602.1	119.6	(35.5)	—	6,686.2
Capital expenditures	498.0	4.3	—	—	502.3

(1) Intersegment eliminations relate to intersegment sales and accounts receivables that occur when a Pharmacy Benefit Management segment customer uses a Retail Pharmacy segment store to purchase covered merchandise. When this occurs, both segments record the sale on a stand-alone basis.

(2) In 1998, other adjustments relate to merger, restructuring and other nonrecurring charges associated with the Revco and Arbor mergers. In 2000, other adjustments relate to the nonrecurring gain representing a partial payment of the settlement proceeds from a class action lawsuit against certain manufacturers of brand name prescription drugs. The charges and gain are not considered when management assesses the stand-alone performance of the Company's business segments.

10 Business Combinations

CVS/Arbor Merger

On March 31, 1998, CVS completed a merger with Arbor Drugs, Inc. ("Arbor"), pursuant to which 37.8 million shares of CVS common stock were exchanged for all the outstanding common stock of Arbor. The merger was a tax-free reorganization that was accounted for as a pooling of interests under APB Opinion No. 16, "Business Combinations."

In accordance with APB Opinion No. 16, Emerging Issues Task Force ("EITF") Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" and SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," CVS recorded a $147.3 million charge to operating expenses during the second quarter of 1998 for direct and other merger-related costs pertaining to the CVS/Arbor merger transaction and certain restructuring activities (the "CVS/Arbor Charge"). The Company also recorded a $10.0 million charge to cost of goods sold during the second quarter of 1998 to reflect markdowns on noncompatible Arbor merchandise.

Following is a summary of the significant components of the CVS/Arbor Charge:

In millions	
Merger transaction costs	$ 15.0
Restructuring costs:	
Employee severance and benefits	27.1
Exit costs:	
Noncancelable lease obligations	40.0
Duplicate facility	16.5
Asset write-offs	41.2
Contract cancellation costs	4.8
Other	2.7
Total	$ 147.3

Merger transaction costs included $12.0 million for estimated investment banker fees, $2.5 million for estimated professional fees, and $0.5 million for estimated filing fees, printing costs and other costs associated with furnishing information to shareholders.

Employee severance and benefits included $15.0 million for estimated excess parachute payment excise taxes and related income tax gross-ups, $11.0 million for estimated employee severance and $1.1 million for estimated employee outplacement costs. The excess parachute payment excise taxes and related income tax gross-ups relate to employment agreements that Arbor had in place with 22 senior executives. Employee severance and benefits and employee outplacement costs relate to 236 employees that were located in Arbor's Troy, Michigan corporate headquarters, including the 22 senior executives that were covered by employment agreements.

Exit Costs ~ In conjunction with the merger transaction, management made the decision to close Arbor's Troy, Michigan corporate headquarters and 55 Arbor store locations. As a result, the following exit plan was executed:

1. Arbor's Troy, Michigan corporate headquarters would be closed as soon as possible after the merger. Management anticipated that this facility would be closed by no later than December 31, 1998. Since this location was a leased facility, management returned the premises to the landlord at the conclusion of the current lease term, which extended through 1999. This facility was closed in December 1998.

2. Arbor's Troy, Michigan corporate headquarters employees would be terminated as soon as possible after the merger. Management anticipated that these employees would be terminated by no later than December 31, 1998. However, significant headcount reductions were planned and occurred throughout the transition period. As of December 31, 1998, all of the employees had been terminated.

3. The 55 Arbor store locations discussed above would be closed as soon as practical after the merger. As of December 30, 2000, all of these locations have been closed or are in the process of being closed. Since these locations were leased facilities, management planned to either return the premises to the respective landlords at the conclusion of the current lease term or negotiate an early termination of the contractual obligations.

Noncancelable lease obligations included $40.0 million for the estimated continuing lease obligations of the 55 Arbor store locations discussed above. As required by EITF Issue 88-10, "Costs Associated with Lease Modification or Termination," the estimated continuing lease obligations were reduced by estimated probable sublease rental income.

Duplicate facility included the estimated costs associated with Arbor's Troy, Michigan corporate headquarters during the shutdown period. This facility was considered to be a duplicate facility that was not required by the combined company. Immediately after the merger transaction, the Company assumed all decision-making responsibility for Arbor and Arbor's corporate employees. The combined company did not retain these employees since they were incremental to their CVS counterparts. During the shutdown period, these employees primarily worked on shutdown activities. The $16.5 million charge included $1.8 million for the estimated cost of payroll and benefits that would be incurred in connection with complying with the Federal

Worker Adjustment and Retraining Act (the "WARN Act"), $6.6 million for the estimated cost of payroll and benefits that would be incurred in connection with shutdown activities, $1.5 million for the estimated cost of temporary labor that would be incurred in connection with shutdown activities and $6.6 million for the estimated occupancy-related costs that would be incurred in connection with closing the duplicate corporate headquarters facility.

Asset write-offs included $38.2 million for estimated fixed asset write-offs and $3.0 million for estimated intangible asset write-offs. The Company allocates goodwill to individual stores based on historical store contribution, which approximates store cash flow. Other intangibles (i.e., favorable lease interests and prescription files) are typically store specific and, therefore, are directly assigned to stores. The asset write-offs relate to the 55 store locations discussed above and the Troy, Michigan corporate headquarters. Management's decision to close the store locations was considered to be an event or change in circumstances as defined in SFAS No. 121. Since management intended to use these locations on a short-term basis during the shutdown period, impairment was measured using the "Assets to Be Held and Used" provisions of SFAS No. 121. The analysis was prepared at the individual store level, which is the lowest level at which individual cash flows can be identified. The analysis first compared the carrying amount of the store's assets to the store's estimated future cash flows (undiscounted and without interest charges) through the anticipated closing date. If the estimated future cash flows used in this analysis were less than the carrying amount of the store's assets, an impairment loss calculation was prepared. The impairment loss calculation compared the carrying value of the store's assets to the store's estimated future cash flows (discounted and with interest charges).

Management's decision to close Arbor's Troy, Michigan corporate headquarters was also considered to be an event or change in circumstances as defined in SFAS No. 121. Since management intended to dispose of these assets, impairment was measured using the "Assets to Be Disposed Of" provisions of SFAS No. 121. Since management intended to discard the assets located in this facility, their entire net book value was considered to be impaired.

Contract cancellation costs included $4.8 million for estimated termination fees and/or penalties associated with terminating various contracts that Arbor had in place prior to the merger, which would not be used by the combined company.

Other costs included $1.3 million for the estimated write-off of Arbor's Point-of-Sale software and $1.4 million for travel and related expenses that would be incurred in connection with closing Arbor's corporate headquarters and store facilities.

The above costs did not provide future benefit to the retained stores or corporate facilities.

Following is a reconciliation of the beginning and ending liability balances as of the respective balance sheet dates:

In millions	Merger Transaction Costs	Employee Severance & Benefits[(1)]	Noncancelable Lease Obligations[(2)]	Duplicate Facility	Asset Write-offs	Contract Cancellation Costs	Other	Total
CVS/Arbor Charge	$ 15.0	$ 27.1	$ 40.0	$ 16.5	$ 41.2	$ 4.8	$ 2.7	$147.3
Utilization – Cash	(15.9)	(16.8)	(2.7)	(15.1)	—	(1.2)	(3.4)	(55.1)
Utilization – Noncash	—	—	—	—	(41.2)	—	—	(41.2)
Transfer[(3)]	0.9	—	—	(1.4)	—	(0.2)	0.7	—
Balance at 01/01/00	—	10.3	37.3	—	—	3.4	—	51.0
Utilization – Cash	—	(0.9)	(3.4)	—	—	—	—	(4.3)
Balance at 12/30/00[(4)]	$ —	$ 9.4	$ 33.9	$ —	$ —	$ 3.4	$ —	$ 46.7

(1) Employee benefits extend for a number of years to coincide with the payment of excess parachute payment excise taxes and related income tax gross-ups.

(2) Noncancelable lease obligations extend through 2020.

(3) The transfers between the components of the plan were recorded in the same period that the changes in estimates were determined. These amounts are considered to be immaterial.

(4) The Company believes that the reserve balances as of December 30, 2000, are adequate to cover the remaining liabilities associated with the CVS/Arbor Charge.

Other Business Combinations

The Company also acquired other businesses that were accounted for as purchase business combinations and immaterial pooling of interests. These acquisitions did not have a material effect on the Company's consolidated financial statements either individually or in the aggregate. The results of operations of these businesses have been included in the consolidated financial statements since their respective dates of acquisition.

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Reconciliation of Earnings Per Common Share

Following is a reconciliation of basic and diluted earnings per common share for the respective years:

In millions, except per share amounts	**2000**	*Fiscal Year* 1999	1998
Numerator for earnings per common share calculation:			
Net earnings	**$ 746.0**	$ 635.1	$ 384.5
Preference dividends, net of income tax benefit	**(14.6)**	(14.7)	(13.6)
Net earnings available to common shareholders, basic	**$ 731.4**	$ 620.4	$ 370.9
Net earnings	**$ 746.0**	$ 635.1	$ 384.5
Effect of dilutive securities:			
Dilutive earnings adjustments	**(0.7)**	—	(0.8)
Net earnings available to common shareholders, diluted	**$ 745.3**	$ 635.1	$ 383.7
Denominator for earnings per common share calculation:			
Weighted average common shares, basic	**391.0**	391.3	387.1
Effect of dilutive securities:			
Preference stock	**10.8**	10.7	10.5
Stock options	**6.2**	6.9	7.6
Weighted average common shares, diluted	**408.0**	408.9	405.2
Basic earnings per common share:			
Net earnings	**$ 1.87**	$ 1.59	$ 0.96
Diluted earnings per common share:			
Net earnings	**$ 1.83**	$ 1.55	$ 0.95

Notes to Consolidated Financial Statements

12 Quarterly Financial Information (Unaudited)

Following is a summary of the unaudited quarterly results of operations and common stock prices for the respective quarters:

Dollars in millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2000:					
Net sales	**$ 4,739.5**	**$ 4,942.8**	**$ 4,916.4**	**$ 5,488.8**	**$ 20,087.5**
Gross margin	**1,300.0**	**1,335.8**	**1,297.4**	**1,428.5**	**5,361.7**
Operating profit	**334.9**	**333.9**	**284.7**	**369.2**	**1,322.7**
Net earnings	**191.3**	**186.5**	**158.7**	**209.5**	**746.0**
Net earnings per common share, basic	**0.48**	**0.47**	**0.40**	**0.53**	**1.87**
Net earnings per common share, diluted	**0.47**	**0.46**	**0.39**	**0.51**	**1.83**
Dividends per common share	**0.0575**	**0.0575**	**0.0575**	**0.0575**	**0.2300**
Stock price: (New York Stock Exchange)					
High	**40.63**	**46.75**	**46.31**	**59.94**	**59.94**
Low	**28.00**	**35.88**	**34.38**	**44.31**	**28.00**
Registered shareholders at year-end					**12,100**
1999:					
Net sales	$ 4,240.5	$ 4,362.4	$ 4,311.8	$ 5,183.6	$ 18,098.3
Gross margin	1,169.4	1,190.4	1,141.1	1,360.5	4,861.4
Operating profit	293.2	290.2	219.7	332.4	1,135.5
Net earnings	164.6	162.6	121.6	186.3	635.1
Net earnings per common share, basic	0.41	0.41	0.30	0.47	1.59
Net earnings per common share, diluted	0.40	0.40	0.30	0.46	1.55
Dividends per common share	0.0575	0.0575	0.0575	0.0575	0.2300
Stock price: (New York Stock Exchange)					
High	56.44	52.06	53.00	45.75	56.44
Low	45.50	40.50	37.75	30.31	30.31
Registered shareholders at year-end					11,200

Five-Year Financial Summary

In millions, except per share amounts	**2000 (52 weeks)**	1999 (53 weeks)	*Fiscal Year* 1998 (52 weeks)	1997 (52 weeks)	1996 (52 weeks)
Statement of operations data:					
Net sales	**$ 20,087.5**	$ 18,098.3	$ 15,273.6	$ 13,749.6	$ 11,831.6
Gross margin[(1)]	**5,361.7**	4,861.4	4,129.2	3,718.3	3,300.9
Selling, general & administrative	**3,742.4**	3,448.0	2,949.0	2,776.0	2,490.8
Depreciation and amortization	**296.6**	277.9	249.7	238.2	205.4
Merger, restructuring and other nonrecurring charges	**—**	—	178.6	422.4	12.8
Operating profit[(2)]	**1,322.7**	1,135.5	751.9	281.7	591.9
Other expense (income), net	**79.3**	59.1	60.9	44.1	(51.5)
Income tax provision	**497.4**	441.3	306.5	149.2	271.0
Earnings from continuing operations before extraordinary item[(3)]	**$ 746.0**	$ 635.1	$ 384.5	$ 88.4	$ 372.4
Per common share data:					
Earnings from continuing operations before extraordinary item:[(3)]					
Basic	**$ 1.87**	$ 1.59	$ 0.96	$ 0.20	$ 0.98
Diluted	**1.83**	1.55	0.95	0.19	0.95
Cash dividends per common share	**0.230**	0.230	0.225	0.220	0.220
Balance sheet and other data:					
Total assets	**$ 7,949.5**	$ 7,275.4	$ 6,686.2	$ 5,920.5	$ 6,014.9
Long-term debt	**536.8**	558.5	275.7	290.4	1,204.8
Total shareholders' equity	**4,304.6**	3,679.7	3,110.6	2,626.5	2,413.8
Number of stores (at end of period)	**4,133**	4,098	4,122	4,094	4,204

(1) Gross margin includes the pre-tax effect of the following nonrecurring charges: (i) in 1998, $10.0 million ($5.9 million after-tax) related to the markdown of noncompatible Arbor merchandise and (ii) in 1997, $75.0 million ($49.9 million after-tax) related to the markdown of noncompatible Revco merchandise.

(2) Operating profit includes the pre-tax effect of the charges discussed in Note (1) above and the following merger, restructuring and other nonrecurring charges and gain: (i) in 2000, $19.2 million ($11.5 million after-tax) nonrecurring gain in total operating expenses, which represented a partial payment of our share of the settlement proceeds from a class action lawsuit against certain manufacturers of brand name prescription drugs, (ii) in 1998, $147.3 million ($101.3 million after-tax) charge related to the merger of CVS and Arbor and $31.3 million ($18.4 million after-tax) of nonrecurring costs incurred in connection with eliminating Arbor's information technology systems and Revco's noncompatible store merchandise fixtures, (iii) in 1997, $337.1 million ($229.8 million after-tax) charge related to the merger of CVS and Revco on May 29, 1997, $54.3 million ($32.0 million after-tax) of nonrecurring costs incurred in connection with eliminating Revco's information technology systems and noncompatible store merchandise fixtures and $31.0 million ($19.1 million after-tax) charge related to the restructuring of Big B, Inc. and (iv) in 1996, $12.8 million ($6.5 million after-tax) charge related to the write-off of costs incurred in connection with the failed merger of Rite Aid Corporation and Revco.

(3) Earnings from continuing operations before extraordinary item and earnings per common share from continuing operations before extraordinary item include the after-tax effect of the charges and gain discussed in Notes (1) and (2) above and a $121.4 million ($72.1 million after-tax) gain realized during 1996 upon the sale of equity securities received as partial proceeds from the sale of Marshalls during 1995.

Officers

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Chief Executive Officer
CVS Corporation

David B. Rickard
Executive Vice President and
Chief Financial Officer
CVS Corporation

Larry J. Merlo
Executive Vice President – Stores
CVS Corporation

Lawrence J. Zigerelli
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Douglas A. Sgarro
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Chief Legal Officer
CVS Corporation

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CVS Realty Co.

Rosemary Mede
Senior Vice President – Human Resources
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CVS Corporation

Larry D. Solberg
Senior Vice President – Finance and Controller
CVS Corporation

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CVS Corporation

Zenon P. Lankowsky
Secretary
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Arbor Investments Group, LLC,
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Granite Broadcasting Corporation

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Professor of Management and Director of
The E-Commerce Forum
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Stanley P. Goldstein
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CVS Corporation

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President and Chief Executive Officer
United Way of Massachusetts Bay

Chief Executive Officer
United Ways of New England

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Dow Chemical Company

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Thomas M. Ryan
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CVS Corporation

Ivan G. Seidenberg(2)
President and Co-Chief Executive Officer
Verizon Communications Corporation

(1) Member of the Audit Committee.

(2) Member of the Management Planning and Development Committee.

(3) Member of Nominating and Corporate Governance Committee.

Shareholder Information

Corporate Headquarters
CVS Corporation
One CVS Drive, Woonsocket, RI 02895
(401) 765-1500

Annual Shareholders' Meeting
10:00 a.m. April 18, 2001
CVS Corporate Headquarters

Stock Market Listing
New York Stock Exchange
Symbol: CVS

Transfer Agent and Registrar
Questions regarding stock holdings, certificate replacement/transfer, dividends and address changes should be directed to:
The Bank of New York
Shareholder Relations Department – 11E
P.O. Box 11258
Church Street Station
New York, NY 10286
Toll-free: (877) CVSPLAN (287-7526)
E-mail: shareowner-svcs@bankofny.com

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The Bank of New York at (877) 287-7526

Information Resources
The Company's Annual Report on Form 10-K will be sent without charge to any shareholder upon request by contacting:
Nancy R. Christal
Vice President - Investor Relations
CVS Corporation
670 White Plains Road - Suite 210
Scarsdale, NY 10583
(800) 201-0938

In addition, financial reports and recent filings with the Securities and Exchange Commission, including our Form 10-K, as well as other Company information, are available via the Internet at **http://www.cvs.com.**

Design: Clarke & Associates LLC **Printing:** Avanti/Case-Hoyt

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One CVS Drive | Woonsocket, RI 02895