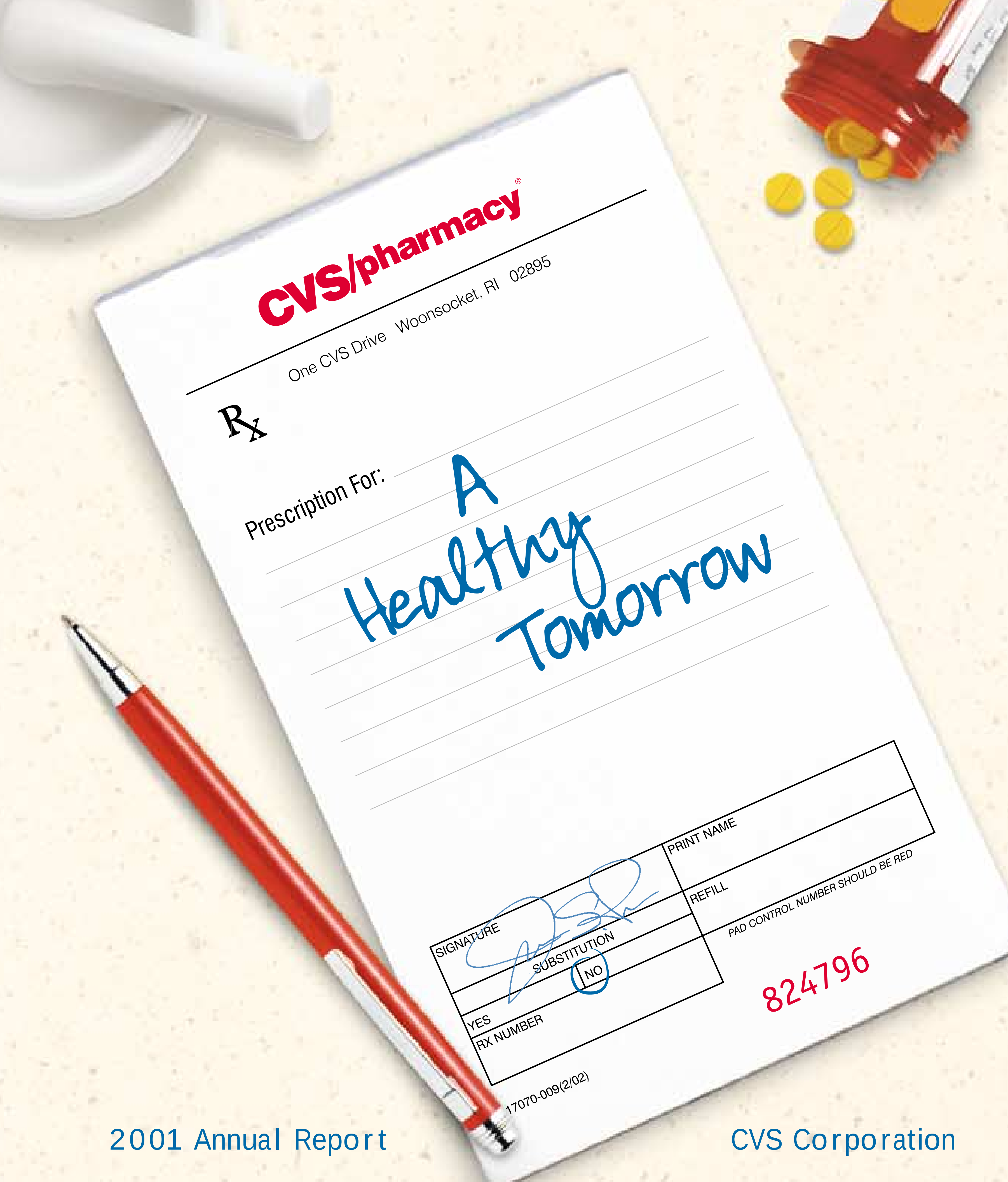


2001 Annual Report

CVS Corporation

2001 Achievements

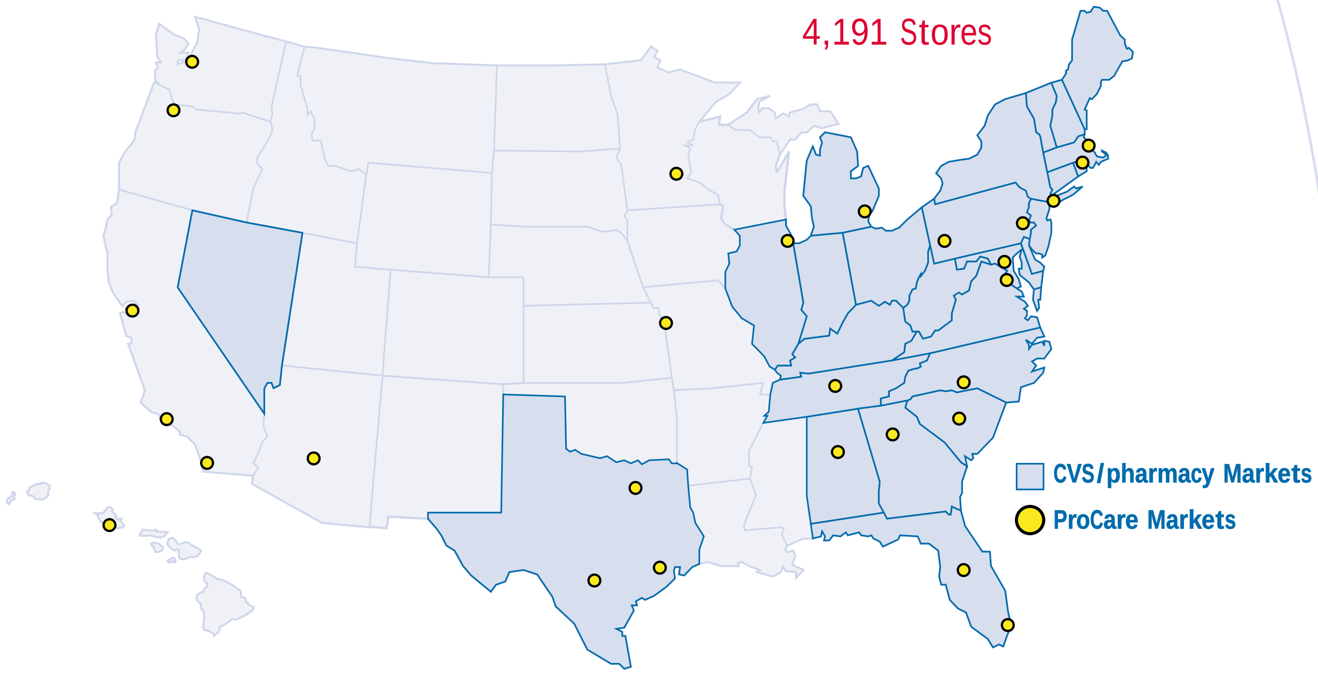
- Total sales increased 10.7% to more than $22 Billion.
- Same store sales rose 8.6%, while pharmacy same store sales increased 13.0%.
- We opened 248 new and relocated stores, and ended the year with 4,191 stores.
- 43 of our new stores in 2001 were in new CVS markets with substantial growth potential, including Miami, Tampa, Orlando, Ft. Lauderdale, Chicago, Dallas, Houston, and Las Vegas.
- We rolled out our EPIC pharmacy system and workflow improvements to all of our stores.
- We improved inventory turns for the 4th consecutive year, hitting our 2001 goal of 4.3x.
- Our senior debt rating was upgraded by Moody's to A2, while our commercial paper rating was raised to Prime-1.
- We now operate 1,200 extended-hour stores, 1,600 drive-thru pharmacies, and 3,100 one-hour photo labs, offering convenience to our customers.
- More than 25 million people became ExtraCare® cardholders in the first year of our customer loyalty program, far exceeding our goal.

Financial Highlights

In millions, except per share	**2001 (52 weeks)**	2000 (52 weeks)	% Change
Sales	$ 22,241.4	$ 20,087.5	10.7
Operating profit*	1,119.6	1,303.5	-14.1
Net earnings*	641.6	734.5	-12.7
Diluted earnings per common share*	1.56	1.80	-13.3

Excludes the impact of a restructuring charge in 2001 and nonrecurring gains recorded in 2000 and 2001. See page 31 for further information.

Store Count By State



139	Alabama	268	Indiana	29	New Hampshire	140	Tennessee
1	Arizona	66	Kentucky	219	New Jersey	11	Texas
7	California	18	Maine	414	New York	2	Vermont
129	Connecticut	172	Maryland	274	North Carolina	245	Virginia
2	Delaware	327	Massachusetts	375	Ohio	1	Washington
45	Florida	248	Michigan	1	Oregon	50	Washington, D.C.
281	Georgia	1	Minnesota	347	Pennsylvania	55	West Virginia
1	Hawaii	1	Missouri	54	Rhode Island		
90	Illinois	3	Nevada	175	South Carolina		

TO OUR SHAREHOLDERS

Prescription for **Healthy Financial Growth**

2001 will be remembered as a year of great challenge—for our country, for its citizens, and for our economy. CVS Corporation will remember the year no differently.

Businesses of all sizes and across every industry faced intense challenges as we adjusted to the realities of our weakening economy. We are fortunate that our business, for the most part, is recession-resistant since we sell items that people need in their daily lives. Nevertheless, we experienced some specific areas of disappointment in 2001. We have taken action to correct the isolated pockets of problems that were within our control. Those factors not within our control—including the absence of major new drug approvals, the timing of generic introductions, and the weak economy—are likely to rebound over time. We see significant cause for optimism in 2002 and beyond.

We believe the pharmacy industry has the best long-term growth dynamics in all of retail. According to IMS Health, the pharmacy industry is projected to grow at a 12 to 14% annual rate through 2005. By that time, the pharmacy industry is expected to fill one billion more prescriptions than it does today. An aging American population, the introduction of new drugs, a strong generic pipeline, and the prospect of expanding Medicare benefits all contribute to this promising outlook. With more market leadership positions than any competitor—we rank #1 or #2 in 75% of the markets we serve—we are extremely well positioned to seize such growth opportunities.

Our prescription for growth includes a renewed focus on what made us so successful in the past—superior execution at the store level—by assuring our stores meet the “Triple S” of customer service. We want to be sure our customers can find everything they expect *in-stock*, that they can *shop* in a neat, well-organized store, and that they experience quick, personal, courteous *service*.

We are positioning ourselves with cutting-edge technology and innovative marketing programs, designed to improve service to customers and keep them coming back to our stores. Our ExtraCare® Loyalty Card, launched in early 2001, already has more than 25 million cardholders, far surpassing our projections. Our EPIC (Excellence in Pharmacy Innovation and Care) solution is active now in every store, increasing pharmacy productivity and reducing customer wait times. And our Assisted Inventory Management (AIM) system, which will be rolled out in 2002, is expected to improve our in-stock position, thereby enhancing customer service.

Our strong balance sheet is more cause for optimism as we enter 2002. We have the financial strength to support our aggressive growth program in the years to come.

We intend to leverage that strength as we target and enter new markets. We are establishing beachhead positions in some of the fastest-growing drugstore markets in the U.S., including Tampa, Orlando, Ft. Lauderdale, Miami, Chicago, Las Vegas, Dallas, and Houston. Early results are extremely promising. We plan to continue penetrating these and other high-growth markets in 2002 and the foreseeable future.

Finally, I have great confidence in our people, particularly our senior management team, which I believe is the best in the industry. They have played an integral part in our past successes.

We have a strong history of growth at CVS, making swift, steady progress since becoming a public company in 1996. Then, we had annual sales of $5 billion. Today, sales are more than $22 billion. Then, we had 1,400 stores in 14 states and the District of Columbia. Today, we rank #1 in store count with approximately 4,200 stores in 33 states and the District of Columbia.

I am happy to report that earnings growth is projected in the range of 8-10% in 2002, and in the longer term we believe 12-15% growth is achievable. Our commitment to restore long-term, sustained, double-digit earnings growth is unwavering.

To better position us for the future, we completed a comprehensive business review, which resulted in a plan to streamline operations. As a result, we will close 229 stores as well as one distribution center. We will also consolidate the operations of our pharmacy benefit management company, PharmaCare, with our specialty pharmacy business, ProCare, and close one mail facility. We took a non-recurring $353 million pre-tax charge in the fourth quarter related to this restructuring. The removal of these costs will contribute to a healthy financial outlook for CVS in the years ahead.

While 2001 was a challenging year, our history is reassuring and our future is bright. We operate in a terrific growth industry, and we have a solid balance sheet to support our future growth. We will continue to aggressively enter new markets to fuel long-term, sustainable, double-digit earnings growth. We will also seek to enhance our cost structure to maintain our edge in superior expense control, and we will continue to invest in state-of-the-art technology to maximize our efficiency.

Filling this prescription for growth requires the hard work and commitment of our 107,000 associates. We were especially proud of how they rose to the occasion in the dark hours of September 11, 2001, as our country experienced unspeakable tragedy, even offering on-the-ground assistance at the disaster sites. I want to thank each of them for their continued dedication.

We also appreciate the wise counsel of our Board of Directors, the strong leadership of our senior management team, and the support of our business partners and customers. We thank you, our shareholders, for your support, and we look forward to reporting our future good health.

"CVS is a leader in a vibrant and growing industry."

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