



EXPRESS SCRIPTS®

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Express Scripts Announces 2017 Third Quarter Results

ST. LOUIS, October 24, 2017 — Express Scripts Holding Company (Nasdaq: ESRX) announced 2017 third quarter net income of \$841.7 million or \$1.46 per diluted share. 2017 third quarter adjusted earnings per diluted share was \$1.90.*

“We have taken significant steps forward this year to build upon our heritage of industry leadership, client alignment and quality patient care, all of which positions us for growth,” said Tim Wentworth, President and CEO of Express Scripts. “We are transforming Express Scripts to win for the long term through significant investments in technology, launches of novel solutions that address the country's biggest healthcare challenges, and expanding our role and reach in the broader healthcare market with our agreement to acquire eviCore. Payers and patients want affordable, quality care and access to medicine. No one is better positioned than Express Scripts to put medicine within reach.”

Third Quarter 2017 Results

The following compares third quarter 2017 and 2016 operating results:

- Adjusted claims of 343.6 million, down 1% – See Table 1
- GAAP net income of \$841.7 million, up 16%
- GAAP earnings per diluted share of \$1.46, up 27%
- Adjusted EBITDA of \$1,947.4 million, flat from 2016 EBITDA – See Table 3
- Adjusted EBITDA per adjusted claim of \$5.67, up 1% from 2016 EBITDA per adjusted claim – See Table 3
- Adjusted net income of \$1,093.6 million, flat from 2016 adjusted net income – See Tables 5 and 5A
- Adjusted earnings per diluted share of \$1.90, up 9% - See Table 4
- Net cash flow provided by operating activities of \$1,899.9 million, up 28%

2017 Guidance

The Company increased its guidance for its full year 2017 adjusted earnings per diluted share from a range of \$6.95 to \$7.05 to a range of \$6.97 to \$7.05, which represents growth of 10% over 2016 adjusted earnings per diluted share results at the mid-point of the range.

The Company expects total adjusted claims for the fourth quarter of 2017 to be in the range of 347 million to 363 million. Adjusted earnings per diluted share for the fourth quarter of 2017 is estimated to be in the range of \$2.03 to \$2.11, which represents growth of 8% to 12% over the fourth quarter of 2016.

*All net income, adjusted net income, earnings per diluted share, adjusted earnings per diluted share, EBITDA, adjusted EBITDA, EBITDA per adjusted claim and adjusted EBITDA per adjusted claim amounts are presented as attributable to Express Scripts, excluding non-controlling interest representing the share allocated to members of our consolidated affiliates.

Additional details on this guidance can be found in Table 6. For a discussion of the financial measures presented herein which are not calculated or presented in accordance with U.S. generally accepted accounting principles (“GAAP”), see “Supplemental Information Regarding Non-GAAP Financial Measures” below.

Contribution of Anthem, Coventry and Catamaran

The table below provides the portion of our estimated 2017 third quarter financial results attributable to Anthem, Coventry and Catamaran, to which we refer together as the “Transitioning Clients” (also see Tables 7 and 8 for further details of 2017 third quarter and 2016 full year financial results attributable to the Transitioning Clients). Based on an announcement by Anthem on October 18, 2017, Anthem will not renew its contract with the Company that expires on December 31, 2019. In addition to disclosing the impact of the estimated Anthem contribution, the tables below include the estimated contribution of the Company’s remaining business with Coventry and Catamaran, both of which were acquired and are rolling off the Company’s book of business. The Company is providing this information to assist in an analysis of the underlying performance of the Company’s Core business, which excludes the contributions from the Transitioning Clients.

Third Quarter 2017 Overview

<i>(in millions, except per claim data)</i>	Q3 2017 (Consolidated, as reported)	Attributable to Transitioning Clients ¹	Q3 2017 Excluding Transitioning Clients ¹	Q3 2017 vs. Q3 2016 Change
		Q3 2017		Excluding Transitioning Clients
Adjusted claims	343.6	57.2	286.4	(0.6%)
Revenues ²	\$24,683.4	\$4,665.7	\$20,017.7	(3.6%)
Net Income	\$841.7	N/A	N/A	N/A
Adjusted EBITDA/EBITDA ³	\$1,947.4	\$607.9	\$1,339.5	1.0%
Adjusted EBITDA/EBITDA per adjusted claim ³	\$5.67	N/A	\$4.68	1.7%

See “Footnotes to Press Release,” below. See Table 7.

Business Outlook

The Company is increasing its expected 2018 retention rate for the 2017 selling season, excluding the impact of the remaining Coventry business rolling off in 2017, to be above 95%.

The Company’s enterprise value initiative is currently estimated to cost approximately \$600 million to \$650 million and to deliver cumulative savings of nearly \$1.2 billion by 2021. This initiative is expected to help the Company achieve its targeted compounded annual EBITDA growth rate for the Core business from 2017-2020 of 2% to 4% and drive significant value to all of its patients and clients beginning in 2018. The Company expects to formalize the plan for its enterprise value initiative by the end of 2017.

Conference Call Details

The Company will hold its quarterly conference call to discuss 2017 third quarter financial results and the other matters discussed in this press release on Wednesday, October 25, 2017, at 8:30 a.m. EDT (7:30 a.m. CDT). The call includes a slide presentation and is being webcast via the Internet and can be accessed at the Investor Relations section of Express Scripts' web site at <http://www.express-scripts.com/corporate>.

About Express Scripts

Express Scripts puts medicine within reach of tens of millions of people by aligning with plan sponsors, taking bold action and delivering patient-centered care to make better health more affordable and accessible.

Headquartered in St. Louis, Express Scripts provides integrated pharmacy benefit management services, including network-pharmacy claims processing, home delivery pharmacy care, specialty pharmacy care, specialty benefit management, benefit-design consultation, drug utilization review, formulary management, and medical and drug data analysis services. Express Scripts also distributes a full range of biopharmaceutical products and provides extensive cost-management and patient-care services.

For more information, visit Lab.Express-Scripts.com or follow [@ExpressScripts](https://twitter.com/ExpressScripts) on Twitter.

Supplemental Information Regarding Non-GAAP Financial Measures

The following provides supplemental information regarding the non-GAAP financial measures presented herein, including the reconciliation of such measures to the most directly comparable financial measures calculated in accordance with GAAP. Adjusted earnings per diluted share (or adjusted EPS), EBITDA, adjusted EBITDA, EBITDA per adjusted claim, adjusted EBITDA per adjusted claim, adjusted net income, adjusted income before income taxes, adjusted gross profit and adjusted selling, general and administrative are non-GAAP financial measures presented herein, are not calculated or presented in accordance with GAAP, and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. The Company believes that these non-GAAP financial measures provide management and investors with useful information about the earnings impact of certain expenses and are useful for (i) comparison of our earnings to those of other companies; (ii) a better understanding of the Company's ongoing Core performance; (iii) planning and forecasting for future periods; and (iv) assessing period-to-period performance trends. Management assesses the Company's operating performance using EBITDA and adjusted EBITDA in order to better isolate the impact of certain expenses that may not be comparable between periods or indicative of the ongoing performance of our Core operations. EBITDA per adjusted claim and adjusted EBITDA per adjusted claim provide management and investors with useful information about the earnings and performance of the Company on a per unit basis.

2017 Guidance Information: Due to the inherent difficulty of forecasting the timing and amount of certain items that would impact EPS and net income, including discrete tax items, the Company is unable to reasonably estimate the related impact of such items to EPS and net income, the GAAP financial measures most directly comparable to adjusted EPS and adjusted EBITDA, respectively. Accordingly, the Company is unable to provide a reconciliation of 2017 guidance for either adjusted EPS to EPS or adjusted EBITDA to net income. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could have a significant impact on the Company's fourth quarter and full-

year 2017 GAAP financial results. With respect to adjusted EPS, amortization of intangible assets is expected to be approximately \$0.40 and \$1.58 per share for the fourth quarter and full-year 2017, respectively.

Financial Information for Transitioning Clients and our Core Business: The financial measures attributable to the Transitioning Clients and our Core Business presented herein, including EBITDA, adjusted EBITDA, EBITDA per adjusted claim and adjusted EBITDA per adjusted claims are also non-GAAP financial measures. These measures are not calculated or presented in accordance with GAAP, and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. These measures represent operating results attributable to specific clients of the Company; however, they are not regularly reviewed by our Chief Executive Officer to assess the performance of any of these clients or make decisions about resources to be allocated to any such client. These measures also reflect management's estimates as to allocation of costs of its PBM business to each of the Transitioning Clients and may not be indicative of costs actually incurred as a result of servicing each of these clients. However, management is unable to reasonably estimate the allocation of certain key items that would impact net income attributable to each of the Transitioning Clients, including interest and depreciation and amortization. Accordingly, the Company is unable to provide net income attributable to any of the Transitioning Clients or its Core business excluding the Transitioning Clients, and is unable to provide a reconciliation of either EBITDA or adjusted EBITDA to net income. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could have a significant impact on the Company's long-term outlook for the Core, as discussed above.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements, including, but not limited to, our 2017 guidance, business outlook and our statements related to the Company's plans, objectives, expectations (financial and otherwise) or intentions. Actual results may differ materially from those projected or suggested in any forward-looking statements. Factors that may impact these forward-looking statements can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1A – "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC on February 14, 2017 and the Company's Quarterly Report on Form 10-Q filed with the SEC on October 24, 2017. A copy of these documents can be found at the Investor Information section of Express Scripts' web site at <http://www.express-scripts.com/corporate>.

We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

EXPRESS SCRIPTS HOLDING COMPANY
Unaudited Consolidated Statement of Operations

<i>(in millions, except per share data)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues*	\$ 24,683.4	\$ 25,410.1	\$ 74,685.8	\$ 75,424.2
Cost of revenues *	22,445.7	23,136.0	68,414.2	69,141.9
Gross profit	2,237.7	2,274.1	6,271.6	6,282.3
Selling, general and administrative	759.3	858.1	2,360.0	2,669.2
Operating income	1,478.4	1,416.0	3,911.6	3,613.1
Other (expense) income:				
Interest income and other	13.6	8.3	28.7	27.4
Interest expense and other	(147.7)	(273.4)	(439.9)	(548.8)
	(134.1)	(265.1)	(411.2)	(521.4)
Income before income taxes	1,344.3	1,150.9	3,500.4	3,091.7
Provision for income taxes	499.3	422.4	1,299.6	1,103.9
Net income	845.0	728.5	2,200.8	1,987.8
Less: Net income attributable to non-controlling interest	3.3	5.6	11.0	18.1
Net income attributable to Express Scripts	\$ 841.7	\$ 722.9	\$ 2,189.8	\$ 1,969.7
Weighted-average number of common shares outstanding during the period:				
Basic	571.8	622.6	585.1	632.9
Diluted	574.7	627.1	588.4	637.4
Earnings per share attributable to Express Scripts:				
Basic	\$ 1.47	\$ 1.16	\$ 3.74	\$ 3.11
Diluted	\$ 1.46	\$ 1.15	\$ 3.72	\$ 3.09

* Includes retail pharmacy co-payments of \$1,925.8 million and \$2,008.5 million for the three months ended September 30, 2017 and 2016, respectively, and \$6,409.7 million and \$6,685.9 million for the nine months ended September 30, 2017 and 2016, respectively.

EXPRESS SCRIPTS HOLDING COMPANY
Unaudited Consolidated Balance Sheet

<i>(in millions)</i>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,395.9	\$ 3,077.2
Receivables, net	6,871.5	7,062.1
Inventories	2,052.9	1,959.0
Prepaid expenses and other current assets	358.7	265.1
Total current assets	<u>12,679.0</u>	<u>12,363.4</u>
Property and equipment, net	1,266.6	1,273.6
Goodwill	29,424.8	29,277.8
Other intangible assets, net	7,697.8	8,636.9
Other assets	138.0	193.2
Total assets	<u>\$ 51,206.2</u>	<u>\$ 51,744.9</u>
Liabilities and stockholders' equity		
Current liabilities:		
Claims and rebates payable	\$ 9,483.5	\$ 8,836.9
Accounts payable	4,377.9	3,875.7
Accrued expenses	2,314.3	2,993.2
Current maturities of long-term debt	1,181.1	722.3
Total current liabilities	<u>17,356.8</u>	<u>16,428.1</u>
Long-term debt	13,726.7	14,846.0
Deferred taxes	3,401.9	3,603.3
Other liabilities	798.5	623.7
Total liabilities	<u>35,283.9</u>	<u>35,501.1</u>
Stockholders' equity:		
Preferred stock, 15.0 shares authorized, \$0.01 par value per share; no shares issued and outstanding	-	-
Common stock, 2,985.0 shares authorized, \$0.01 par value per share; shares issued: 861.7 and 857.5, respectively; shares outstanding: 566.4 and 605.5, respectively	8.6	8.6
Additional paid-in capital	23,486.1	23,233.6
Accumulated other comprehensive loss	(3.9)	(12.3)
Retained earnings	<u>13,991.0</u>	<u>11,801.2</u>
	37,481.8	35,031.1
Common stock in treasury at cost, 295.3 and 252.0 shares, respectively	<u>(21,565.3)</u>	<u>(18,795.1)</u>
Total Express Scripts stockholders' equity	<u>15,916.5</u>	<u>16,236.0</u>
Non-controlling interest	5.8	7.8
Total stockholders' equity	<u>15,922.3</u>	<u>16,243.8</u>
Total liabilities and stockholders' equity	<u>\$ 51,206.2</u>	<u>\$ 51,744.9</u>

EXPRESS SCRIPTS HOLDING COMPANY
Unaudited Consolidated Statement of Cash Flows

<i>(in millions)</i>	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 2,200.8	\$ 1,987.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,344.2	1,611.2
Deferred income taxes	(247.5)	(334.0)
Employee stock-based compensation expense	78.0	81.9
Other, net	24.2	(19.1)
Changes in operating assets and liabilities:		
Receivables	161.2	(270.7)
Inventories	(93.8)	345.7
Other current and noncurrent assets	(88.8)	(43.5)
Claims and rebates payable	642.6	(680.7)
Accounts payable	475.4	348.0
Accrued expenses	(659.3)	(327.4)
Other current and noncurrent liabilities	144.5	(28.7)
Net cash flows provided by operating activities	3,981.5	2,670.5
Cash flows from investing activities:		
Purchases of property and equipment	(177.3)	(237.6)
Acquisitions, net of cash acquired	(122.7)	-
Other, net	(11.3)	(7.6)
Net cash used in investing activities	(311.3)	(245.2)
Cash flows from financing activities:		
Treasury stock acquired	(2,735.7)	(3,892.7)
Repayment of long-term debt	(650.0)	(5,395.0)
Net proceeds from employee stock plans	51.3	56.0
Proceeds from long-term debt, net of discounts	-	5,986.8
Excess tax benefit relating to employee stock-based compensation	-	11.1
Other, net	(22.5)	(75.7)
Net cash used in financing activities	(3,356.9)	(3,309.5)
Effect of foreign currency translation adjustment	5.4	2.6
Net increase (decrease) in cash and cash equivalents	318.7	(881.6)
Cash and cash equivalents at beginning of period	3,077.2	3,186.3
Cash and cash equivalents at end of period	\$ 3,395.9	\$ 2,304.7

Table 1
Express Scripts Holding Company Unaudited Consolidated Selected Information
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Claims Volume				
Network	213.5	217.0	655.4	664.3
Home delivery and specialty ⁽⁴⁾	28.8	30.0	87.3	89.8
Total claims	242.3	247.0	742.7	754.1
Adjusted network ⁽⁵⁾	259.5	259.4	790.7	790.3
Adjusted home delivery and specialty ⁽⁵⁾	84.1	87.7	254.6	262.4
Total adjusted claims ⁽⁵⁾	343.6	347.1	1,045.3	1,052.7
Depreciation and Amortization (D&A):				
Revenue amortization ⁽⁶⁾	\$ 55.4	\$ 55.4	\$ 166.2	\$ 145.1
Cost of revenues depreciation	32.0	27.5	96.3	85.5
Selling, general and administrative depreciation	51.3	46.5	155.3	155.0
Selling, general and administrative amortization ⁽⁶⁾	310.7	408.3	926.4	1,225.6
Total D&A	\$ 449.4	\$ 537.7	\$ 1,344.2	\$ 1,611.2
Generic Fill Rate**				
Network	86.5%	86.0%	86.9%	86.1%
Home delivery	83.5%	81.3%	82.8%	80.6%
Overall	86.1%	85.4%	86.4%	85.4%

See Footnotes to Tables

**The home delivery generic fill rate is currently lower than the network generic fill rate as fewer generic substitutions are available among maintenance medications (e.g., therapies for chronic conditions) commonly dispensed from home delivery pharmacies compared to acute medications, which are primarily dispensed by pharmacies in our retail networks.

Table 2
Express Scripts Holding Company Unaudited Adjusted Gross Profit and Adjusted SG&A Reconciliation

Provided below are reconciliations of adjusted gross profit and adjusted selling, general and administrative expenses, which are non-GAAP measures, to gross profit and selling, general and administrative expenses, respectively, which are the most directly comparable measures calculated in accordance with GAAP.

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross profit, as reported	\$ 2,237.7	\$ 2,274.1	\$ 6,271.6	\$ 6,282.3
Amortization of intangible assets ⁽⁶⁾	55.4	55.4	166.2	145.1
Enterprise value initiative costs ⁽⁷⁾	2.4	-	2.4	-
Adjusted gross profit	\$ 2,295.5	\$ 2,329.5	\$ 6,440.2	\$ 6,427.4
Selling, general and administrative, as reported	\$ 759.3	\$ 858.1	\$ 2,360.0	\$ 2,669.2
Amortization of intangible assets ⁽⁶⁾	310.7	408.3	926.4	1,225.6
Enterprise value initiative costs ⁽⁷⁾	20.9	-	20.9	-
Adjusted selling, general and administrative	\$ 427.7	\$ 449.8	\$ 1,412.7	\$ 1,443.6

See Footnotes to Press Release

Table 3
Express Scripts Holding Company Unaudited EBITDA and Adjusted EBITDA Reconciliation
(in millions, except per claim data)

Provided below is a reconciliation of EBITDA and Adjusted EBITDA attributable to Express Scripts, which are non-GAAP financial measures, to net income attributable to Express Scripts. The Company believes net income is the most directly comparable measure under GAAP.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income attributable to Express Scripts, as reported	\$ 841.7	\$ 722.9	\$ 2,189.8	\$ 1,969.7
Provision for income taxes ⁽⁸⁾	499.3	422.4	1,299.6	1,103.9
Depreciation and amortization ^{(6),*}	449.4	537.7	1,344.2	1,611.2
Interest expense, interest income and other	134.1	265.1	411.2	521.4
EBITDA attributable to Express Scripts	<u>\$ 1,924.5</u>	<u>\$ 1,948.1</u>	<u>\$ 5,244.8</u>	<u>\$ 5,206.2</u>
Adjustments to EBITDA				
Enterprise value initiative costs ^{(7),*}	22.9	-	22.9	-
Adjusted EBITDA/EBITDA attributable to Express Scripts	<u>\$ 1,947.4</u>	<u>\$ 1,948.1</u>	<u>\$ 5,267.7</u>	<u>\$ 5,206.2</u>
Total adjusted claims ⁽⁵⁾	343.6	347.1	1,045.3	1,052.7
Adjusted EBITDA/EBITDA attributable to Express Scripts, per adjusted claim	\$ 5.67	\$ 5.61	\$ 5.04	\$ 4.95

See Footnotes to Press Release

* Depreciation and amortization for both the three months and nine months ended September 30, 2017 presented above includes \$0.4 million of accelerated depreciation in connection with the enterprise value initiative which is not included in enterprise value initiative costs.

Table 4**Express Scripts Holding Company Unaudited Adjusted Diluted EPS Reconciliation**

Provided below is a reconciliation of Adjusted Diluted EPS attributable to Express Scripts, which is a non-GAAP measure, to diluted EPS attributable to Express Scripts, which is its most directly comparable measure calculated in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(per diluted share)			
Diluted EPS attributable to Express Scripts, as reported	\$ 1.46	\$ 1.15	\$ 3.72	\$ 3.09
Excluding items indicated:				
Debt redemption costs ^{(9),*}	-	0.20	-	0.21
Discrete tax items ⁽⁸⁾	0.01	-	0.03	(0.05)
Enterprise value initiative costs ⁽⁷⁾	0.04	-	0.04	-
Amortization of intangible assets ^{(6),*}	0.64	0.74	1.86	2.15
Tax impact of excluded items ⁽¹⁰⁾	(0.25)	(0.35)	(0.70)	(0.88)
Diluted EPS attributable to Express Scripts, adjusted	\$ 1.90	\$ 1.74	\$ 4.95	\$ 4.52

See Footnotes to Press Release

*Presented on a pre-tax basis. A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the three and nine months ended September 30, 2017 and 2016.

Table 5
Express Scripts Holding Company Unaudited Adjusted Net Income and
Adjusted Effective Income Tax Rate Reconciliation

(in millions)

Presented below is a reconciliation of adjusted net income attributable to Express Scripts, which is a non-GAAP financial measure, to income before income taxes, which is its most directly comparable measure calculated in accordance with GAAP.

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Income before income taxes	Provision for income taxes	Effective income tax rate	Income before income taxes	Provision for income taxes	Effective income tax rate
Income before income taxes, as reported	\$ 1,344.3	\$ 499.3		\$ 3,500.4	\$ 1,299.6	
Net income attributable to non-controlling interest	(3.3)	-		(11.0)	-	
Income before income taxes attributable to Express Scripts	1,341.0	499.3	37.2%	3,489.4	1,299.6	37.2%
Excluding items indicated:						
Discrete tax items ⁽⁸⁾	-	(5.8)		-	(15.5)	
Enterprise value initiative costs ⁽⁷⁾	23.3	8.5		23.3	8.5	
Amortization of intangible assets ⁽⁶⁾	366.1	134.8		1,092.6	402.1	
Income before income taxes attributable to Express Scripts, as adjusted	\$ 1,730.4	\$ 636.8	36.8%	\$ 4,605.3	\$ 1,694.7	36.8%
Adjusted net income attributable to Express Scripts	\$ 1,093.6			\$ 2,910.6		

See Footnotes to Press Release

Table 5A
Express Scripts Holding Company Unaudited Adjusted Net Income and
Adjusted Effective Income Tax Rate Reconciliation

(in millions)

Presented below is a reconciliation of adjusted net income attributable to Express Scripts, which is a non-GAAP financial measure, to income before income taxes, which is its most directly comparable measure calculated in accordance with GAAP.

	Three Months Ended			Nine Months Ended		
	September 30, 2016			September 30, 2016		
	Income before income taxes	Provision for income taxes	Effective income tax rate	Income before income taxes	Provision for income taxes	Effective income tax rate
Income before income taxes, as reported	\$ 1,150.9	\$ 422.4		\$ 3,091.7	\$ 1,103.9	
Net income attributable to non-controlling interest	(5.6)	-		(18.1)	-	
Income before income taxes attributable to Express Scripts	<u>1,145.3</u>	<u>422.4</u>	36.9%	<u>3,073.6</u>	<u>1,103.9</u>	35.9%
Excluding items indicated:						
Debt redemption costs ⁽⁹⁾	125.9	46.7		135.6	50.3	
Discrete tax items ⁽⁸⁾	-	2.2		-	35.7	
Amortization of intangible assets ⁽⁶⁾	<u>463.7</u>	<u>172.0</u>		<u>1,370.7</u>	<u>508.3</u>	
Income before income taxes attributable to Express Scripts, as adjusted	\$ 1,734.9	\$ 643.3	37.1%	\$ 4,579.9	\$ 1,698.2	37.1%
Adjusted net income attributable to Express Scripts	<u>\$ 1,091.6</u>			<u>\$ 2,881.7</u>		

See Footnotes to Press Release

Table 6**Express Scripts Holding Company Unaudited 2017 Guidance Information**

Adjusted diluted EPS and Adjusted EBITDA are non-GAAP financial measures. For a discussion of the financial measures presented herein that are not calculated or presented in accordance with GAAP, see "Supplemental Information Regarding Non-GAAP Financial Measures" above.

	Estimated Year Ending December 31, 2017	Estimated Year Ending December 31, 2017
	Current Guidance	Previous Guidance
<i>(in millions, except per share data)</i>		
Adjusted Diluted EPS attributable to Express Scripts	\$6.97 to \$7.05	\$6.95 to \$7.05
<i>Year over year growth</i>	<i>9%-10%</i>	<i>9%-10%</i>
Total adjusted claims	1,392 to 1,408	1,385 to 1,415
Adjusted EBITDA attributable to Express Scripts	\$7,350 to \$7,470	\$7,330 to \$7,490
Diluted weighted average shares outstanding during the period	580 to 585	580 to 590
Net cash flow provided by operating activities	\$4,700 to \$5,200	\$4,700 to \$5,200
	Estimated Three Months Ending December 31, 2017	
	Current Guidance	
<i>(in millions, except per share data)</i>		
Adjusted Diluted EPS attributable to Express Scripts	\$2.03 to \$2.11	
<i>Year over year growth</i>	<i>8%-12%</i>	
Total adjusted claims	347 to 363	

Table 7
Express Scripts Holding Company Operating Results Excluding Estimate of Contribution related to Transitioning Clients

(amounts in millions except per claim figures)

		Q3 2017			Q3 2016			Q3 2017 Change	
		Consolidated As Reported Q3 2017	Transitioning Clients ⁽¹⁾	Excluding Transitioning Clients ⁽¹⁾	Consolidated As Reported Q3 2016	Transitioning Clients ⁽¹⁾ (Table 8)	Excluding Transitioning Clients ⁽¹⁾	As Reported	Excluding Transitioning Clients ⁽¹⁾
Adjusted claims	Table 1	343.6	57.2	286.4	347.1	58.9	288.2	-1.0%	-0.6%
Revenues ⁽²⁾		\$ 24,683.4	\$ 4,665.7	\$ 20,017.7	\$ 25,410.1	\$ 4,654.5	\$ 20,755.6	-2.9%	-3.6%
Net income		\$ 841.7	N/A	N/A	\$ 722.9	N/A	N/A	16.4%	N/A
Adjusted EBITDA ⁽³⁾	Table 3	\$ 1,947.4	\$ 607.9	\$ 1,339.5	\$ 1,948.1	\$ 621.4	\$ 1,326.7	0.0%	1.0%
Adjusted EBITDA/adjusted claim ⁽³⁾	Table 3	\$ 5.67	N/A	\$ 4.68	\$ 5.61	N/A	\$ 4.60	1.1%	1.7%

		Q3 2017			Q3 2016			Q3 2017 Change	
		Consolidated As Reported Q3 2017	Transitioning Clients ⁽¹⁾	Excluding Transitioning Clients ⁽¹⁾	Consolidated As Reported Q3 2016	Transitioning Clients ⁽¹⁾ (Table 8)	Excluding Transitioning Clients ⁽¹⁾	As Reported	Excluding Transitioning Clients ⁽¹⁾
Adjusted claims	Table 1	1,045.3	176.2	869.1	1,052.7	178.1	874.6	-0.7%	-0.6%
Revenues ⁽²⁾		\$ 74,685.8	\$ 14,289.2	\$ 60,396.6	\$ 75,424.2	\$ 14,035.5	\$ 61,388.7	-1.0%	-1.6%
Net income		\$ 2,189.8	N/A	N/A	\$ 1,969.7	N/A	N/A	11.2%	N/A
EBITDA ⁽³⁾	Table 3	\$ 5,267.7	\$ 1,810.5	\$ 3,457.2	\$ 5,206.2	\$ 1,833.5	\$ 3,372.7	1.2%	2.5%
EBITDA/adjusted claim ⁽³⁾	Table 3	\$ 5.04	N/A	\$ 3.98	\$ 4.95	N/A	\$ 3.86	1.8%	3.1%

See Footnotes to Press Release.

Table 8**
Express Scripts Holding Company - Estimate of Transitioning Clients
Contribution by Quarter

(amounts in millions except per claim figures)

Anthem** ^{(1),(3)}

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Adjusted Claims	54.5	54.2	54.3	56.6
Revenues ⁽²⁾	\$ 4,096.7	\$ 4,354.9	\$ 4,243.0	\$ 4,381.3
Adjusted EBITDA*	\$ 467.9	\$ 644.7	\$ 572.1	\$ 563.3
Adjusted EBITDA/adjusted claim*	\$ 8.59	\$ 11.89	\$ 10.54	\$ 9.95

Transitioning Clients ^{(1),(3)}

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Adjusted Claims	5.6	4.9	4.6	3.9
Revenues	\$ 457.5	\$ 471.9	\$ 411.5	\$ 356.0
Adjusted EBITDA*	\$ 50.0	\$ 49.5	\$ 49.3	\$ 73.6

Combined Contribution ^{(1),(3)}

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Adjusted Claims	60.1	59.1	58.9	60.5
Revenues ⁽²⁾	\$ 4,554.2	\$ 4,826.8	\$ 4,654.5	\$ 4,737.3
Adjusted EBITDA*	\$ 517.9	\$ 694.2	\$ 621.4	\$ 636.9

Core (Excluding Transitioning Clients) ^{(1),(3)}

	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Adjusted Claims	296.2	290.2	288.2	294.4
Revenues	\$ 20,237.6	\$ 20,395.5	\$ 20,755.6	\$ 20,126.0
Adjusted EBITDA*	\$ 942.1	\$ 1,103.9	\$ 1,326.7	\$ 1,417.3
Adjusted EBITDA/adjusted claim*	\$ 3.18	\$ 3.80	\$ 4.60	\$ 4.81

(*) Adjusted EBITDA with respect to Q1, Q2 and Q3 2016 is equal to "EBITDA" as no adjustments to EBITDA were made for these periods and Q4 included an adjustment for other compensation costs of \$41.2 million and is equal to "Adjusted EBITDA."

(**) For presentation purposes, Table 8 is consistent with the Q1 2017 Press Release presentation. As noted above, Anthem financial results were combined with each of the Transitioning Clients in Q3 2017 upon announcement by Anthem on October 18, 2017, of its intention not to renew its contract with the Company.

See Footnotes to Press Release

Footnotes to Press Release

(1) Amounts attributable each of the Transitioning Clients are based on management's estimates regarding, among other items, cost allocation and may not be indicative of costs actually incurred as a result of servicing each of the Transitioning Clients. Both direct and indirect costs were allocated based on management's best estimates of costs attributable to servicing each of the Transitioning Clients, and, where appropriate, are based on actual cost or adjusted claims attributable to each of the Transitioning Clients.

(2) Consolidated revenues and Transitioning Clients revenues include intangible amortization related to the customer contract with Anthem of \$55.4 million for the three months ended September 30, 2017 and 2016, respectively. Consolidated revenues and Transitioning Clients revenues include intangible amortization related to the customer contract with Anthem of \$166.2 million and \$145.1 million for the nine months ended September 30, 2017 and 2016, respectively.

(3) EBITDA, Adjusted EBITDA, EBITDA per adjusted claim and adjusted EBITDA per adjusted claim are non-GAAP financial measures. For a discussion of the financial measures presented herein that are not calculated or presented in accordance with U.S. generally accepted accounting principles ("GAAP"), see "Supplemental Information Regarding Non-GAAP Financial Measures" above.

(4) Includes home delivery, specialty and other including: (i) drugs distributed through patient assistance programs, (ii) drugs distributed to clients of other PBMs under limited distribution contracts with pharmaceutical manufacturers and (iii) Freedom Fertility claims.

(5) Total adjusted network claims includes an adjustment to reflect non-specialty network claims filled through our 90-day programs. These claims are now multiplied by three, as these claims, on average, typically cover a time period three times longer than other network claims. Home delivery claims are also multiplied by three, consistent with prior practice, as home delivery claims typically cover a time period three times longer than unadjusted network claims. See Footnotes to Press Release - Schedule A below.

(6) Amortization of intangible assets includes the following items:

Amortization of legacy Express Scripts, Inc. ("ESI") intangible assets include amounts in both revenues and selling, general and administrative expense.

Revenue amortization is related to the customer contract with Anthem, which commenced upon closing of the NextRx acquisition in 2009. Amortization of intangibles that arises in connection with consideration given to a customer by a vendor is characterized as a reduction of revenues. Intangible amortization of \$55.4 million (\$34.9 million net of tax) is included as a reduction to revenue for the three months ended September 30, 2017 and 2016. Intangible amortization of \$166.2 million (\$105.0 million net of tax) and \$145.1 million (\$91.3 million net of tax) is included as a reduction to revenue for the nine months ended September 30, 2017 and 2016, respectively. The Company's 10-year agreement with Anthem under which we provide pharmacy benefit management services to Anthem and its designated affiliates was previously amortized using a modified pattern of benefit method over an estimated useful life of 15 years. Beginning in March 2016, we began amortizing our agreement with Anthem over the remaining term of the contract (i.e., using a modified pattern of benefit over an estimated useful life of 10 years from the time the agreement was executed in 2009), which resulted in an additional \$31.7 million of revenue amortization recognized for both the three months ended September 30, 2017 and 2016, respectively, and an additional \$95.1 million and \$73.9 million of revenue amortization recognized for the nine months ended September 30, 2017 and 2016, respectively.

Other legacy ESI intangible amortization of \$17.6 million (\$11.2 million net of tax) and \$9.4 million (\$5.9 million net of tax) for the three months ended September 30, 2017 and 2016, respectively, is included in selling, general and administrative expense. Other legacy ESI intangible amortization of \$46.6 million (\$29.5 million net of tax) and \$28.3 million (\$17.8 million net of tax) for the nine months ended September, 2017 and 2016, respectively, is included in selling, general and administrative expense.

Amortization of intangible assets related to the acquisition of Medco of \$293.1 million (\$185.2 million net of tax) and \$398.9 million (\$250.9 million net of tax) for the three months ended September 30, 2017 and 2016, respectively, is included in selling, general and administrative expense. Amortization of intangible assets related to the acquisition of Medco of \$879.8 million (\$556.0 million net of tax) and \$1,197.3 million (\$753.3 million net of tax) for the nine months ended September 30, 2017 and 2016, respectively, is included in selling, general and administrative expense.

(7) Costs primarily comprised of professional fees, severance and other business activity charges in connection with the enterprise value initiative of \$23.3 million (\$14.8 million net of tax) are included in selling, general and administrative expense and cost of revenues for the three months and nine months ended September 30, 2017, respectively.

(8) Provision for income taxes includes discrete tax charges of \$5.8 million and \$15.5 million for the three months and nine months ended September 30, 2017, respectively, related primarily to changes in our unrecognized tax benefits and a revaluation of net deferred tax attributes. Provision for income taxes includes discrete tax benefits of \$2.2 million and \$35.7 million for the three months and nine months ended September 30, 2016, respectively, related primarily to changes in unrecognized tax benefits.

(9) Debt redemption costs, which include write-off of discounts, premiums, deferred financing costs and other costs incurred for the early redemption of senior notes, totaled \$125.9 million (\$79.2 million net of tax) and \$135.6 million (\$85.3 million net of tax) and are included in interest expense for the three and nine months ended September 30, 2016, respectively.

(10) Represents adjustment for the tax impact related to non-GAAP items excluded from adjusted diluted EPS. See Table 5 and 5A for calculation of adjusted effective income tax rate.

Footnotes to Press Release: Schedule A
Express Scripts Holding Company Unaudited 2016 and 2015 Claims Recast

As previously reported in our February 14, 2017 press release and explained in footnote (5), we changed our methodology for calculating network claims retrospectively for 2016 and 2015. Provided below are recasts of the revised methodology for reporting network claims.

(in millions)

	As reported Q1 2016	Revision	Revised Q1 2016	As reported Q2 2016	Revision	Revised Q2 2016	As reported Q3 2016	Revision	Revised Q3 2016
Claims Volume									
Network	226.1	-	226.1	221.2	-	221.2	217.0	-	217.0
Home delivery and specialty ⁽⁴⁾	30.3	-	30.3	29.5	-	29.5	30.0	-	30.0
Total claims	256.4	-	256.4	250.7	-	250.7	247.0	-	247.0
Adjusted network ⁽⁵⁾	234.7	32.8	267.5	229.4	34.0	263.4	224.5	34.9	259.4
Adjusted home delivery and specialty ⁽⁵⁾	88.8	-	88.8	85.9	-	85.9	87.7	-	87.7
Total adjusted claims ⁽⁵⁾	323.5	32.8	356.3	315.3	34.0	349.3	312.2	34.9	347.1
	As reported Q1 2015	Revision	Revised Q1 2015	As reported Q2 2015	Revision	Revised Q2 2015	As reported Q3 2015	Revision	Revised Q3 2015
Claims Volume									
Network	219.1	-	219.1	228.2	-	228.2	232.8	-	232.8
Home delivery and specialty ⁽⁴⁾	30.2	-	30.2	30.2	-	30.2	30.0	-	30.0
Total claims	249.3	-	249.3	258.4	-	258.4	262.8	-	262.8
Adjusted network ⁽⁵⁾	219.1	33.0	252.1	232.9	35.6	268.5	240.8	36.9	277.7
Adjusted home delivery and specialty ⁽⁵⁾	88.5	-	88.5	88.3	-	88.3	87.5	-	87.5
Total adjusted claims ⁽⁵⁾	307.6	33.0	340.6	321.2	35.6	356.8	328.3	36.9	365.2