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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2007

Commission File Number 001-01011

CVS/CAREMARK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**05-0494040**
(State of Incorporation)	***(I.R.S. Employer Identification Number)***

One CVS Drive, Woonsocket, Rhode Island 02895

(Address of principal executive offices)

Telephone: (401) 765-1500

CVS Corporation

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x Accelerated Filer ¨ Non-accelerated Filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Common Stock, $0.01 par value, issued and outstanding at May 2, 2007:

1,564,130,000 shares

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Part I **Item 1**

CVS/Caremark Corporation

(formerly CVS Corporation)

Consolidated Condensed Statements of Operations

(Unaudited See accompanying review report of KPMG LLP)

	13 Weeks Ended	
	March 31,	**April 1,**
In millions, except per share amounts	**2007**	**2006**
Net revenues	**$ 13,184.6**	$ 9,979.2
Cost of revenues (excluding depreciation and amortization)	**9,835.4**	7,330.2
Gross profit	**3,349.2**	2,649.0
Selling, general and administrative expenses	**2,403.9**	1,933.1
Depreciation and amortization	**208.8**	155.4
Total operating expenses	**2,612.7**	2,088.5
Operating profit	**736.5**	560.5
Interest expense, net	**63.9**	21.1
Earnings before income tax provision	**672.6**	539.4
Income tax provision	**263.7**	209.8
Net earnings	**408.9**	329.6
Preference dividends, net of income tax benefit	**3.5**	3.5
Net earnings available to common shareholders	**$ 405.4**	$ 326.1
Basic earnings per common share:		
Net earnings	**$ 0.45**	$ 0.40
Weighted average basic common shares outstanding	**906.1**	816.8
Diluted earnings per common share:		
Net earnings	**$ 0.43**	$ 0.39
Weighted average diluted common shares outstanding	**939.8**	848.5
Dividends declared per common share	**$ 0.04875**	$ 0.03875

See accompanying notes to consolidated condensed financial statements.

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Part I **Item 1**

CVS/Caremark Corporation

(formerly CVS Corporation)

Consolidated Condensed Balance Sheets

(Unaudited See accompanying review report of KPMG LLP)

In millions, except share and per share amounts	March 31, 2007	December 30, 2006
Assets:		
Cash and cash equivalents	**$ 710.7**	$ 530.7
Short-term investments	**27.5**	
Accounts receivable, net	**4,485.4**	2,377.4
Inventories	**7,427.1**	7,108.9
Deferred income taxes	**427.7**	274.3
Other current assets	**153.7**	100.2
Total current assets	**13,232.1**	10,391.5
Property and equipment, net	**5,675.2**	5,333.6
Goodwill	**28,533.2**	3,195.2
Intangible assets, net	**3,304.8**	1,318.2
Deferred income taxes		90.8
Other assets	**290.5**	240.5
Total assets	**$ 51,035.8**	$ 20,569.8
Liabilities:		
Accounts payable	**$ 3,371.1**	$ 2,701.5
Claims and discounts payable	**2,568.9**	162.0
Accrued expenses	**2,755.9**	1,950.2
Short-term debt	**3,072.8**	1,842.7
Current portion of long-term debt	**842.6**	344.3
Total current liabilities	**12,611.3**	7,000.7
Long-term debt	**2,895.4**	2,870.4
Deferred income taxes	**594.2**	
Other long-term liabilities	**903.5**	781.1
Shareholders equity:		
Preference stock, series one ESOP convertible, par value $1.00: authorized 50,000,000 shares; issued and outstanding 3,945,000 shares at March 31, 2007 and 3,990,000 shares at December 30, 2006	**210.9**	213.3
Common stock, par value $0.01: authorized 3,200,000,000 shares; issued 1,561,903,000 shares at March 31, 2007 and 847,266,000 shares at December 30, 2006	**15.6**	8.5
Treasury stock, at cost: 20,643,000 shares at March 31, 2007 and 21,529,000 shares at December 30, 2006	**(305.2)**	(314.5)
Shares held in trust, 9,224,000 shares at March 31, 2007	**(301.3)**	
Guaranteed ESOP obligation	**(82.1)**	(82.1)
Capital surplus	**26,224.3**	2,198.4
Retained earnings	**8,341.0**	7,966.6
Accumulated other comprehensive loss	**(71.8)**	(72.6)

Total shareholders equity	**34,031.4**	9,917.6
Total liabilities and shareholders equity	**$ 51,035.8**	$ 20,569.8

See accompanying notes to consolidated condensed financial statements.

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Part I **Item 1**

CVS/Caremark Corporation

(formerly CVS Corporation)

Consolidated Condensed Statements of Cash Flows

(Unaudited See accompanying review report of KPMG LLP)

	13 Weeks Ended March 31,	13 Weeks Ended April 1,
In millions	2007	2006
Cash flows from operating activities:		
Cash receipts from revenues	$ 12,861.0	$ 9,803.8
Cash paid for inventory	(9,486.7)	(7,284.2)
Cash paid to other suppliers and employees	(2,510.0)	(2,208.4)
Interest received	7.7	2.4
Interest paid	(109.7)	(44.7)
Income taxes paid	(54.6)	(97.2)
Net cash provided by operating activities	707.7	171.7
Cash flows from investing activities:		
Additions to property and equipment	(311.9)	(283.7)
Proceeds from sale-leaseback transactions	9.9	
Acquisitions (net of cash acquired) and investments	(1,975.0)	(15.1)
Proceeds from sale or disposal of assets	13.2	4.5
Net cash used in investing activities	(2,263.8)	(294.3)
Cash flows from financing activities:		
Additions to short-term debt	1,230.1	258.5
Dividends paid	(40.3)	(31.6)
Proceeds from exercise of stock options	56.9	61.4
Excess tax benefits from stock based compensation	7.7	10.5
Additions to long-term debt	500.0	
Reductions in long-term debt	(18.3)	(302.5)
Net cash provided by (used in) financing activities	1,736.1	(3.7)
Net increase (decrease) in cash and cash equivalents	180.0	(126.3)
Cash and cash equivalents at beginning of period	530.7	513.4
Cash and cash equivalents at end of period	$ 710.7	$ 387.1
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$ 408.9	$ 329.6
Adjustments required to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	208.8	155.4
Stock based compensation	22.3	15.5
Deferred income taxes and other non-cash items	(20.2)	22.2

Change in operating assets and liabilities, providing/(requiring) cash, net of effects from acquisitions:		
Accounts receivable, net	**198.9**	(175.4)
Inventories	**130.1**	15.0
Other current assets	**(20.8)**	(14.5)
Other assets	**10.1**	(5.3)
Accounts payable and Claims and discounts payable	**(188.3)**	(29.8)
Accrued expenses	**(47.8)**	(128.1)
Other long-term liabilities	**5.7**	(12.9)
Net cash provided by operating activities	**$ 707.7**	$ 171.7

See accompanying notes to consolidated condensed financial statements.

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Part I **Item 1**

CVS/Caremark Corporation

(formerly CVS Corporation)

Notes to Consolidated Condensed Financial Statements

(Unaudited See accompanying review report of KPMG LLP)

Note 1

The accompanying consolidated condensed financial statements of CVS/Caremark Corporation (formerly CVS Corporation) and its wholly-owned subsidiaries (the Company) have been prepared without audit, in accordance with the rules and regulations of the Securities and Exchange Commission. In accordance with such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. These consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in Exhibit 13 to the Company s Annual Report on Form 10-K for the fiscal year ended December 30, 2006 (the 2006 Form 10-K).

In the opinion of management, the accompanying consolidated condensed financial statements include all adjustments (consisting only of normal recurring adjustments), which are necessary to present a fair statement of the Company s results for the interim periods presented. Because of the influence of various factors on the Company s operations, including business combinations, certain holidays and other seasonal influences, net earnings for any interim period may not be comparable to the same interim period in previous years or necessarily indicative of earnings for the full fiscal year.

Note 2

The following is a summary of the Company s significant accounting policies that were affected by the Caremark Merger (defined below). Please see the 2006 Form 10-K for a complete discussion of all of the Company s significant accounting policies.

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(Unaudited See accompanying review report of KPMG LLP)

Revenue recognition:

Retail Pharmacy Segment ~ The Company recognizes revenue from the sale of merchandise other than third party pharmacy sales at the point the merchandise is transferred to the customer. Revenue generated from the performance of services in the Company s healthcare clinics is recognized at the time the services are performed. For third party pharmacy sales, revenue is recognized at the time the prescription is filled, which is or approximates when the customer picks up the prescription. Customer returns are not material.

Pharmacy Benefit Management Segment (the PBM) ~ The PBM generates revenue primarily from dispensing prescription drugs and performing related services. The PBM sells prescription drugs both directly, through its mail service pharmacies, and indirectly, through its national retail pharmacy network. The Company recognizes revenues from prescription drugs sold by its mail service pharmacies, and under national retail pharmacy network contracts where it is the principal, on a gross basis at the prescription prices (ingredient cost plus dispensing fee) negotiated with the PBM s customers. Net revenue includes: (i) the portion of the price the customer pays directly to the PBM, net of any volume-related or other sales discounts paid back to the customer (see Drug Discounts below) (ii) the portion of the price paid to either the PBM (Mail Co-payments) or a third party pharmacy in its national retail pharmacy network (Retail Co-payments) by individual participants included in the customers benefit plans and (iii) administrative fees for national retail pharmacy network contracts where it is not the principal obligor as discussed further below.

SEC Staff Accounting Bulletins No. 101, Revenue Recognition in Financial Statements, and 104, Revenue Recognition, corrected copy (SAB 101 and SAB 104, respectively) provide general criteria for the timing aspect of revenue recognition, including consideration of whether: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller s price to the buyer is fixed or determinable and (iv) collectibility is reasonably assured. The Company has established the following revenue recognition policies, with respect to the PBM segment, in accordance with SAB 101 and SAB 104:

Revenues generated from prescription drugs sold by the PBM s mail service pharmacies are recognized when the prescription is shipped. At the time of shipment, the PBM has performed substantially all of its obligations under its customer contracts and does not experience a significant level of reshipments; and

Revenues generated from prescription drugs sold by pharmacies in the PBM s national retail pharmacy network and associated administrative fees are recognized at the point-of sale, when the claim is adjudicated by the PBM s on-line claims processing system.

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The PBM determines whether it is the principal or agent for its national retail pharmacy network transactions under the indicators set forth in Emerging Issues Task Force Issue No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent (EITF 99-19), on a contract by contract basis. In the majority of its contracts, the PBM has determined it is the principal due to its: (i) being the primary obligor in the arrangement; (ii) having latitude in establishing price, changing the product or performing part of the service; (iii) having discretion in supplier selection; (iv) having involvement in the determination of product or service specifications and (vi) having credit risk. The PBM s obligations under its customer contracts for which revenues are reported using the gross method are separate from its responsibilities to the pharmacies included in its national retail pharmacy network. The PBM is liable to pay the pharmacies in its national retail pharmacy network for products sold, regardless of whether it is paid by its customers. The PBM s responsibilities under such customer contracts include, among others, validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the physician prior to dispensing, suggesting clinically appropriate generic alternatives where applicable, and approving the prescription for dispensing. Although the PBM does not have credit risk with respect to Retail Co-payments, management believes that all of the other indicators of gross treatment are present. For those contracts that the PBM acts as an agent, the PBM records revenues using the net method.

Cost of Revenues ~ The PBM s cost of revenues includes the cost of prescription drugs sold directly through its mail service pharmacies (including shipping and handling costs) and indirectly through its national retail pharmacy network, the operating costs of its mail service pharmacies, customer service operations and related information technology support, excluding depreciation and amortization. The cost of prescription drugs sold component of cost of revenues includes the following principal components: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to participants in customers benefit plans from the PBM s mail service pharmacies, net of any associated volume-related or other purchase discounts (see Drug Discounts below) and (ii) the cost of prescription drugs sold (including Retail Co-payments) through the PBM s national retail pharmacy network under contracts where it is the principal, net of any associated volume related or other purchase discounts.

Drug Discounts ~ The PBM deducts from its revenues any discounts paid to its customers as required by Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) (EITF 01-9). The discounts that the PBM pays to its customers are determined in accordance with customer contracts and are customarily based on either fixed discount amounts per prescription for products dispensed or a percentage of amounts of manufacturer discounts received for specific products dispensed. Any related liability for discounts due to customers is included in the total for Claims and discounts payable.

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(Unaudited See accompanying review report of KPMG LLP)

The PBM also receives various forms of purchase discounts on its products. The PBM s contractual arrangements with various vendors, including manufacturers, wholesalers and retail pharmacies/chains, typically provide for its receiving discounts from established list prices in one, or a combination of, the following forms: (i) a direct discount at the time of purchase; (ii) a discount for prompt payment of invoices or (iii) when products are indirectly purchased from a manufacturer (e.g., through a wholesaler or retail pharmacy or chain), a discount paid subsequent to dispensing, or rebate. The PBM also receives additional discounts under its wholesale contract if it exceeds contractually defined annual purchase volumes. The rebates the PBM receives from manufacturers are recognized on a prescriptions-dispensed basis and are generally calculated on quarterly dispensed volumes. Rebates are generally billed to manufacturers within 30 days subsequent to the end of the applicable quarter. Historically, the effect of any adjustments resulting from the reconciliation of rebates recognized and recorded to amounts billed and collected has not been material to the PBM s results of operations, and the PBM accounts for any such difference as a change in accounting estimate in the period the reconciliation is completed.

The PBM earns purchase discounts at various points in its business cycle (e.g., product purchase, vendor payment or at the time of dispensing) for products sold through its mail service pharmacies and the pharmacies in its national retail pharmacy network. Purchase discounts that the PBM earns are recorded as a reduction of Cost of revenues as required by Emerging Issues Task Force Issue No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor (EITF 02-16). In addition, the PBM receives fees from pharmaceutical manufacturers for administrative services, which include the aggregated billing of rebates and centralized contracting. These administrative fees are also recorded as a reduction of Cost of revenues as required by EITF 02-16.

Medicare Part D ~ The PBM began participating in the federal government s Medicare Part D program as a prescription drug plan (PDP) on January 1, 2006, and its net revenue includes premiums associated with its PDP. These premiums are determined based on the PBM s annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services (CMS) and are primarily comprised of a beneficiary premium, which is the responsibility of the PDP member, but is subsidized by CMS in the case of low-income members, and a direct subsidy paid by CMS. These premiums are recognized in net revenue over the period in which members are entitled to receive benefits. Premiums collected in advance are deferred.

In addition to these premiums, the PBM s PDP net revenue also includes co-payments, deductibles and coinsurance, collectively referred to as member responsibility amounts, related to members prescription claims. CMS subsidizes certain components of these member responsibility amounts and pays the PBM an estimated prospective subsidy amount each month. The prospective amounts paid by CMS are recorded in Accrued expenses on the accompanying consolidated condensed balance sheets to the extent that they differ from amounts earned based on actual claims experience.

The PBM accounts for the CMS obligations and member responsibility amounts on a gross basis consistent with its PBM revenue recognition policies, including its application of EITF 99-19. Additionally, the PBM includes actual amounts paid by members of its PDP to the third-party pharmacies in its national retail pharmacy network in the total Retail Co-payments included in net revenue.

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