CardinalHealth
Essential to care™

Dear Shareholders:

Cardinal Health generated the highest revenues, the largest GAAP and non-GAAP operating earnings, and the greatest operating cash flow in our company's history over this past year. I cannot say enough about the dedication, teamwork and commitment demonstrated by our more than 37,000 people. This record achievement is their milestone.

Specifically, the company reported the following:

- Full-year **revenue increased 19 percent** to a record $121.5 billion;
- Full-year **GAAP operating earnings increased 14 percent** to $2.5 billion, and **non-GAAP operating earnings increased 17 percent** to $2.9 billion; and
- **Our quarterly dividend increased by 16 percent** to $0.4489 per share, or to **$1.80 on an annualized basis**, and authorized a new share repurchase program.



George S. Barrett
Chairman and CEO
Cardinal Health, Inc.

Our teams worked hard this past year — integrating new product teams, building and acquiring additional capabilities, and finding more efficient and effective ways to deliver real value, while never losing sight of the ultimate goal — serving patients and their families. The disciplined and determined execution by the entire Cardinal Health team, delivering the highest levels of service to our customers, driving operating efficiencies, managing our rock-solid balance sheet, and integrating the operations of important acquisitions, all contributed to our banner year.

As we look ahead, we know that healthcare is at an inflection point. We are experiencing the most dynamic and rapid change in the history of healthcare. The demands of an aging population; the challenges of public health; and continued policy debates around cost, quality, and access have significant implications for economies around the globe, and families close to home all require adaptive and meaningful action from our industry. At Cardinal Health, we are acutely aware of our responsibility to adapt, innovate, and lead.

This past year was also a time when I participated in the healthcare system in a very personal way. I lost both of my parents in these last 15 months. I had the opportunity to witness the technical skill, the dedication, and the compassion of caregivers — from physicians to hospice workers — as well as the extraordinary power of science.

I had the opportunity to see how complex our system remains. How disconnected the elements of care can be. And how difficult it can be for people to retain their dignity when they need it most.

Healthcare is, at its core, personal. This is what inspires all of us at Cardinal Health to do our work every day. Every priority we set, every strategic move that we make, we know that at the center is a patient — our mother or father, our sister or brother, our son or daughter, our friend.

A focus on the patient

Across our businesses, we made decisions and conducted ourselves while focused on our customers and those patients. In our Pharmaceutical Segment, Jon Giacomin and his team spent this past year deepening their relationships with existing customers while welcoming new ones. They successfully completed the integration of the Harvard Drug team, building on our first-rate generics offering.

As for existing customers, we grew our retail independent footprint over the course of the fiscal year, increasing the number of customers we serve. In August, we hosted a record 9,300 attendees at our annual Retail Business Conference in Chicago, where independent pharmacists shared their unique insights about how they serve their communities as well as the pressures they face.

For those who might question whether the entrepreneurial spirit is thriving in America, listening to these business leaders share their experiences about running a small business while working to make their communities stronger serves as a powerful rebuttal to that narrative.

Throughout our Pharmaceutical Segment, you can see that our world-class tools provide patient-driven service offerings and help reduce cost, increase efficiency, and improve quality for providers and the patients they serve. As an example, the Cardinal Health Pharmacy Network, which includes thousands of locally owned pharmacies as members, provides comprehensive services to monitor and elevate performance, improve adherence, and manage compliance and credentialing. These pharmacies consistently rank among the highest in customer satisfaction, a testament to the fact that our offerings are helping customers achieve quality star ratings. In addition, our first-rate generics program — strengthened by Red Oak Sourcing, our partnership with CVS Health — continues to be a source of value for our customers, their patients, and for you, our shareholders.

Our Specialty Solutions group successfully completed the integration of Metro Medical, which expands our ability to serve customers in some important therapeutic areas such as Rheumatology, Nephrology, and Oncology, now and well into the future. We also are continuing to add new biopharma tools and services to our portfolio, which positions us for strong, steady growth today and tomorrow. This work in Specialty is a direct link to the outcomes of major scientific breakthroughs coming from the pharmaceutical and biotech industries.

Our Nuclear business regained its footing, and we are seeing this business move beyond radiodiagnostics into radiopharmaceuticals — exploring the potential for new, life-saving treatments for cancer patients.

For our Medical Segment, 2016 was a tipping point, producing exceptional results. Our OptiFreight®, 3PL services, and inventory management tools are delivering real and measurable results to our partners. The expansion of the Cardinal Health line of consumables is driving both standardization and value — in just the past two years, we've added more than 2,600 products.

While healthcare systems continue to wrestle with evolving payment models — moving from a fee-for-service model to one that is more value-based — Cardinal Health is providing products and services to help our customers manage these important changes. Our physician preference item strategy allows us to integrate products and services that help our partners deliver care in a cost-effective and high quality manner for their patients.

Don Casey and his team did a tremendous job closing the Cordis acquisition on time and managing the integration into Cardinal Health with discipline and a focus on the patient. Our global, cross-functional teams have been performing at a high level, and we hit our integration and performance benchmarks.

We are also making key strides through our work in discharge management and post-acute care. The solutions we offer through naviHealth, RightCare, and Curaspan position us to help providers and payors manage the complex processes of discharge. With these tools, we help direct patients to the optimal site of care, build the linkages to post-acute settings, and, through our Cardinal Health At Home business, supply medical products to patients in their homes, improving their healthcare experience. As the population ages and health systems adapt, these important solutions will be even more essential to care.

Navigating the changing healthcare environment

Our healthcare system continues to undergo rapid transformation. At Cardinal Health, we know what changes are necessary in this new environment:

- First, care needs to be more coordinated, more efficient, and centered around the patient.
- Second, a higher priority must be placed on delivering the right care at the right time in the right setting using the right evidence-based protocols and standards.
- Third, a greater focus must be placed on patient outcomes, not activity.
- Lastly, and certainly not insignificantly, we are seeing daily the potential for science and technology to change the healthcare experience.

As we position Cardinal Health for the future, the entire leadership team is always looking for new ways to better serve providers and patients, while driving value for you, our shareholders. We are fortunate to have the support of our distinguished Board of Directors and I want to thank them for their continued input and advice as we navigate our evolution.

We enter fiscal 2017 well-prepared and positioned to weather some challenges — particularly around the generic pharmaceutical environment. We are committed to exploring avenues by which we can turn the system's challenges today into breakthroughs and opportunities tomorrow. We are both realistic and optimistic about our industry and its future.

Healthcare is ultimately about people. Every technical solution we consider, every innovation in which we invest, and every team that we welcome to the Cardinal Health family are all focused on the same faces — those of the mothers and fathers, the sisters and brothers, the sons and daughters, and friends that we serve as patients.

All of us have a part to play in the next generation of healthcare, and I believe that as long as we are focused on patients, their families, and our communities, we will make the right decisions, the right investments, and the right moves to be successful now and well into the future.

Sincerely,



George Barrett
Chairman and Chief Executive Officer
September 5, 2016

[1] The following is a reconciliation of year-over-year growth in non-GAAP operating earnings to its most directly comparable GAAP financial measure, operating earnings:

(in millions)	Fiscal 2016	Fiscal 2015	Fiscal 2015 to Fiscal 2016 Growth Rate
GAAP operating earnings	**$2,459**	**$2,161**	**14%**
Restructuring and employee severance	25	44	
Amortization and other acquisition-related costs	459	281	
Impairments and (gain)/loss on disposal of assets	21	(19)	
Litigation (recoveries)/charges, net	(69)	5	
Non-GAAP operating earnings	**$2,895**	**$2,472**	**17%**

Cautions Concerning Forward-Looking Statements

This letter contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include competitive pressures in Cardinal Health's various lines of business; the amount or rate of pharmaceutical price appreciation or deflation and the timing of and benefit from generic pharmaceutical introductions; the ability to maintain the benefits from the generic sourcing venture with CVS Health; our ability to successfully integrate and realize the benefits from our acquisition of Cordis; the risk of non-renewal or a default under one or more key customer or supplier arrangements or changes to the terms of or level of purchases under those arrangements; uncertainties due to government health care reform including federal health care reform legislation; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of any investigation or action by any regulatory authority; and changes in foreign currency rates and the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This letter reflects management's views as of August 12, 2016. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement.