CARDINAL HEALTH INC

FORM 10-Q
(Quarterly Report)

Filed 05/06/11 for the Period Ending 03/31/11

Address	7000 CARDINAL PLACE DUBLIN, OH 43017
Telephone	6147573033
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Symbol	CAH
SIC Code	5122 - Drugs, Drug Proprietaries, and Druggists' Sundries
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2011

Commission File Number 1-11373

Cardinal Health, Inc.
(Exact name of registrant as specified in its charter)

Ohio	**31-0958666**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7000 CARDINAL PLACE, DUBLIN, OHIO 43017
(Address of principal executive offices and zip code)

(614) 757-5000
(Registrant's telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of Registrant's Common Shares outstanding at the close of business on April 30, 2011 was as follows:

Common Shares, without par value: 350,586,487

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CARDINAL HEALTH, INC. AND SUBSIDIARIES

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* Items not listed are inapplicable.

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in millions, except per Common Share amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue	$26,071.4	$24,342.8	$75,880.7	$74,043.2
Cost of products sold	24,909.2	23,332.7	72,762.0	71,166.6
Gross margin	1,162.2	1,010.1	3,118.7	2,876.6
Operating expenses:				
Distribution, selling, general and administrative expense	697.3	628.6	1,911.1	1,819.8
Restructuring and employee severance	6.2	14.4	10.6	84.3
Acquisition related costs	2.5	(0.5)	21.8	0.1
Impairments and loss on sale of assets	4.6	4.2	8.2	28.2
Litigation (credits)/charges, net	4.3	(2.9)	11.9	(28.8)
Operating earnings	447.3	366.3	1,155.1	973.0
Other income, net	(6.2)	(1.4)	(19.4)	(15.7)
Interest expense, net	25.1	27.7	69.0	88.9
Loss on extinguishment of debt	0.0	0.0	0.0	39.9
(Gain)/loss on sale of investment in CareFusion	3.3	(23.2)	(71.5)	(43.3)
Earnings before income taxes and discontinued operations	425.1	363.2	1,177.0	903.2
Provision for income taxes	175.6	138.4	418.2	510.0
Earnings from continuing operations	249.5	224.8	758.8	393.2
Earnings/(loss) from discontinued operations, net of tax	(3.5)	(2.4)	(2.5)	25.5
Net earnings	$ 246.0	$ 222.4	$ 756.3	$ 418.7
Basic earnings/(loss) per Common Share:				
Continuing operations	$ 0.72	$ 0.63	$ 2.18	$ 1.10
Discontinued operations	(0.01)	(0.01)	(0.01)	0.07
Net basic earnings per Common Share	$ 0.71	$ 0.62	$ 2.17	$ 1.17
Diluted earnings/(loss) per Common Share:				
Continuing operations	$ 0.71	$ 0.62	$ 2.16	$ 1.09
Discontinued operations	(0.01)	(0.01)	(0.01)	0.07
Net diluted earnings per Common Share	$ 0.70	$ 0.61	$ 2.15	$ 1.16
Weighted average number of Common Shares outstanding:				
Basic	348.5	358.7	348.3	359.0
Diluted	352.9	361.8	351.8	361.2
Cash dividends declared per Common Share	$ 0.195	$ 0.175	$ 0.585	$ 0.525

See notes to condensed consolidated financial statements.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	March 31, 2011 (Unaudited)	June 30, 2010
ASSETS		
Current assets:		
Cash and equivalents	$ 1,961.8	$ 2,755.3
Trade receivables, net	6,282.5	5,170.6
Inventories	7,717.7	6,355.9
Prepaid expenses and other	723.4	637.1
Total current assets	16,685.4	14,918.9
Property and equipment, at cost	3,288.3	3,093.7
Accumulated depreciation and amortization	(1,818.5)	(1,624.9)
Property and equipment, net	1,469.8	1,468.8
Other assets:		
Investment in CareFusion	0.0	691.5
Goodwill and other intangibles, net	4,265.7	2,253.2
Other	775.9	657.8
Total assets	$23,196.8	$19,990.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$11,961.5	$ 9,494.9
Current portion of long-term obligations and other short-term borrowings	113.7	233.2
Other accrued liabilities	1,685.9	1,809.5
Total current liabilities	13,761.1	11,537.6
Long-term obligations, less current portion	2,362.1	1,896.1
Deferred income taxes and other liabilities	1,416.8	1,280.4
Shareholders' equity:		
Preferred Shares, without par value:		
Authorized—0.5 million shares, Issued—none	0.0	0.0
Common Shares, without par value:		
Authorized—755.0 million shares, Issued— 363.6 million shares at March 31, 2011 and June 30, 2010	2,887.1	2,889.9
Retained earnings	3,189.8	2,647.2
Common Shares in treasury, at cost: 13.3 million shares and 7.2 million shares at March 31, 2011 and June 30, 2010, respectively	(487.2)	(331.0)
Accumulated other comprehensive income	67.1	70.0
Total shareholders' equity	5,656.8	5,276.1
Total liabilities and shareholders' equity	$23,196.8	$19,990.2

See notes to condensed consolidated financial statements.

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CARDINAL HEALTH INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 756.3	$ 418.7
(Earnings)/ loss from discontinued operations	2.5	(25.5)
Earnings from continuing operations	758.8	393.2
Adjustments to reconcile earnings from continuing operations to net cash from operations:		
Depreciation and amortization	239.2	194.4
Loss on extinguishment of debt	0.0	39.9
Gain on sale of investment in CareFusion	(71.5)	(43.3)
Impairments and loss on sale of assets	8.2	28.2
Share-based compensation	60.4	79.0
Provision for bad debts	22.2	33.2
Change in operating assets and liabilities, net of effects from acquisitions:		
Increase in trade receivables	(578.9)	(365.4)
Increase in inventories	(1,048.1)	(381.1)
Increase in accounts payable	1,986.4	1,722.7
Other accrued liabilities and operating items, net	(101.4)	(38.8)
Net cash provided by operating activities—continuing operations	1,275.3	1,662.0
Net cash provided by/(used in) operating activities—discontinued operations	(0.5)	147.9
Net cash provided by operating activities	1,274.8	1,809.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of divestitures and cash acquired	(2,295.0)	(19.2)
Purchase of held-to-maturity investment securities	(155.6)	0.0
Proceeds from sale of property and equipment	2.9	5.8
Additions to property and equipment	(186.0)	(141.8)
Proceeds from sale of investment in CareFusion	705.9	270.7
Net cash provided by/(used in) investing activities—continuing operations	(1,927.8)	115.5
Net cash used in investing activities—discontinued operations	0.0	(9.9)
Net cash provided by/(used in) investing activities	(1,927.8)	105.6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term borrowings	41.5	0.0
Reduction of long-term obligations	(228.1)	(1,485.2)
Proceeds from long-term obligations, net of issuance costs	494.5	0.0
Issuance of Common Shares	36.0	24.5
Tax disbursements from exercises of stock options	(8.7)	(14.8)
Payment of premiums for debt extinguishment	0.0	(66.4)
Dividends on Common Shares	(205.9)	(190.2)
Purchase of treasury shares	(269.8)	(50.0)
Net cash used in financing activities—continuing operations	(140.5)	(1,782.1)
Net cash provided by financing activities—discontinued operations	0.0	1,283.8
Net cash used in financing activities	(140.5)	(498.3)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	(793.5)	1,417.2
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,755.3	1,221.6
CASH AND EQUIVALENTS AT END OF PERIOD	$ 1,961.8	$ 2,638.8
SUPPLEMENTAL INFORMATION:		
Non-cash investing and financing transactions for:		
Retained investment in CareFusion at date of Spin-Off	$ 0.0	$ 860.4
Non-cash dividend in connection with Spin-Off	$ 0.0	$ 3,703.8

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spin-Off of CareFusion Corporation

Effective August 31, 2009, we completed the distribution to our shareholders of 81 percent of the then outstanding common stock of CareFusion Corporation ("CareFusion") and retained the remaining 41.4 million shares of CareFusion common stock (the "Spin-Off"). During fiscal 2010, we disposed of 10.9 million shares of CareFusion common stock. During the three months ended September 30, 2010, we disposed of our remaining 30.5 million shares of CareFusion common stock.

On July 22, 2009, we entered into a separation agreement with CareFusion to effect the Spin-Off and provide a framework for our relationship with CareFusion after the Spin-Off. In addition, on August 31, 2009, we entered into a transition services agreement, a tax matters agreement, an employee matters agreement, intellectual property agreements and certain other commercial agreements with CareFusion. These agreements, including the separation agreement, provide for allocation of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Spin-Off and govern certain relationships between CareFusion and us after the Spin-Off.

Pursuant to the transition services agreement, during the three months ended March 31, 2011 and 2010, we recognized $15.0 million and $22.3 million, respectively, in transition service fee income, which approximately offsets the costs associated with providing the transition services. During the nine months ended March 31, 2011 and 2010, we recognized $49.9 million and $77.5 million, respectively, in transition service fee income. Additionally, during the three months ended March 31, 2011 and 2010 we purchased $156.7 million and $165.4 million, respectively, of CareFusion trade receivables pursuant to an accounts receivable factoring arrangement between CareFusion and us. We purchased $460.4 million and $438.9 million of CareFusion trade receivables during the nine months ended March 31, 2011 and 2010, respectively.

Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to the Spin-Off. As of March 31, 2011, we have a $256.5 million indemnification receivable on our balance sheet related to these tax indemnifications.

Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant intercompany amounts have been eliminated. References to "we", "our" and similar pronouns in this Form 10-Q shall be deemed to refer to Cardinal Health, Inc. and its majority-owned subsidiaries unless the context requires otherwise. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the effective date of the acquisition or up to the date of disposal.

Our condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. In addition, operating results presented for this fiscal 2011 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2011.

These condensed consolidated financial statements are unaudited and are presented pursuant to the rules and regulations of the SEC. Accordingly, the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (this "Form 10-Q") should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010 (the "2010 Form 10-K"). In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Except as disclosed elsewhere in this Form 10-Q, all such adjustments are of a normal and recurring nature.

Recent Financial Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on the accounting for transfers of financial assets. This guidance improves the relevance, representational faithfulness and comparability of information provided about a transfer of financial assets, the effects of a transfer of financial assets on an entity's financial statements, and a transferor's continuing involvement, if any, in financial assets transferred. This guidance is effective for fiscal years beginning after November 15, 2009. As a result of this new guidance, our committed receivables sales facility no longer qualifies as an off-balance sheet arrangement. We did not have any amounts outstanding under this facility at March 31, 2011 or June 30, 2010.

In June 2009, the FASB issued new accounting guidance regarding the consolidation of variable interest entities. This guidance improves the financial reporting by enterprises involved with variable interest entities. This guidance is effective for fiscal years beginning after November 15, 2009. The adoption of this new accounting guidance in fiscal 2011 did not have a material impact on our financial position or results of operations.

2. ACQUISITIONS

We completed several acquisitions during the nine months ended March 31, 2011, the most significant of which are described in more detail below. The results of these acquisitions are included within our Pharmaceutical segment from the date of acquisition. We also completed other acquisitions during this period that were not significant, individually or in the aggregate. The valuation of identifiable intangible assets utilizes significant not observable inputs and thus represents a Level 3 fair value measurement.

Kinray

On December 21, 2010, we completed the acquisition of privately held Kinray, Inc. (“Kinray”) for $1.3 billion in an all-cash transaction. Kinray is a wholesale pharmaceutical distribution company which serves retail independent pharmacies primarily in the New York metropolitan area. The allocation of the purchase price is not yet finalized and is subject to adjustment as we complete the valuation analysis for this acquisition. The preliminary valuation of the acquired assets and liabilities resulted in goodwill of $1.0 billion and identifiable intangible assets of $82.7 million.

Yong Yu

On November 29, 2010, we completed the acquisition of privately held Zuellig Pharma China (“Yong Yu”) for $470.0 million including the assumption of $57.4 million in debt. Yong Yu is a health care distribution business headquartered in Shanghai, China. The allocation of the purchase price is not yet finalized and is subject to adjustment as we complete the valuation analysis for this acquisition. The preliminary valuation of the acquired assets and liabilities resulted in goodwill of $204.7 million and identifiable intangible assets of $94.9 million.

P4 Healthcare

On July 15, 2010, we completed the acquisition of privately held Healthcare Solutions Holding, LLC (“P4 Healthcare”) for $506.1 million in cash and certain contingent consideration. P4 Healthcare serves key participants across the chain of specialty care including physicians, pharmaceutical companies and payors by providing essential tools, services and data to help improve the quality of patient outcomes and increase efficiency in the delivery of health care services. The allocation of the purchase price is not yet finalized and is subject to adjustment as we complete the valuation analysis for this acquisition.

In accordance with the agreement, the former owners of P4 Healthcare have the right to receive certain contingent payments based on targeted earnings before interest, taxes, depreciation and amortization (“EBITDA”). The contingent consideration is to be earned over four measurement periods, which span three years, and each measurement period has specific targets and payout amounts. The contingent consideration payout is limited to $150.0 million.

We determined the fair value of the contingent consideration obligation based on a probability-weighted income approach derived from EBITDA estimates and probability assessments with respect to the likelihood of achieving the various EBITDA targets. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 fair value measurement. The resultant probability-weighted cash flows were discounted using a rate of 6.0 percent. At each reporting date, we will revalue the contingent consideration obligation to estimated fair value and record changes in fair value as income or expense in our condensed consolidated statement of earnings as acquisition related costs. Changes in the fair value of the contingent consideration obligation may result from changes in discount periods and rates, changes in the timing and amount of EBITDA estimates and changes in probability assumptions with respect to the timing and likelihood of achieving the EBITDA targets. The range of outcomes and the assumptions used to develop the estimates have not changed significantly from those used at the acquisition date; however, future progress toward achieving the EBITDA targets for the remaining measurement periods may or may not be adequate. Failure to make adequate progress could increase the probability of not achieving the targets within the measurement periods and result in a material reduction in the fair value of the contingent consideration. The fair value of the contingent consideration obligation was $91.6 million as of March 31, 2011 versus $95.2 million as of December 31, 2010. The $3.6 million decrease in the contingent consideration liability primarily reflects actual performance through the first measurement period.

The preliminary valuation of the acquired assets and liabilities resulted in goodwill of $369.7 million and identifiable intangible assets of $225.7 million. We identified and valued intangible assets related to trade names, customer relationships, non-compete agreements and certain other intangible assets. The detail by category of identifiable intangible assets is as follows:

Category	Amount (in millions)	Average Life (Years)
Trade names	$ 16.0	Indefinite
Customer relationships	163.0	4-15
Non-compete agreements	9.7	5
Other	37.0	2-10
Total intangible assets acquired	$ 225.7	

Acquisition Related Costs

We classify costs incurred in connection with acquisitions as acquisition related costs. These costs consist primarily of transaction costs, integration costs and changes in the fair value of contingent payments. Transaction costs are incurred during the initial evaluation of a potential targeted acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as financial and legal due diligence activities. Integration costs relate to activities needed to combine the operations of an acquired enterprise into our operations.

3. RESTRUCTURING AND EMPLOYEE SEVERANCE

We consider restructuring activities to be programs whereby we fundamentally change our operations such as closing facilities, moving manufacturing of a product to another location or outsourcing the production of a product. Restructuring activities may also involve substantial realignment of the management structure of a business unit in response to changing market conditions. A liability for a cost associated with an exit or disposal activity is recognized and measured initially at its fair value in the period in which it is incurred except for a liability for a one-time termination benefit, which is recognized over its future service period.

The following table summarizes our restructuring and employee severance costs during the three and nine months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	2011	2010	2011	2010
Employee related costs (1)	$ 4.3	$ 3.4	$ 5.1	$ 32.7
Facility exit and other costs (2)	1.9	11.0	5.5	51.6
Total restructuring and employee severance	$ 6.2	$ 14.4	$ 10.6	$ 84.3

(1) *Employee-Related Costs* . These costs primarily consist of one-time termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods.

(2) *Facility Exit and Other Costs* . Facility exit and other costs consist of accelerated depreciation, equipment relocation costs, project consulting fees and costs associated with restructuring our delivery of information technology infrastructure services.

Restructuring and employee severance for the three and nine months ended March 31, 2011 and 2010 included costs related to the following significant project:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	2011	2010	2011	2010 (1)
Spin-Off	$ 3.1	$ 3.3	$ 5.1	$ 59.4

(1) During the nine months ended March 31, 2010, we incurred restructuring expenses related to the Spin-Off consisting of employee-related costs, share-based compensation, costs to evaluate and execute the transaction, costs to separate certain functions and information technology systems, and other one-time transaction related costs. See Note 16 for further information regarding share-based compensation incurred in connection with the Spin-Off. Also included within these costs for the nine months ended March 31, 2010 were $18.6 million of costs related to the retirement of our former Chairman and Chief Executive Officer upon completion of the Spin-Off.

In addition to the significant restructuring program discussed above, from time to time we incur costs to implement smaller restructuring efforts for specific operations within our segments. These restructuring plans focus on various aspects of operations, including closing and consolidating certain manufacturing and distribution operations, rationalizing headcount and aligning operations in the most strategic and cost-efficient structure.

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We estimate that we will incur additional costs associated with currently anticipated restructuring activities totaling $9.9 million, all of which we expect to incur by the end of fiscal 2012. These additional costs are primarily associated with the Spin-Off.

Restructuring and Employee Severance Accrual Rollforward

The following table summarizes changes related to liabilities associated with our restructuring and employee severance activities during the nine months ended March 31, 2011:

(in millions)	Employee Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2010	$ 9.2	$ 7.4	$ 16.6
Additions	5.1	5.5	10.6
Payments and other adjustments	(7.1)	(8.0)	(15.1)
Balance at March 31, 2011	$ 7.2	$ 4.9	$ 12.1

4. IMPAIRMENTS AND LOSS ON SALE OF ASSETS

During the nine months ended March 31, 2010, we recognized an $18.1 million impairment charge related to the write-down of SpecialtyScripts, LLC ("SpecialtyScripts"), a business within the Pharmaceutical segment, to net expected fair value less costs to sell. We did not recognize any material impairment charges during the nine months ended March 31, 2011.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

CareFusion

We are a party to a separation agreement and various other agreements relating to the Spin-Off, including a transition services agreement, a tax matters agreement, an employee matters agreement, intellectual property agreements and certain other commercial agreements. We have determined that the continuing cash flows generated by these agreements, which are expected to be eliminated within five years of the Spin-Off, do not constitute significant continuing involvement in the operations of CareFusion. Accordingly, the operating results of CareFusion are presented within discontinued operations for all periods presented through the date of the Spin-Off.

For the three and nine months ended March 31, 2011, we recognized $3.3 million of income tax expense within discontinued operations related to CareFusion. The results of CareFusion included in discontinued operations for the three and nine months ended March 31, 2010 are summarized as follows:

(in millions)	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2010 (1)
Revenue	$ 0.0	$ 592.1
Earnings before income taxes	0.0	43.7
Income tax expense	(4.7)	(28.3)
Earnings/(loss) from discontinued operations	(4.7)	15.4

(1) Reflects the results of CareFusion through August 31, 2009, the date the Spin-Off was completed, and changes in certain estimates made at the time of the Spin-Off.

Interest expense was allocated to historical periods considering the debt issued by CareFusion in connection with the Spin-Off and our overall debt balance. In addition, a portion of the corporate costs previously allocated to CareFusion were reclassified to our remaining two segments. Interest expense allocated to discontinued operations for CareFusion for the nine months ended March 31, 2010 was $12.8 million. There was no interest expense allocated to discontinued operations for CareFusion for the nine months ended March 31, 2011 and the three months ended March 31, 2010.

Cash flows from discontinued operations are presented separately on the condensed consolidated statements of cash flows.

Other

During the fourth quarter of fiscal 2007, we sold the businesses within our former Pharmaceutical Technologies and Services segment, other than certain generic-focused businesses (the "PTS Business"). See Note 7 of the "Notes to Consolidated Financial Statements" from our Form 8-K filed on November 16, 2009 for information regarding the sale of the PTS Business. We incurred minor amounts of activity related to the PTS Business during fiscal 2010 as a result of changes in certain estimates made at the time of the sale, activity under a transition services agreement and other adjustments.

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During the fourth quarter of fiscal 2009, we committed to plans to sell the United Kingdom-based Martindale injectable manufacturing business ("Martindale") within our Pharmaceutical segment, and Martindale met the criteria for classification as discontinued operations in the financial statements. During the fourth quarter of fiscal 2010, we completed the sale of Martindale for $141.3 million resulting in a pre-tax gain of $36.3 million. Accordingly, the operating results of Martindale are presented within discontinued operations for all periods presented through the date of sale.

The results of the PTS Business and Martindale included in discontinued operations for the three and nine months ended March 31, 2011 and 2010 are summarized as follows:

(in millions)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
Revenue	$ 0.0	$ 27.5	$ 0.0	$ 87.4
Earnings/(loss) before income taxes	(0.2)	4.6	0.8	17.3
Income tax expense	0.0	(2.3)	0.0	(7.2)
Earnings/(loss) from discontinued operations	(0.2)	2.3	0.8	10.1

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table summarizes the changes in the carrying amount of goodwill, in total and by segment, for the nine months ended March 31, 2011:

(in millions)	Pharmaceutical	Medical	Total
Balance at June 30, 2010	$ 1,248.4	$957.0	$2,205.4
Goodwill acquired, net of purchase price adjustments	1,610.4	33.0	1,643.4
Foreign currency translation adjustments and other	(0.7)	3.4	2.7
Balance at March 31, 2011	$ 2,858.1	$993.4	$3,851.5

The increase in the Pharmaceutical segment primarily relates to the acquisitions described in Note 2. The allocations of purchase price related to certain acquisitions are not yet finalized and are subject to adjustment as we complete the valuation analysis for these acquisitions.

Intangible Assets

Intangible assets with definite lives are amortized over their useful lives which range from two to twenty years. The detail of other intangible assets by class as of March 31, 2011 and June 30, 2010 is as follows:

	March 31, 2011			June 30, 2010		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite life intangibles:						
Trademarks and patents	$ 26.4	$ 0.0	$ 26.4	$ 10.2	$ 0.0	$ 10.2
Total indefinite life intangibles	26.4	0.0	26.4	10.2	0.0	10.2
Definite life intangibles:						
Trademarks and patents	55.2	20.5	34.7	20.3	14.1	6.2
Non-compete agreements	14.1	5.0	9.1	3.8	2.8	1.0
Customer relationships	368.1	82.9	285.2	48.4	41.1	7.3
Other	86.4	27.6	58.8	47.2	24.1	23.1
Total definite life intangibles	523.8	136.0	387.8	119.7	82.1	37.6
Total intangibles	$ 550.2	$ 136.0	$ 414.2	$ 129.9	$ 82.1	$ 47.8

The increase in intangible assets primarily relates to the acquisitions described in Note 2. The allocations of purchase price related to certain acquisitions are not yet finalized and are subject to adjustment as we complete the valuation analysis for these acquisitions.

Amortization expense for the three and nine months ended March 31, 2011 and 2010 was as follows:

(in millions)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
Amortization expense	$ 28.1	$ 2.7	$ 53.9	$ 8.7

Amortization expense for the remainder of fiscal year 2011 and the next four fiscal years is estimated to be:

(in millions)	2011	2012	2013	2014	2015
Amortization expense (1)	$27.8	$94.8	$70.8	$55.3	$39.0

(1) The allocations of purchase price related to certain acquisitions are not yet finalized and are subject to adjustment as we complete the valuation analysis for these acquisitions. As such, estimates of future amortization expense could change upon finalization of those valuation analyses.

7. HELD-TO-MATURITY INVESTMENTS

As of March 31, 2011, our held-to-maturity investments included fixed income debt securities with an amortized cost of $152.8 million. The short-term portion of $56.8 million is included within prepaid expenses and other in our condensed consolidated balance sheet. The long-term portion of $96.0 million is included within other long-term assets in our condensed consolidated balance sheet. These investments vary in maturity date, ranging from two months to two years, and all pay interest semi-annually. The held-to-maturity investments are stated at amortized cost which approximates fair value. There were no held-to-maturity investments as of June 30, 2010.

8. LONG-TERM OBLIGATIONS AND OTHER SHORT-TERM BORROWINGS

On September 24, 2009, we completed a debt tender announced on August 27, 2009 for an aggregate purchase price, including an early tender premium but excluding accrued interest, fees and expenses, of $1.1 billion of the following series of debt securities: (i) 7.80% Debentures due October 15, 2016 of Allegiance Corporation; (ii) our 6.75% Notes due February 15, 2011; (iii) our 6.00% Notes due June 15, 2017; (iv) 7.00% Debentures due October 15, 2026 of Allegiance Corporation; (v) our 5.85% Notes due December 15, 2017; (vi) our 5.80% Notes due October 15, 2016; (vii) our 5.65% Notes due June 15, 2012; (viii) our 5.50% Notes due June 15, 2013; and (ix) our 4.00% Notes due June 15, 2015. In connection with the debt tender, we incurred a pre-tax loss for the early extinguishment of debt of approximately $39.9 million, which included an early tender premium of $66.4 million, the write-off of $5.3 million of unamortized debt issuance costs, and an offsetting $31.8 million fair value adjustment to the respective debt related to previously terminated interest rate swaps. The debt tender was completed using a portion of the $1.4 billion of cash distributed to us from CareFusion in connection with the Spin-Off.

In December 2010, we sold $500.0 million aggregate principal amount of fixed rate notes due 2020 (“the 2020 Notes”) in a registered offering. The 2020 Notes mature on December 15, 2020. Interest on the 2020 Notes accrues at 4.625% per year payable semi-annually. The notes are unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. We used the proceeds for general corporate purposes and to repay $219.7 million of our 6.75% Notes due 2011 on February 15, 2011.

Long-term obligations and other short-term borrowings consist of the following as of March 31, 2011 and June 30, 2010:

(in millions)	March 31, 2011	June 30, 2010
4.00% Notes due 2015	$ 525.2	$ 534.7
4.625% Notes due 2020	492.6	0.0
5.50% Notes due 2013	303.7	305.1
5.65% Notes due 2012	212.4	216.1
5.80% Notes due 2016	307.4	308.9
5.85% Notes due 2017	158.0	158.0
6.00% Notes due 2017	210.5	213.1
6.75% Notes due 2011	0.0	218.7
7.80% Debentures due 2016	37.1	44.1
7.00% Debentures due 2026	124.5	124.5
Other obligations	104.4	6.1
Total	$2,475.8	$2,129.3
Less: current portion and other short-term borrowings	113.7	233.2
Long-term obligations, less current portion	$2,362.1	$1,896.1

9. INCOME TAXES

Fluctuations in our effective tax rate are due to changes within international and U.S. state effective tax rates resulting from our business mix and the impact of restructuring and employee severance, acquisition related costs, litigation settlements, impairment charges and other discrete items. The following table summarizes the provision for income taxes as a percentage of pretax earnings from continuing operations (“effective tax rate”) for the three and nine months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011 (1)	2010 (2)	2011 (3)	2010 (4)
Effective tax rate	41.3%	38.1%	35.5%	56.5%

(1) During the three months ended March 31, 2011, the effective tax rate was impacted by net unfavorable discrete items of $16.5 million, or 3.9 percentage points. These discrete items are primarily attributable to changes in state tax rules and deferred tax rate changes in certain foreign and state jurisdictions.
(2) During the three months ended March 31, 2010, the effective tax rate was impacted by net unfavorable discrete items of $9 million, or 2.5 percentage points. The discrete items included unfavorable amounts related to remeasuring certain unrecognized tax benefits and establishing a deferred tax asset valuation allowance related to a foreign entity. These unfavorable items were partially offset by the favorable impact of foreign and domestic audit settlements, and the release of a domestic deferred tax valuation allowance related to loss carryovers.
(3) During the nine months ended March 31, 2011, the effective tax rate was favorably impacted by $26.8 million, or 2.3 percentage points, attributable to recognizing no income tax expense on the sale of CareFusion stock due to the release of a previously established deferred tax valuation allowance.
(4) During the nine months ended March 31, 2010, the effective tax rate was impacted by an unfavorable adjustment of $171.9 million, or 19.0 percentage points, attributable to earnings no longer indefinitely invested offshore.

A tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

The following table summarizes the balance of unrecognized tax benefits and the amount of interest and penalties as of March 31, 2011 and June 30, 2010:

(in millions)	March 31, 2011	June 30, 2010
Unrecognized tax benefits (1) (2)	$ 710.7	$730.6
Portion that, if recognized, would reduce tax expense and effective tax rate	302.5	311.3
Accrued penalties and interest (3)	248.7	233.0

(1) The full amount of unrecognized tax benefits is included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.
(2) It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the IRS or other taxing authorities, including proposed assessments of additional taxes, possible settlement of audit issues, or the expiration of applicable statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months may be a decrease of approximately zero to $160.0 million excluding penalties and interest.
(3) Balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years ended June 30, 2001 through the current fiscal year. The Internal Revenue Service (“IRS”) is currently conducting audits of fiscal years 2001 through 2007. We have received proposed adjustments from the IRS for fiscal years 2003 through 2005 related to our transfer pricing arrangements between foreign and domestic subsidiaries and the transfer of intellectual property among subsidiaries of an acquired entity prior to its acquisition by us. The IRS proposed additional taxes of $598.1 million, excluding penalties and interest. If this tax ultimately must be paid, CareFusion is liable under the tax matters agreement for $462.1 million of the total amount. We disagree with these proposed adjustments and are vigorously contesting them. We believe we are adequately reserved for the uncertain tax positions related to these matters.

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10. CONTINGENT LIABILITIES AND LITIGATION

Legal Proceedings

We become involved from time-to-time in litigation and regulatory matters incidental to our business, including governmental investigations, enforcement actions, personal injury claims, employment matters, commercial disputes, intellectual property matters, disputes regarding environmental clean-up costs, litigation in connection with acquisitions and divestitures, and other matters arising out of the normal conduct of our business. We intend to vigorously defend ourselves in such litigation. We do not believe that the outcome of any pending litigation will have a material adverse effect on the consolidated financial statements.

Occasionally, we may suspect that products we manufacture, market or distribute do not meet product specifications, published standards or regulatory requirements. In such circumstances, we investigate and take appropriate corrective action. Such actions can lead to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, and action by regulators.

We accrue for contingencies related to litigation and regulatory matters. We accrue an estimated loss contingency in our consolidated financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for litigation and regulatory matters and income from favorable resolution of litigation in litigation (credits)/charges, net in our condensed consolidated statements of earnings.

Insurance Proceeds

In the nine months ended March 31, 2010, we recognized $27.2 million of income related to insurance proceeds released from escrow following the resolution of a previously disclosed and settled securities and derivative litigation against certain of our directors and officers. This amount is comprised of $25.7 million received from directors and officers' insurance policies recognized in litigation (credits)/charges, net and $1.5 million of accrued interest income recognized in interest expense, net.

Income Taxes

See Note 9 in this Form 10-Q and Note 9 to the consolidated financial statements in the 2010 Form 10-K for discussion of contingencies related to our income taxes.

11. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

- Level 1 – Observable prices in active markets for identical assets and liabilities.
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Recurring Fair Value Measurements

The following table presents the fair values for those assets and (liabilities) measured on a recurring basis as of March 31, 2011:

	Fair Value Measurements			
(in millions)	Level 1	Level 2	Level 3	Total
Cash Equivalents (1)	$1,178.1	$ 0.0	$ 0.0	$1,178.1
Forward Contracts (2)	0.0	11.7	0.0	11.7
Other Investments (3)	80.0	0.0	0.0	80.0
Contingent Consideration (4)	0.0	0.0	(91.6)	(91.6)
Total	$1,258.1	$11.7	$(91.6)	$1,178.2

The following table presents the fair values for those assets and (liabilities) measured on a recurring basis as of June 30, 2010:

(in millions)	Fair Value Measurements Level 1	Level 2	Level 3	Total
Cash Equivalents (1)	$2,019.0	$ 0.0	$ 0.0	$2,019.0
Investment in CareFusion (5)	691.5	0.0	0.0	691.5
Forward Contracts (2)	0.0	26.2	0.0	26.2
Other Investments (3)	71.3	0.0	0.0	71.3
Total	$2,781.8	$26.2	$ 0.0	$2,808.0

(1) Cash equivalents are comprised of highly liquid investments purchased with a maturity of three months or less. The carrying value of these cash equivalents approximates fair value due to their short-term maturities.

(2) The fair value of our foreign currency contracts, commodity contracts and interest rate swaps is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows.

(3) The other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds are primarily comprised of large cap domestic and international equity securities. The fair value of these investments is determined using quoted market prices.

(4) Contingent consideration represents the obligation incurred in connection with the acquisition of P4 Healthcare. The fair value of the contingent consideration obligation is determined based on a probability-weighted income approach derived from EBITDA estimates and probability assessments with respect to the timing and likelihood of achieving the various EBITDA targets. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. As of March 31, 2011 the range of outcomes and the assumptions used to develop the estimates have not changed significantly from those used at the acquisition date; however, future progress toward achieving the EBITDA targets for the remaining measurement periods may or may not be adequate. Failure to make adequate progress could increase the probability of not achieving the targets within the measurement periods and result in a material reduction in the fair value of the contingent consideration. See Note 2 for additional information regarding the contingent consideration related to the P4 Healthcare acquisition.

(5) The fair value of our investment in CareFusion common stock was determined using the quoted market price of the security.

12. EARNINGS PER SHARE

Basic earnings per Common Share (“Basic EPS”) is computed by dividing net earnings (the numerator) by the weighted average number of Common Shares outstanding during each period (the denominator). Diluted earnings per Common Share (“Diluted EPS”) is similar to the computation for Basic EPS, except that the denominator is increased by the dilutive effect of vested and unvested stock options, restricted shares, and restricted share units computed using the treasury stock method. The total number of Common Shares issued less the Common Shares held in treasury is used to determine the Common Shares outstanding.

The following table reconciles the number of Common Shares used to compute Basic EPS and Diluted EPS for the three and nine months ended March 31, 2011 and 2010:

(in millions)	Three Months Ended March 31, 2011	2010	Nine Months Ended March 31, 2011	2010
Weighted-average Common Shares–basic	348.5	358.7	348.3	359.0
Effect of dilutive securities:				
Employee stock options, restricted shares and restricted share units	4.4	3.1	3.5	2.2
Weighted-average Common Shares–diluted	352.9	361.8	351.8	361.2

The following table presents the number of potentially dilutive securities that were anti-dilutive for the three and nine months ended March 31, 2011 and 2010:

(in millions)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
Anti-dilutive securities	10.6	13.5	11.8	22.9

13. SHAREHOLDERS' EQUITY

On November 3, 2010, our board of directors approved a new $750.0 million share repurchase program which expires November 30, 2013. During the nine months ended March 31, 2011, we did not repurchase any of our Common Shares under this program.

During the three months ended September 30, 2010, we repurchased approximately $250.0 million of our Common Shares, which completed the authorized amount of share repurchases available under our share repurchase program in place at September 30, 2010. We funded the repurchases with available cash. In addition, $19.8 million of shares repurchased during fiscal 2010 settled during the three months ended September 30, 2010.

In connection with the Spin-Off on August 31, 2009, we issued a non-cash dividend of approximately $3.7 billion to our shareholders through the pro-rata distribution of approximately 81 percent of the CareFusion common stock.

14. COMPREHENSIVE INCOME

The following is a summary of comprehensive income for the three and nine months ended March 31, 2011 and 2010:

(in millions)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
Net earnings	$ 246.0	$ 222.4	$756.3	$418.7
Foreign currency translation adjustments	28.4	(37.5)	61.6	(75.3)
Net unrealized gain/(loss) on derivative instruments	(0.7)	2.4	(3.3)	17.4
Net unrealized gain/(loss) on investment in CareFusion, net of tax (1)	0.0	6.9	(61.2)	147.9
Total comprehensive income	$ 273.7	$ 194.2	$753.4	$508.7

(1) We sold our remaining investment in CareFusion and reclassified the net unrealized gain out of accumulated other comprehensive income during the three months ended September 30, 2010.

15. SEGMENT INFORMATION

Our operations are principally managed on a products and services basis and are comprised of two reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates our performance combined with the nature of the individual business activities. The results of the acquisitions of Kinray, Yong Yu and P4 Healthcare are included within our Pharmaceutical segment from the date of acquisition. See Note 2 for a description of these acquisitions.

The following table includes revenue for each reportable segment and reconciling items necessary to agree to amounts reported in the condensed consolidated financial statements for the three and nine months ended March 31, 2011 and 2010:

(in millions)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2010
Segment revenue:				
Pharmaceutical	$23,845.3	$22,226.2	$69,285.8	$67,483.2
Medical	2,231.4	2,122.7	6,609.6	6,592.2
Total segment revenue	26,076.7	24,348.9	75,895.4	74,075.4
Corporate	(5.3)	(6.1)	(14.7)	(32.2)
Total consolidated revenue	$26,071.4	$24,342.8	$75,880.7	$74,043.2

We evaluate the performance of the segments based upon segment profit, among other measures. Segment profit is segment revenue less segment cost of products sold, less segment distribution, selling, general and administrative expense ("SG&A"). Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial shared services, human resources, information technology, legal and compliance, and certain shared executive sales and customer service. Corporate expenses are allocated to the segments based upon headcount, level of benefit provided and ratable allocation. Information about interest income and expense and income taxes is not provided at the segment level. In addition, restructuring and employee severance, acquisition related costs, impairments and loss on sale of assets, litigation (credits)/charges, net, and certain investment and other spending are not allocated to the segments. Investment spending generally includes the first year costs for certain projects that require incremental strategic investments in the form of additional operating expenses. We encourage our segments to identify investment projects that will promote innovation and provide future returns. As approval decisions for such projects are dependent upon executive management, the expenses for such projects are retained at Corporate. Investment spending within Corporate was $5.1 million and $8.5 million for the three and nine months ended March 31, 2011, respectively, compared to $8.9 million and $16.1 million for the three and nine months ended March 31, 2010, respectively. See Notes 2, 3, 4 and 10, respectively, for further discussion of our acquisition related costs, restructuring and employee severance, impairments and loss on sale of assets and litigation (credits)/charges, net. In addition, Spin-Off costs included in SG&A are not allocated to our segments. Spin-Off costs included in SG&A for the three months ended March 31, 2011 and 2010 were $0.7 million and $3.9 million, respectively. Spin-Off costs included in SG&A for the nine months ended March 31, 2011 and 2010 were $7.4 million and $9.2 million respectively. The accounting policies of the segments are the same as those described in Note 1.

The following table shows segment profit by reportable segment and reconciling items necessary to agree to amounts reported in the condensed consolidated financial statements for the three and nine months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	2011	2010	2011	2010
Segment profit:				
Pharmaceutical	$ 384.2	$ 306.7	$ 970.1	$ 774.8
Medical	107.2	107.8	292.4	325.2
Total segment profit	491.4	414.5	1,262.5	1,100.0
Corporate	(44.1)	(48.2)	(107.4)	(127.0)
Total consolidated operating earnings	$ 447.3	$ 366.3	$1,155.1	$ 973 .0

16. SHARE-BASED COMPENSATION AND SAVINGS PLANS

Share-Based Compensation

We maintain stock incentive plans (collectively, the “Plans”) for the benefit of certain of our officers, directors and employees. Employee stock options granted under the Plans since fiscal 2008 generally vest in equal annual installments over three years and are exercisable for periods up to seven years from the date of grant at a price equal to the market price of the Common Shares underlying the option at the date of grant. Employee stock options granted under the Plans during fiscal 2007 generally vest in equal annual installments over four years and are exercisable for periods up to seven years from the date of grant at a price equal to the market price of the Common Shares underlying the option at the date of grant. Employee restricted shares and restricted share units granted under the Plans since fiscal 2007 generally vest in equal installments over three years and entitle holders to dividends or cash dividend equivalents. Restricted shares and restricted share units accrue dividends or cash dividend equivalents that are payable upon vesting of the awards.

The compensation expense recognized for all share-based compensation awards is net of estimated forfeitures and is recognized using the straight-line method over the applicable service period. We classify share-based compensation within SG&A expenses to correspond with the same line item as the majority of the cash compensation paid to employees. However, as described in Note 3, certain share-based compensation incurred in connection with the Spin-Off is classified within restructuring and employee severance.

The following table provides total share-based compensation expense by type of award for the three and nine months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	2011	2010 (1)	2011	2010 (2)(3)
Restricted share and share unit expense	$ 12.1	$ 13.1	$ 39.3	$ 43.7
Employee stock option expense	5.5	8.2	20.1	33.2
Employee stock purchase plan expense	0.0	0.0	0.0	1.1
Stock appreciation right expense	0.4	0.4	1.0	1.0
Total share-based compensation (4) (5)	$ 18.0	$ 21.7	$ 60.4	$ 79.0

(1) Share-based compensation expense charged to restructuring and employee severance related to the Spin-Off was approximately $0.4 million, net of tax benefits of $0.2 million, during the three months ended March 31, 2010.
(2) Share-based compensation expense charged to restructuring and employee severance related to the Spin-Off was approximately $9.9 million, net of tax benefits of $5.7 million, during the nine months ended March 31, 2010.
(3) Share-based compensation expense charged to discontinued operations was approximately $2.3 million, net of tax benefits of $1.5 million, during the nine months ended March 31, 2010.
(4) The tax benefit related to share-based compensation expense was $6.5 million and $22.0 million for the three and nine months ended March 31, 2011.
(5) The tax benefit related to share-based compensation expense was $8.0 million and $28.6 million for the three and nine months ended March 31, 2010.

Stock Options

The fair value of stock options is determined using a lattice valuation model. We believe the lattice model provides for better estimates because it has the ability to take into account employee exercise patterns based on changes in our stock price and other variables and it provides for a range of input assumptions.

The following table summarizes all stock option transactions under the Plans from June 30, 2010 through March 31, 2011:

(in millions, except per share amounts and years)	Stock Options	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Balance at June 30, 2010	24.1	$ 37.88	3.9	$ 56.9
Granted	4.1	31.07		
Exercised	(1.8)	28.74		
Canceled and forfeited	(2.1)	43.63		
Balance at March 31, 2011	24.3	$ 36.96	3.8	$ 158.9
Exercisable at March 31, 2011	16.2	$ 40.44	2.8	$ 68.8

Restricted Shares and Restricted Share Units

The fair value of restricted shares and restricted share units is determined by the number of shares granted and the grant date market price of our Common Shares.

The following table summarizes all activity related to restricted shares and restricted share units from June 30, 2010 through March 31, 2011:

(in millions, except per share amounts)	Restricted Shares and Restricted Share Units	Weighted Average Grant Date Fair Value Per Share
Unvested at June 30, 2010	3.3	$ 33.33
Granted	2.0	31.39
Vested	(1.4)	36.12
Canceled and forfeited	(0.2)	32.54
Unvested at March 31, 2011	3.7	$ 31.32

Adjustments to Stock Incentive Plans

In connection with the Spin-Off, on August 31, 2009, we adjusted share-based compensation awards granted under the Plans into awards based on our Common Shares and/or CareFusion common stock, as applicable. For purposes of the vesting of these equity awards, continued employment or service with us or with CareFusion is treated as continued employment for purposes of both our and CareFusion's equity awards. See Note 17 to the consolidated financial statements in the 2010 Form 10-K for an explanation of these adjustments.

The adjustments to stock incentive plans were treated as a modification in accordance with share-based compensation accounting guidance and resulted in a total incremental compensation cost of $0.6 million.

The following table summarizes the share-based compensation awards outstanding as of March 31, 2011:

	Our Awards		CareFusion Awards	
(in millions)	Stock Options	Restricted Shares and Share Units	Stock Options	Restricted Shares and Share Units
Held by our employees and former employees	22.7	3.7	6.2	0.0
Held by CareFusion employees	1.6	0.0		
Total	24.3	3.7		

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations for our condensed consolidated balance sheets as of March 31, 2011 and June 30, 2010, and for the condensed consolidated statements of earnings for the three and nine month periods ended March 31, 2011 and 2010. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 2010 Form 10-K.

Portions of this Form 10-Q (including information incorporated by reference) include "forward-looking statements." The words "believe," "expect," "anticipate," "project," and similar expressions, among others, generally identify "forward-looking statements," which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. The most significant of these risks, uncertainties and other factors are described in Exhibit 99.1 to this Form 10-Q, Part 1, Item 1A of the 2010 Form 10-K and Part II, Item 1A of this Form 10-Q. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

We are a global company serving the healthcare industry with pharmaceutical and medical products and services that help hospitals, physician offices and pharmacies reduce costs, improve safety and productivity, and deliver better care to patients. We report our financial results in two segments: Pharmaceutical and Medical.

Demand for our products and services during the three and nine months ended March 31, 2011 led to revenue of $26.1 billion and $75.9 billion, up 7 percent and 2 percent, respectively, compared to the same periods in the prior year. Our Pharmaceutical segment performed well with 25 percent segment profit growth for both the three and nine months ended March 31, 2011 primarily as a result of strong performance from our generic programs and recent acquisitions. Segment profit for our Medical segment was down 1 percent for the three months ended March 31, 2011 and down 10 percent for the nine months ended March 31, 2011 primarily due to rising commodity prices.

Consolidated earnings from continuing operations increased 11 percent and 93 percent for the three and nine months ended March 31, 2011, respectively, compared to the same periods in the prior year. Results in the prior year nine-month period were adversely affected by costs relating to the Spin-Off of CareFusion.

Our cash and equivalents balance was $2.0 billion as of March 31, 2011, compared to $2.8 billion as of June 30, 2010. The decrease primarily resulted from the use of $2.3 billion for acquisitions partially offset by net cash provided by operations ($1.3 billion) and the sale of our remaining investment in CareFusion ($706 million).

Trends

For the remainder of fiscal 2011, we expect low single-digit growth in the primary markets that our Pharmaceutical segment serves and demand in the primary markets that our Medical segment serves to be flat. Actual revenue growth realized in our two segments may vary from market trends based on acquisitions, customer gains and losses, product and customer sales mix shifts, and growth of the specific customers that we serve.

Within our Pharmaceutical segment, for the remainder of fiscal 2011 we expect branded pharmaceutical inflation to be consistent with, or slightly higher than, our historical trends. However, generic deflation year-to-date for fiscal 2011 has been lower than historical trends.

Within our Medical segment, we expect variability in the cost of raw materials such as oil, oil-related, latex, synthetic rubber, cotton and other commodities to have a negative impact on cost of products sold for the remainder of fiscal 2011.

Acquisitions

During the three months ended December 31, 2010, we completed the acquisition of Kinray for a cash payment of $1.3 billion. Kinray has annual sales of over $3.5 billion and its results are reported within our Pharmaceutical segment. This acquisition expanded the ability of our pharmaceutical distribution business to serve retail independent pharmacies in the northeastern United States.

During the three months ended December 31, 2010, we completed the acquisition of Yong Yu, a leading health care distribution business in China, for $470 million including the assumption of $57 million in debt. Yong Yu has annual sales of approximately $1.0 billion and its results are reported within our Pharmaceutical segment. With this acquisition, we entered the pharmaceutical distribution market in China, which is expected to grow significantly faster than the market in the United States over the next few years.

During the three months ended September 30, 2010, we completed the acquisition of P4 Healthcare for a cash payment of $506 million. The acquisition agreement also includes earn-out payments of up to $150 million over the next three years which we estimate to have a current fair value of $92 million. P4 Healthcare's results are reported within our Pharmaceutical segment. With this acquisition, we are expanding our presence in specialty pharmaceutical services and distribution.

Collectively, for the three and nine months ended March 31, 2011, the acquisitions increased revenues by $1.2 billion and $1.5 billion, respectively, and operating earnings by $18 million and $34 million, respectively, compared to the same periods in the prior year.

See Note 2 in the "Notes to Condensed Consolidated Financial Statements" for additional information on the Kinray, Yong Yu, and P4 Healthcare acquisitions.

Spin-Off of CareFusion

Effective August 31, 2009, we completed the distribution to our shareholders of 81 percent of the then outstanding common stock of CareFusion and retained the remaining 41.4 million shares of CareFusion common stock. During fiscal 2010, we disposed of 10.9 million shares of CareFusion common stock. During the three months ended September 30, 2010, we disposed of our remaining 30.5 million shares of CareFusion common stock.

On July 22, 2009, we entered into a separation agreement with CareFusion to effect the Spin-Off and provide a framework for our relationship with CareFusion after the Spin-Off. In addition, on August 31, 2009, we entered into a transition services agreement, a tax matters agreement, an employee matters agreement, intellectual property agreements and certain other commercial agreements with CareFusion. These agreements, including the separation agreement, provide for allocation of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Spin-Off and govern certain relationships between CareFusion and us after the Spin-Off.

Pursuant to the transition services agreement, during the three months ended March 31, 2011 and 2010, we recognized $15 million and $22 million, respectively, in transition service fee income. During the nine months ended March 31, 2011 and 2010, we recognized $50 million and $78 million, respectively in transition service fee income. The transition service fee income approximately offsets the costs associated with providing the transition services. Additionally, during the three months ended March 31, 2011 and 2010, we purchased $157 million and $165 million, respectively, of CareFusion trade receivables pursuant to an accounts receivable factoring arrangement between CareFusion and us. We purchased $460 million and $439 million of CareFusion trade receivables during the nine months ended March 31, 2011 and 2010, respectively.

Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to the Spin-Off. As of March 31, 2011, we have a $257 million indemnification receivable on our balance sheet related to these tax indemnifications.

Results of Operations

Revenue

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions, except growth rates)	**Change**	**2011**	**2010**	**Change**	**2011**	**2010**
Pharmaceutical	7%	$23,845.3	$22,226.2	3%	$69,285.8	$67,483.2
Medical	5%	2,231.4	2,122.7	—	6,609.6	6,592.2
Total segment revenue	7%	26,076.7	24,348.9	2%	75,895.4	74,075.4
Corporate	N.M.	(5.3)	(6.1)	N.M.	(14.7)	(32.2)
Consolidated revenue	7%	$26,071.4	$24,342.8	2%	$75,880.7	$74,043.2

Pharmaceutical segment

Revenue for the three and nine months ended March 31, 2011 compared to the prior year periods was positively impacted by acquisitions, net of divestitures ($1.2 billion and $1.4 billion, respectively) and sales to existing customers ($477 million and $686 million, respectively). For the nine months ended March 31, 2011, Pharmaceutical revenue was negatively impacted by losses of customers in excess of gains ($239 million). For the nine months ended March 31, 2011, revenue from bulk customers decreased 6 percent as a result of the reduction in sales of branded pharmaceuticals due to conversions to generic pharmaceuticals as well as a shift in shipments of certain national chain customers to non-bulk from bulk. Revenue from non-bulk customers increased 11 percent for the nine months ended March 31, 2011 primarily due to the previously mentioned shift in shipments and acquisitions. Kinray, Yong Yu and P4 Healthcare revenue has been classified as non-bulk.

Medical segment

Revenue for the three and nine months ended March 31, 2011 compared to the prior year periods was positively impacted by increased volume from existing customers ($104 million and $260 million, respectively) and negatively impacted by losses of customers in excess of gains ($36 million and $168 million, respectively). Revenue for the nine months ended March 31, 2011 compared to the prior year period was negatively impacted by the prior year recognition of previously deferred intercompany revenue for sales to CareFusion ($51 million) in the first quarter of fiscal 2010 and decreased volume as a result of strong demand for flu-related products in the prior year period ($46 million).

Cost of Products Sold

In line with our overall revenue increase, during the three and nine months ended March 31, 2011, cost of products sold increased $1.6 billion, or 7 percent, and $1.6 billion, or 2 percent, respectively, compared to the prior year periods. See gross margin discussion for additional drivers impacting cost of products sold.

Gross Margin

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions, except growth rates)	**Change**	**2011**	**2010**	**Change**	**2011**	**2010**
Gross margin	15%	$1,162.2	$1,010.1	8%	$3,118.7	$2,876.6

Pharmaceutical segment

Gross margin for the three and nine months ended March 31, 2011 compared to the prior year periods increased $152 million and $298 million, respectively, primarily as a result of the factors listed below.

- The impact of various generic pharmaceutical sales and sourcing programs and new generic pharmaceutical launches increased gross margin by $70 million and $173 million for the three and nine month periods, respectively.
- For the three and nine months ended March 31, 2011, acquisitions, net of divestitures, positively impacted gross margin by $77 million and $124 million, respectively.
- For the three and nine months ended March 31, 2011, increased branded margin (exclusive of the related volume impact) had a positive impact on gross margin of $9 million and $58 million, respectively. The increase was primarily due to our performance under distribution service agreements and the transition of certain vendors to distribution service agreements.
- Customer pricing changes including rebates (exclusive of the related volume impact) adversely impacted gross margin by $26 million and $96 million for the three and nine month periods, respectively. The adverse impact of these customer pricing changes is partially offset and impacted by product mix, sourcing programs and other sources of margin.

Medical segment

Gross margin was flat for the three months ended March 31, 2011 and decreased $51 million for the nine months ended March 31, 2011 compared to the prior year periods primarily as a result of the factors listed below.

- For the three and nine months ended March 31, 2011, increased cost of oil, oil-related, latex, synthetic rubber and other commodities used in our self-manufactured and private brand products decreased gross margin by $12 million and $45 million, respectively.
- For the three and nine months ended March 31, 2011, increased volume from existing customers positively impacted gross margin by $18 million and $33 million, respectively.

- Unfavorable product sales mix, customer pricing changes and customer rebates negatively impacted gross margin by $9 million and $20 million for the three and nine months ended March 31, 2011, respectively.
- In the first quarter of fiscal 2010, we realized a one-time gain of $14 million as a result of the recognition of previously deferred intercompany revenue for sales to CareFusion.

Distribution, Selling, General and Administrative Expenses ("SG&A")

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions, except growth rates)	Change	2011	2010	Change	2011	2010
SG&A	11%	$697.3	$628.6	5%	$1,911.1	$1,819.8

The increase in SG&A during the three and nine months ended March 31, 2011 compared to the prior year periods was primarily due to acquisitions, net of divestitures ($61 million and $99 million, respectively), which included amortization of intangible assets relating to Kinray, Yong Yu and P4 Healthcare. Also included within SG&A were costs related to the Spin-Off of $1 million and $7 million for the three and nine months ended March 31, 2011, respectively, and $4 million and $9 million for the three and nine months ended March 31, 2010, respectively.

Segment Profit and Operating Earnings

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions, except growth rates)	Change	2011	2010	Change	2011	2010
Pharmaceutical	25%	$384.2	$306.7	25%	$ 970.1	$ 774.8
Medical	(1)%	107.2	107.8	(10)%	292.4	325.2
Total Segment Profit	19%	491.4	414.5	15%	1,262.5	1,100.0
Corporate	N.M.	(44.1)	(48.2)	N.M.	(107.4)	(127.0)
Consolidated Operating Earnings	22%	$447.3	$366.3	19%	$1,155.1	$ 973.0

Segment Profit

Pharmaceutical segment profit

The principal drivers for the increase during the three and nine months ended March 31, 2011 compared to the prior year periods were new generic launches, generic pharmaceutical sales and sourcing programs, the positive impact of acquisitions and branded margin growth offset by previously announced customer pricing changes. See the gross margin section above for discussion of these items. For the nine months ended March 31, 2011, segment profit from non-bulk customers as a percentage of revenue from non-bulk customers increased by 31 basis points compared to the full year fiscal 2010 percentage. The generic pharmaceutical items and acquisitions discussed above primarily impacted segment profit from non-bulk customers.

Medical segment profit

Results for the three and nine months ended March 31, 2011 compared to the prior year periods were adversely affected by increased cost of commodities used in our self-manufactured and private brand products and customer pricing changes partially offset by increased volume to existing customers. Results also were dampened by differences in product mix due to somewhat sluggish surgical procedure volumes. Results for the nine months ended March 31, 2010 were positively affected by the one-time gain related to previously deferred intercompany revenue for sales to CareFusion.

Consolidated Operating Earnings

In addition to revenue, gross margin and SG&A discussed above, operating earnings were impacted by the following:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	2011	2010	2011	2010
Restructuring and employee severance	$ 6.2	$ 14.4	$ 10.6	$ 84.3
Acquisition related costs	2.5	(0.5)	21.8	0.1
Impairments and loss on sale of assets	4.6	4.2	8.2	28.2
Litigation (credits)/charges, net	4.3	(2.9)	11.9	(28.8)

Restructuring and employee severance

During the three and nine months ended March 31, 2010, restructuring and employee severance charges included $3 million and $59 million, respectively, of costs arising from the Spin-Off, including $19 million of costs for the nine months ended March 31, 2010 related to the retirement of our former Chairman and Chief Executive Officer.

Acquisition related costs

During the three and nine months ended March 31, 2011, net acquisition related costs included $2 million and $21 million, respectively, related to the Kinray, Yong Yu and P4 Healthcare acquisitions. The costs were partially offset by $4 million as a result of a decrease in the contingent consideration liability relating to the P4 Healthcare acquisition during the three and nine months ended March 31, 2011, which primarily reflects actual performance through the first measurement period. Future progress toward achieving the EBITDA targets for the remaining measurement periods may or may not be adequate. Failure to make adequate progress could increase the probability of not achieving the targets within the measurement periods and result in a material reduction in the fair value of the contingent consideration.

Impairments and loss on sale of assets

During the nine months ended March 31, 2010, we recognized an impairment charge of $18 million related to the write-down of SpecialtyScripts, a business within our Pharmaceutical segment, to net expected fair value less costs to sell. We completed the sale of SpecialtyScripts during the third quarter of fiscal 2010.

Litigation (credits)/charges, net

During the nine months ended March 31, 2010, we recognized $26 million in litigation credits for insurance proceeds released from escrow following the resolution of litigation against certain of our directors and officers.

Earnings Before Income Taxes and Discontinued Operations

In addition to items discussed above, earnings before income taxes and discontinued operations were impacted by the following:

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions, except growth rates)	Change	2011	2010	Change	2011	2010
Other income, net	N.M.	$ (6.2)	$ (1.4)	23%	$(19.4)	$(15.7)
Interest expense, net	(9)%	25.1	27.7	(22)%	69.0	88.9
Loss on extinguishment of debt	N.M.	—	—	N.M.	—	39.9
(Gain)/loss on sale of investment in CareFusion	N.M.	3.3	(23.2)	N.M.	(71.5)	(43.3)

Interest expense, net

The decrease in interest expense, net for the three and nine months ended March 31, 2011 was primarily due to the favorable impact of interest rate swaps.

Loss on extinguishment of debt

In the nine months ended March 31, 2010, we recognized a $40 million loss from the early retirement of debt in connection with the debt tender.

(Gain)/loss on sale of investment in CareFusion common stock

Upon finalizing our fiscal 2010 federal income tax return in the three months ended March 31, 2011, we adjusted the value of certain deferred income tax accounts related to CareFusion, which resulted in a $3 million reduction of our previously recognized gain on the sale of CareFusion common stock. We recognized a $72 million gain from the sale of our remaining investment in CareFusion common stock during the nine months ended March 31, 2011. We recognized a $23 million and $43 million gain from the sale of CareFusion common stock during the three and nine months ended March 31, 2010, respectively.

Provision for Income Taxes

The following table summarizes our provision for income taxes as a percentage of pretax earnings from continuing operations ("effective tax rate") for the three and nine months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011 (1)	2010 (2)	2011 (3)	2010 (4)
Effective tax rate	41.3%	38.1%	35.5%	56.5%

(1) During the three months ended March 31, 2011, the effective tax rate was impacted by net unfavorable discrete items of $17 million, or 3.9 percentage points. These discrete items are primarily attributable to changes in state tax rules and deferred tax rate changes in certain foreign and state jurisdictions.

(2) During the three months ended March 31, 2010, the effective tax rate was impacted by net unfavorable discrete items of $9 million, or 2.5 percentage points. The discrete items included unfavorable amounts related to remeasuring certain unrecognized tax benefits and establishing a deferred tax asset valuation allowance related to a foreign entity. These unfavorable items were partially offset by the favorable impact of foreign and domestic audit settlements, and release of a domestic deferred tax valuation allowance related to loss carryovers.

(3) During the nine months ended March 31, 2011, the effective tax rate was favorably impacted by $27 million, or 2.3 percentage points, attributable to recognizing no income tax expense on the sale of CareFusion stock due to the release of a previously established deferred tax valuation allowance.

(4) During the nine months ended March 31, 2010, the effective tax rate was impacted by an unfavorable adjustment of $172 million, or 19 percentage points, attributable to earnings no longer indefinitely invested offshore.

Ongoing Audits

The IRS currently has ongoing audits of fiscal years 2001 through 2007. We have received proposed adjustments from the IRS for fiscal years 2003 through 2005 related to our transfer pricing arrangements between foreign and domestic subsidiaries and the transfer of intellectual property among subsidiaries of an acquired entity prior to its acquisition by us. The IRS proposed additional taxes of $598 million, excluding penalties and interest. If this tax ultimately must be paid, CareFusion is liable under the tax matters agreement for $462 million of the total amount. We disagree with these proposed adjustments and are vigorously contesting them. We believe we are adequately reserved for the uncertain tax positions related to these matters.

Liquidity and Capital Resources

We currently believe that, based upon available capital resources (cash on hand), projected operating cash flow, and access to committed credit facilities, we have adequate capital resources to fund working capital needs, currently anticipated capital expenditures, business growth and expansion, contractual obligations, current and projected debt service requirements, dividends and share repurchases. During the nine months ended March 31, 2011, we acquired Kinray, Yong Yu and P4 Healthcare with cash on hand. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need supplemental funding.

Capital Resources

Cash and Equivalents

Our cash and equivalents balance was $2.0 billion as of March 31, 2011, compared to $2.8 billion as of June 30, 2010. At March 31, 2011, our cash and cash equivalents were held in cash depository accounts with major banks around the world or invested in high quality, short-term liquid investments. The decrease was primarily driven by acquisitions, offset by net cash provided by operating activities (which is primarily driven by net earnings and working capital), and the sale of our remaining investment in CareFusion.

We use days sales outstanding ("DSO"), days inventory on hand ("DIOH") and days payable outstanding ("DPO") to evaluate our working capital performance.

	March 31, 2011	March 31, 2010
Days sales outstanding	19.7	18.9
Days inventory on hand	24.5	24.6
Days payable outstanding	38.0	36.7

The increase in DSO in fiscal 2011 was driven by the impact of acquisitions and the increase in DPO was due to the timing of payments to vendors during the regular course of business.

The cash and equivalents balance at March 31, 2011 included $205 million of cash held by subsidiaries outside of the United States. Although the vast majority of this cash is available for repatriation, bringing the cash into the United States could trigger U.S. federal, state and local income tax obligations. As a U.S. parent company, we may temporarily access cash held by our foreign subsidiaries without becoming subject to U.S. federal income tax by entering into intercompany loans. The previously disclosed cash held by our foreign subsidiaries does not include intercompany loans of $845 million and $273 million from our foreign entities which are currently planned to be repaid by fiscal 2013 and fiscal 2020, respectively.

Credit Facilities and Commercial Paper

Our sources of liquidity include a $1.5 billion revolving credit facility and a $950 million committed receivables sales facility. During the nine months ended March 31, 2011, we renewed the terms of the committed receivables sales facility and, as a result, extended the program until November 9, 2012. We also have a commercial paper program of up to $1.5 billion, backed by the revolving credit facility. We had no outstanding borrowings from the commercial paper program and no outstanding balance under the committed receivables sales facility as of March 31, 2011. Our ability to access the commercial paper market is limited based on our current credit rating from Moody's Investor Services.

Our revolving credit facility and committed receivables sales facility require us to maintain a consolidated interest coverage ratio as of any fiscal quarter end of at least 4-to-1 and a consolidated leverage ratio of no more than 3.25-to-1. As of March 31, 2011, we were in compliance with these financial covenants.

Held-to-Maturity Investments

We hold high quality investment grade held-to-maturity fixed income debt securities with an amortized cost basis of $153 million as of March 31, 2011. These investments vary in maturity date, ranging from two months to two years, and all pay interest semi-annually.

Long-Term Obligations

In December 2010, we sold $500 million of fixed rate notes due 2020 in a registered offering. The 2020 Notes mature on December 15, 2020 and accrue interest at 4.625% per year payable semi-annually. We used the proceeds for general corporate purposes and for the repayment of $220 million of our 6.75% Notes due February 15, 2011.

Capital Expenditures

Capital expenditures during the nine months ended March 31, 2011 and 2010 were $186 million and $142 million, respectively, primarily related to information technology projects.

Dividends

On February 1, 2011, our board of directors approved a quarterly dividend of $0.195 per share, payable on April 15, 2011 to shareholders of record on April 1, 2011. On May 4, 2011, our board of directors approved a ten percent increase in our quarterly dividend to $0.215 per share, or $0.86 per share on an annualized basis, payable on July 15, 2011 to shareholders of record on July 1, 2011.

Share Repurchases

During the three months ended September 30, 2010, we repurchased approximately $250 million of our Common Shares, which completed the authorized amount of share repurchases available under our share repurchase program in place at September 30, 2010. We funded the repurchases through available cash. In addition, $20 million of shares repurchased during fiscal 2010 settled during the three months ended September 30, 2010. On November 3, 2010, our board of directors approved a new $750 million share repurchase program which expires November 30, 2013. We have not repurchased any of our Common Shares under this program.

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Contractual Obligations

Other than the issuance of the 2020 Notes and payment of the 6.75% Notes due February 15, 2011, there have been no material changes, outside of the ordinary course of business, in our outstanding contractual obligations since the end of fiscal 2010.

Off-Balance Sheet Arrangements

See “Liquidity and Capital Resources—Capital Resources” and Note 18 of “Notes to Consolidated Financial Statements” in the 2010 Form 10-K, which is incorporated herein by reference, for a discussion of off-balance sheet arrangements. As discussed in Note 1 in the “Notes to Condensed Consolidated Financial Statements”, our committed receivables sales facility no longer qualifies as an off-balance sheet arrangement as a result of FASB guidance.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

We believe that there has been no material change in the quantitative and qualitative market risks since the end of our 2010 fiscal year end.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2011. Based on this evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of March 31, 2011 to provide reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

We become involved from time-to-time in litigation and regulatory matters incidental to our business, including governmental investigations, enforcement actions, personal injury claims, employment matters, commercial disputes, intellectual property matters, disputes regarding environmental clean-up costs, litigation in connection with acquisitions and divestitures, and other matters arising out of the normal conduct of our business.

Item 1A: Risk Factors

The risk factors in the 2010 Form 10-K include a risk factor titled “We may not be able to capture the full benefits from our minority investment in CareFusion” under the heading “Risks associated with the Spin-Off of CareFusion”. Because we disposed of our remaining shares of CareFusion stock, this risk factor is no longer applicable.

The risks described in the 2010 Form 10-K and in this Form 10-Q are not the only risks that we face. You should carefully consider the information in this Form 10-Q and the risk factors and other risks discussed in the 2010 Form 10-K and our filings with the SEC since June 30, 2010. These risks could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Our businesses also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases of our Common Shares we made during the three months ended March 31, 2011:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
January 1-31, 2011	819	$ 38.60	—	$ 750,000,000
February 1-28, 2011	1,116	41.61	—	750,000,000
March 1-31, 2011	842	42.50	—	750,000,000
Total	2,777	$ 40.99	—	$ 750,000,000

(1) Includes 93, 92 and 88 Common Shares purchased in January, February and March 2011, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan. Also includes 726, 1,024 and 754 restricted shares surrendered in January, February and March 2011, respectively, by employees upon vesting to meet tax withholding.

(2) On November 3, 2010, our board of directors approved a new $750 million share repurchase program which expires on November 30, 2013. During the three months ended March 31, 2011, we did not repurchase any of our Common Shares under this program.

Item 5: Other Information

On May 4, 2011, our board of directors approved amendments to the Company’s Restated Code of Regulations (the “Regulations”) effective immediately under authority granted by shareholders at the Annual Meeting of Shareholders held on November 3, 2010.

Indemnification Provisions

The board of directors amended Article 6 regarding indemnification and insurance, including:

- revised the standards for mandatory indemnification in Section 6.1 to be “to the fullest extent authorized by law,” extended mandatory indemnification for outside positions only to persons who serve at our “written” request in the outside position, and removed our agents from mandatory indemnification;

- revised Section 6.1 to provide that we are not obligated to indemnify plaintiff costs unless the person bringing the claim was authorized to do so by the board of directors;
- changed advancement of defense costs in Section 6.3 (now Section 6.2) to mandatory for our directors and officers;
- removed procedures governing approval of indemnification and advancement of defense costs; and
- added that we cannot amend Article 6 to impair the rights to indemnification or to advancement of defense costs with respect to any actions or facts occurring prior the amendment.

Administrative/Ministerial Provisions

The board of directors approved amendments to the following other provisions of the Regulations:

- Section 1.11—to permit shareholders to appoint proxies by a verifiable communication other than writing.
- Section 2.5—to remove language in the Regulations regarding the transition from the classified board of directors because we have completed this transition.
- Section 2.18—to require that committees of the board of directors only consist of one or more directors.

The foregoing descriptions of the Regulations are qualified in their entirety by reference to the Restated Code of Regulations, as amended, which is filed as Exhibit 3.2 to this Form 10-Q.

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Item 6: Exhibits

Exhibit Number	Exhibit Description
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008)
3.2	Cardinal Health, Inc. Restated Code of Regulations, as amended
10.1	Fourth Amendment to the Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2009
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Cardinal Health Website

We use our website as a channel of distribution for material information about us. Important information, including news releases, earnings and analyst presentations and financial information regarding us is routinely posted and accessible on the Investors page at www.cardinalhealth.com. In addition, our website allows investors and other interested persons to sign up to automatically receive email alerts when we post news releases, SEC filings and certain other information on our website.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARDINAL HEALTH, INC.

Date: May 6, 2011

/s/ GEORGE S. BARRETT

George S. Barrett
Chairman and Chief Executive Officer

/s/ JEFFREY W. HENDERSON

Jeffrey W. Henderson
Chief Financial Officer

Exhibit 3.2

RESTATED CODE OF REGULATIONS

OF

CARDINAL HEALTH, INC.

ADOPTED JUNE 14, 1983
AMENDED SEPTEMBER 14, 1984
AMENDED JANUARY 27, 1994
AMENDED NOVEMBER 23, 1998
AMENDED NOVEMBER 7, 2001
AMENDED NOVEMBER 2, 2005
AMENDED NOVEMBER 7, 2007
AMENDED NOVEMBER 5, 2008
AMENDED NOVEMBER 3, 2010
AMENDED MAY 4, 2011

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ARTICLE 1

Meetings of Shareholders

§1.1 Annual Meeting . The annual meeting of the shareholders, for the purpose of electing directors and transacting such other business as may come before the meeting, shall be held on such date and at such time during the first six months of each fiscal year of the Company as may be fixed by the board of directors and stated in the notice of the meeting.

§1.2 Special Meetings . A special meeting of the shareholders may be called by the chairman of the board, or the president, or a majority of the directors acting with or without a meeting, or the holders of shares entitling them to exercise twenty-five percent of the voting power of the Company entitled to be voted at the meeting. Upon delivery to the chairman, president, or secretary of a request in writing for a shareholders' meeting by any persons entitled to call such meeting, the officer to whom the request is delivered shall give notice to the shareholders of such meeting. Any such request shall specify the purposes and the date and hour for such meeting. The date shall be at least 14 and not more than 65 days after delivery of the request. If such officer does not call the meeting within five days after any such request, the persons making the request may call the meeting by giving notice as provided in §1.4 or by causing it to be given by their designated representative.

§1.3 Place of Meetings . All meetings of shareholders shall be held at such place or places, within or without the State of Ohio, as may be fixed by the board of directors or, if not so fixed, as shall be specified in the notice of the meeting.

§1.4 Notice of Meetings . A notice of each annual or special meeting of shareholders shall be given to shareholders in accordance with and to the extent required by applicable law by the chairman, president or secretary, or, in case of their refusal or failure to do so, by the person or persons entitled to call such meeting. Except when expressly required by law, no publication of any notice of a shareholders meeting shall be required. If shares are transferred after notice has been given, notice need not be given to the transferee. A record date may be fixed for determining the shareholders entitled to notice of any meeting of shareholders, in accordance with the provisions of §1.13. Only the business provided for in such notice shall be considered at the meeting. Notice of the adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at the meeting.

§1.5 Notice of Shareholder Business and Nominations .

(a) Annual Meeting of Shareholders .

(i) Nominations of persons for election to the board of directors of the Company and the proposal of other business to be considered by the shareholders may be made at an annual meeting of shareholders (A) pursuant to the Company's notice of meeting, (B) by or at the direction of the board of directors of the Company or (C) by any shareholder of the Company who (I) was a shareholder of record at the time of giving of notice provided for in this Section 1.5 and at the time of the annual meeting, (II) is entitled to vote at the meeting and (III) complies with the notice procedures set forth in this Section 1.5 as to such business or nomination. In order to assure that shareholders and the Company have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of shareholders and to allow for full information to be distributed to shareholders, clause (C) shall be the exclusive means for a shareholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and included in the Company's notice of meeting) before an annual meeting of shareholders.

(ii) Without qualification, for any nominations or any other business to be properly brought before an annual meeting by a shareholder pursuant to Section 1.5(a)(i)(C), the shareholder must have given timely notice thereof in proper written form to the secretary and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the secretary at the principal executive offices of the Company not later than the close of business on the 70th day nor earlier than the close of business on the 130th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 130th day prior to such annual meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above. To be in proper written form, a shareholder's notice (whether given pursuant to this Section 1.5(a)(ii) or Section 1.5(b)) to the secretary must:

(A) set forth, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (I) the name and address of such shareholder, as they appear on the Company's books, and the name and address of such beneficial owner, (II) the class and number of shares of the Company which are held of record by such shareholder as of the date of the notice, and a representation that the shareholder will notify the Company in writing within five business days after the record date for such meeting of the class and number of shares of the Company held of record on such record date, (III) the class and number of shares of the Company which are held of record or are beneficially owned (within the meaning of Section 13(d) of the Exchange Act) by such beneficial owner as of the date of the notice, and a representation that the shareholder will notify the Company in writing within five business days after the record date for such meeting of the class and number of shares of the Company beneficially owned by such shareholder and such beneficial owner on such record date, (IV) any other information relating to such shareholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, and (V) such shareholder's and beneficial owner's written consent to the public disclosure of information provided to the Company pursuant to this Section 1.5;

(B) set forth, as to the shareholder giving the notice or, if given on behalf of a beneficial owner, as to the beneficial owner on whose behalf the nomination or proposal is made (I) any agreements, arrangements or understandings entered into by the shareholder or beneficial owner, as appropriate, and its affiliates with respect to equity securities of the Company, including any put or call arrangements, derivative securities, short positions, borrowed shares or swap or similar arrangements, specifying in each case the effect of such agreements, arrangements or understandings on any voting or economic rights of equity securities of the Company, in each case as of the date of the notice and in each case describing any changes in voting or economic rights which may arise pursuant to the terms of such agreements, arrangements or understandings, (II) to the extent not covered in clause (I) above, any disclosures that would be required pursuant to Item 5 or Item 6 of Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the shareholder or beneficial owner), and (III) a representation that the shareholder will notify the Company in writing within five business days after the record date for such meeting of the information set forth in clause (I) and (II) above as of such record date;

(C) if the notice relates to any business other than a nomination of a director or directors that the shareholder proposes to bring before the meeting, set forth (I) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, in such business and (II) a description of all agreements, arrangements and understandings between such shareholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder;

(D) set forth, as to each person, if any, whom the shareholder proposes to nominate for election or reelection to the board of directors of the Company (I) all information relating to such person that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (II) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate therewith or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(E) set forth a representation that such shareholder intends to appear at the annual meeting to bring such nomination or other business before the annual meeting;

(F) set forth such other information as may reasonably be required by the board of directors of the Company as described in the Company's proxy statement for the preceding year's annual meeting; and

(G) be followed, within five business days after the record date for such meeting, by the written notice providing the information described in (A) and (B) above.

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(b) Special Meetings of Shareholders . Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the notice of meeting and, other than nominations for election to the board of directors made in accordance with the following provisions, no shareholder may bring before a special meeting of shareholders any business other than the business specified by the shareholders calling such special meeting in accordance with these regulations. Nominations of persons for election to the board of directors of the Company may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Company's notice of meeting (i) by or at the direction of the board of directors of the Company or (ii) provided that the board of directors of the Company has determined that directors shall be elected at such meeting, by any shareholder of the Company who (A) is a shareholder of record at the time of giving of notice provided for in this Section 1.5 and at the time of the special meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in this Section 1.5 as to such nomination. In the event the Company calls a special meeting of shareholders for the purpose of electing one or more directors to the board of directors of the Company, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Company's notice of meeting, if the shareholder's notice required by Section 1.5(a)(ii) with respect to any nomination shall be delivered to the secretary at the principal executive offices of the Company not earlier than the close of business on the 130th day prior to such special meeting and not later than the close of business on the later of the 70th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors of the Company to be elected at such meeting. In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

(c) General .

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.5. Except as otherwise provided by law, the Articles of Incorporation of the Company or these regulations, the board of directors of the Company (or a designated committee thereof) shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.5 and, if any proposed nomination or business is not in compliance with this Section 1.5, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 1.5, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(iii) Notwithstanding the foregoing provisions of this Section 1.5, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.5; provided, however, that any references in this Section 1.5 to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 1.5(a)(i)(C) or Section 1.5(b). Nothing in this Section 1.5 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act by satisfying the notice and other requirements of Rule 14a-8 in lieu of satisfying the requirements of this Section 1.5.

§1.6 Waiver of Notice. Any shareholder, either before or after any meeting, may waive any notice required by law, the articles, or these regulations. Waivers must be in writing and filed with or entered upon the records of the meeting. Notice of a meeting will be deemed to have been waived by any shareholder who attends the meeting either in person or by proxy, and who does not, before or at the commencement of the meeting, protest the lack of proper notice.

§1.7 Quorum. The holders of shares entitling them to exercise a majority of the voting power of the Company entitled to vote at a meeting, present in person or by proxy, shall constitute a quorum for the transaction of business, except when a greater number is required by law, the articles of incorporation, or these regulations. In the absence of a quorum at any meeting or any adjournment of the meeting, the holders of shares entitling them to exercise a majority of the voting power of the shareholders present in person or by proxy and entitled to vote may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

§1.8 Organization. At each shareholders meeting the chairman of the board, or, in the chairman's absence, the president, or, in the absence of both of them, any vice president, or, in the absence of any vice president, a chairman chosen by the holders of shares entitling them to exercise a majority of the voting power of the shareholders present in person or by proxy and entitled to vote, shall act as chairman, and the secretary of the Company, or, in the secretary's absence, any assistant secretary, or, in the absence of all of them, any person whom the chairman of the meeting appoints, shall act as secretary of the meeting.

§1.9 Order of Business. Unless otherwise determined by the board of directors of the Company prior to the meeting, the chairman of the meeting shall determine in his or her sole discretion the order of business of each shareholders meeting and the rules of procedure therefor, and shall have the authority to regulate the conduct of any such meeting as he or she deems appropriate. Notwithstanding the foregoing, the order of business fixed by the chairman of the meeting may be changed by the vote of the holders of shares entitling them to exercise a majority of the voting power of the shareholders present in person or by proxy and entitled to vote.

§1.10 Voting. Each holder of a share or shares of the class or classes entitled to vote by law or the articles of incorporation shall be entitled to one vote in person or by proxy for each such share registered in the holder's name on the books of the Company. As provided in §1.13, a record date for determining which shareholders are entitled to vote at any meeting may be fixed. Shares of its own stock belonging to the Company shall not be voted directly or indirectly. Persons holding voting shares in a fiduciary capacity shall be entitled to vote the shares so held. A shareholder whose shares are pledged shall be entitled to vote the shares standing in his or her name on the books of the Company. Upon a demand by any shareholder present in person or by proxy at any meeting and entitled to vote, any vote shall be by ballot. Each ballot shall be signed by the shareholder or such shareholder's proxy and shall state the number of shares voted by such shareholder. Otherwise, votes shall be made orally.

§1.11 Proxies . Any shareholder who is entitled to attend or vote at a shareholders meeting, or to execute consents, waivers, or releases, shall be entitled to exercise such rights and any other of his or her rights by proxy or proxies appointed by a writing signed by such shareholder, which need not be witnessed or acknowledged, or by a verifiable communication authorized by the shareholder. Actions taken by proxy shall be governed by the provisions of §1701.48, Ohio Revised Code, or any future statute of like tenor or effect, including the provisions relating to the sufficiency of the writing or verifiable communication, duration of the validity of the proxy, power of substitution, revocation, and all other provisions.

§1.12 Inspectors of Elections . Inspectors of elections may be appointed and act as provided in §1701.50, Ohio Revised Code, or any future statute of like tenor or effect.

§1.13 Record Date . The board of directors may fix a record date for any lawful purpose, including without limitation the determination of shareholders entitled to: (a) receive notice of or to vote at any meeting, (b) receive payment of any dividend or other distribution, (c) receive or exercise rights of purchase of, subscription for, or exchange or conversion of, shares or other securities, subject to any contract right with respect thereto, or (d) participate in the execution of written consents, waivers, or releases. Any such record date shall not be more than sixty days preceding the date of such meeting, the date fixed for the payment of any dividend or other distribution, or the date fixed for the receipt or the exercise of rights, as the case may be.

§1.14 List of Shareholders at Meeting . Upon request of any shareholder at any meeting of shareholders, there shall be produced at the meeting an alphabetically arranged list, or classified lists, of the shareholders of record as of the applicable record date who are entitled to vote, showing their respective addresses and the number and classes of shares held by them.

§1.15 Action in Writing in Lieu of Meeting . Any action which may be authorized or be taken at a meeting of the shareholders may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all the shareholders who would be entitled to notice of a meeting of the shareholders held for that purpose.

ARTICLE 2

Board of Directors

§2.1 General Powers of Board . The powers of the Company shall be exercised, its business and affairs shall be conducted, and its property shall be controlled by the board of directors, except as otherwise provided by law of Ohio, the articles, or these regulations.

§2.2 Number of Directors . The number of directors of the Company shall be thirteen (13). The number of directors may be increased or decreased by action of the board of directors upon the vote of a majority of the board; provided, however, that in no case shall the number of directors be fewer than nine (9) or more than sixteen (16) without an amendment to this §2.2

approved in the manner specified in Article 10 of these regulations; and provided further that no decrease in the number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

§2.3 Compensation and Expenses . The directors shall be entitled to such compensation, on a monthly or annual basis, or on the basis of meetings attended, or on both bases, as the board of directors may from time to time determine and establish. No director shall be precluded from serving the Company as an officer or in any other capacity, or from receiving compensation for so serving. Directors may be reimbursed for their reasonable expenses incurred in the performance of their duties, including the expense of traveling to and from meetings of the board, if such reimbursement is authorized by the board of directors.

§2.4 Election of Directors . The Company's Amended and Restated Articles of Incorporation, as may be amended from time to time, sets forth voting standards applicable in the election of directors at each meeting of shareholders to elect directors.

§2.5 Term of Office . Directors shall be elected at the annual meeting of shareholders, but when the annual meeting of shareholders is not held or directors are not elected thereat, they may be elected at a special meeting of the shareholders called and held for the purpose of electing directors. A director is elected to serve until the next annual meeting of shareholders or, if such meeting is not held or directors are not elected thereat, until a special meeting of shareholders called and held for the purpose of electing directors or directors are elected by the written action of all shareholders in lieu of either such meetings, and until his or her successor is elected and qualified or until his or her earlier resignation, removal from office, or death.

§2.6 Resignations . Any director may resign by giving written notice to the chairman, the president, or the secretary of the Company. Such resignation shall take effect at the time specified therein. Unless otherwise specified therein, the acceptance of a resignation shall not be necessary to make it effective.

§2.7 Removal of Directors . All the directors or any individual director may be removed from office, without assigning any cause, by the affirmative vote of the holders of record of not less than a majority of the shares having voting power of the Company with respect to the election of directors. In case of any such removal, a new director may be elected at the same meeting, if such election is properly brought before such meeting and the nomination of such director is properly made, in each case, in accordance with these regulations, for the unexpired term of each director removed. Any director may also be removed by the board of directors for any of the causes specified in §1701.58(B), Ohio Revised Code, or any future statute of like tenor or effect.

§2.8 Vacancies . A vacancy in the board of directors, including a vacancy created by an increase in the number of directors, may be filled only by: (a) majority vote of the remaining directors, even though they are less than a quorum or (b) the vote of shareholders required by the Company's Amended and Restated Articles, as may be amended from time to time, to elect directors at any shareholders meeting if such election is properly brought before such meeting and the nomination of such director is properly made, in each case, in accordance with these regulations. Any directors chosen to fill a vacancy shall hold office for the unexpired term of office and until their successors are elected and qualified or until his or her earlier resignation, removal from office, or death.

§2.9 Organization of Meetings . At each meeting of the board of directors, the chairman of the board, or, in his or her absence, the president, or, in his or her absence, a chairman chosen by a majority of the directors present, shall act as chairman. The secretary of the Company, or, if the secretary shall not be present, any person whom the chairman of the meeting shall appoint, shall act as secretary of the meeting.

§2.10 Place of Meetings . Meetings of the board shall be held at such place or places, within or without the State of Ohio, as may from time to time be fixed by the board of directors or as shall be specified or fixed in the notice of the meeting.

§2.11 Regular Meetings . Regular meetings of the board will not be held unless this code of regulations shall be amended to provide therefor.

§2.12 Special Meetings . Special meetings of the board of directors shall be held whenever called by the chairman of the board, if any, or by the president, or by a number of directors equal to one-third of the total number of directors.

§2.13 Notices of Meetings . Unless waived before, at or after the meeting as hereinafter provided, notice of each board of directors meeting shall be given to each director in accordance with and to the extent required by applicable law by the chairman, the president, the secretary, an assistant secretary, or the persons calling such meeting in any of the following ways:

(a) By orally informing him of the meeting in person or by telephone not later than twelve hours before the date and time of the meeting.

(b) By delivering notice in writing, electronically or by other legally sufficient means not later than one day before the date of the meeting.

(c) By mail, telegram or cablegram at least two days before the meeting addressed to him at the address furnished by him to the secretary of the Company, or to such other address as the person sending the notice shall know to be correct.

Unless otherwise required by the articles of incorporation, this code of regulations, or the laws of the State of Ohio, the notice of any meeting need not specify the purposes of the meeting. Notice of any meeting of the board may be waived by any director, either before, at, or after the meeting, in writing or by any other legally sufficient means.

§2.14 Notice of Adjournment of Meeting . Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at the meeting.

§2.15 Quorum and Manner of Acting . A majority of the number of directors fixed or established pursuant to §2.2 as of the time of any meeting of the board of directors must be present in person at such meeting in order to constitute a quorum for the transaction of business, provided that meetings of the directors may include participation by directors through any communications equipment if all directors participating can hear each other, and such participation in a meeting shall constitute presence at such meeting. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors. In the absence of a quorum, a majority of those present may adjourn a meeting from time to time until a quorum is present. Notice of an adjourned meeting need not be given. The directors shall act only as a board. Individual directors shall have no power as such.

§2.16 Order of Business . The order of business at meetings of the board shall be such as the chairman of the meeting may prescribe or follow, subject, however, to his or her being overruled with respect thereto by a majority of the members of the board present.

§2.17 Action in Writing in Lieu of Meeting . Any action which may be authorized or taken at a meeting of the directors may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all the directors.

§2.18 Executive and Other Committees . The directors may create and from time to time abolish or reconstitute an executive committee and any other committee or committees of directors each to consist of one or more directors, and may delegate to any such committee or committees any or all of the authority of the directors, however conferred, other than that of filling vacancies in the board of directors or in any committee of directors. Each such committee shall serve at the pleasure of the directors, and shall act only in the intervals between meetings of the board of directors, and shall be subject to the control and direction of the board of directors. The directors may adopt or authorize the committees to adopt provisions with respect to the government of any such committee or committees which are not inconsistent with applicable law, the articles of incorporation of the Company, or these regulations. An act or authorization of any act by any such committee within the authority properly delegated to it by the directors shall be as effective for all purposes as the act or authorization of the directors. Any right, power, or authority conferred in these regulations to the “directors” or to the “board of directors” shall also be deemed conferred upon each committee or committees of directors to which any such right, power, or authority is delegated (expressly, or by general delegation, or by necessary implication) by the board of directors.

ARTICLE 3

Officers

§3.1 Number and Titles . The officers of the Company shall be a chairman of the board, a president, one or more vice presidents, if needed, a secretary, one or more assistant secretaries, if needed, a treasurer, one or more assistant treasurers, if needed, and such other officers and assistant officers as the board may deem necessary. The board shall have the discretion to determine from time to time the number of vice presidents, if any, the Company shall have, whether or not assistant secretaries and assistant treasurers are needed, and, if so, the number of assistant secretaries and assistant treasurers the Company shall have. Furthermore, if there is more than one vice president, the board may, in its discretion, establish designations for the vice presidencies so as to distinguish among them as to their functions or their order, or both. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law, the articles, or these regulations to be executed, acknowledged, or verified by two or more officers.

§3.2 Election, Terms of Office, Qualifications, and Compensation . The officers shall be elected by the board of directors. Each shall be elected for an indeterminate term and shall hold office during the pleasure of the board of directors. The board of directors may hold annual elections of officers; in that event, each such officer shall hold office until his or her successor is elected and qualified unless he or she is removed earlier by the board of directors. The chairman of the board shall be a director, but no other officer need be a director. The other qualifications of all officers shall be such as the board of directors may establish. The board of directors shall fix the compensation, if any, of each officer.

§3.3 Additional Officers, Agents, Etc . In addition to the officers mentioned in §3.1, the Company may have such other officers, agents, and committees as the board of directors may deem necessary and may appoint, each of whom or each member of which shall hold office for such period, have such authority, and perform such duties as may be provided in these regulations or as may, from time to time, be determined by the board. The board of directors may delegate to any officer or committee the power to appoint any subordinate officer, agents, or committees. In the absence of any officer, or for any other reason the board of directors may deem sufficient, the board of directors may delegate, for the time being, the powers and duties, or any of them, of such officer to any other officer, or to any director.

§3.4 Removal . Any officer may be removed, either with or without cause, at any time, by the board of directors at any meeting, the notices (or waivers of notices) of which shall have specified that such removal action was to be considered. Any officer appointed by an officer or committee to which the board shall have delegated the power of appointment may be removed, either with or without cause, by the committee or superior officer (including successors) who made the appointment, or by any committee or officer upon whom such power of removal may be conferred by the board of directors.

§3.5 Resignations . Any officer may resign at any time by giving written notice to the board of directors, the chairman, the president, or the secretary. Any such resignation shall take effect at the time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

§3.6 Vacancies . A vacancy in any office because of death, resignation, removal, disqualification, or otherwise shall be filled in the manner prescribed for regular appointments or elections to such office.

§3.7 Powers, Authority, and Duties of Officers . Officers of the Company shall have the powers and authority conferred and the duties prescribed by law, in addition to those specified or provided for in these regulations and such other powers, authority, and duties as may be determined by the board of directors from time to time.

ARTICLE 4

Shares and Their Transfer

§4.1 Certificates for Shares . Every owner of one or more shares in the Company shall be entitled to a certificate or certificates, which shall be in such form as may be approved by the board of directors, certifying the number and class of shares in the Company owned by him. The certificates for the respective classes of such shares shall be numbered in the order in which they are issued and shall be signed in the name of the Company by the chairman or the president and the secretary; provided that, if such certificates are countersigned by a transfer agent or registrar, the signatures of such officers upon such certificates may be facsimiles, stamped, or printed. If an officer who has signed or whose facsimile signature has been used, stamped, or printed on any certificates ceases to be such officer because of death, resignation or other reason before such certificates are delivered by the Company, such certificates shall nevertheless be conclusively deemed to be valid if countersigned by any such transfer agent or registrar. A record shall be kept of the name of the owner or owners of the shares represented by each such certificate and the number of shares represented thereby, the date thereof, and in case of cancellation, the date of cancellation. Every certificate surrendered to the Company for exchange or transfer shall be cancelled and no new certificate or certificates shall be issued in exchange for any existing certificates until such existing certificates shall have been so cancelled, except in cases provided for in §4.4.

§4.2 Transfer of Shares . Any certificate for shares of the Company shall be transferable in person or by attorney upon the surrender of the certificate to the Company or any transfer agent for the Company (for the class of shares represented by the certificate surrendered) properly endorsed for transfer and accompanied by such assurances as the Company or its transfer agent may require as to the genuineness and effectiveness of each necessary endorsement. The person in whose name any shares stand on the books of the Company shall, to the full extent permitted by law, be conclusively deemed to be the unqualified owner and holder of the shares and entitled to exercise all rights of ownership for all purposes relating to the Company. Neither the Company nor any transfer agent of the Company shall be required to recognize any equitable interest in, or any claim to, any such shares on the part of any other person, whether disclosed on the certificate or any other way, nor shall they be required to see to the performance of any trust or other obligation.

§4.3 Regulations . The board of directors may make such rules and regulations as it may deem expedient or advisable, not inconsistent with these regulations, concerning the issue, transfer, and registration of certificates for shares. It may appoint one or more transfer agents or one or more registrars, or both, and may require all certificates for shares to bear the signature of either or both.

§4.4 Lost, Destroyed or Stolen Certificates . A new share certificate or certificates may be issued in place of any certificate theretofore issued by the Company which is alleged to have been lost, destroyed, or wrongfully taken upon: (a) the execution and delivery to the Company by the person claiming the certificate to have been lost, destroyed, or wrongfully taken of an affidavit of that fact in form satisfactory to the Company, specifying whether or not the certificate was endorsed at the time of such alleged loss, destruction or taking, and (b) the receipt by the Company of a surety bond, indemnity agreement, or any other assurances satisfactory to the Company and to all transfer agents and registrars of the class of shares represented by the certificate against any and all losses, damages, costs, expenses, liabilities or claims to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or with respect to the original certificate.

ARTICLE 5

Examination of Books by Shareholders

The board of directors may make reasonable rules and regulations prescribing under what conditions the books, records, accounts, and documents of the Company, or any of them, shall be open to the inspection of the shareholders. No shareholder shall be denied any right which is conferred by §1701.37, Ohio Revised Code, or any other applicable law to inspect any book, record, account, or document of the Company. An original or duplicate stock ledger showing the names and addresses of the shareholders and the number and class of shares issued or transferred of record to or by them from time to time shall at all times during the usual hours for business be open to the examination of every shareholder at the principal office or place of business of the Company in the State of Ohio.

ARTICLE 6

Indemnification and Insurance

§6.1 Costs Incurred . The Company shall, to the fullest extent authorized by law, including but not limited to the laws of the State of Ohio, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director, officer, or employee of the Company, or is or was serving at the written request of the Company as a director, trustee, officer, employee, member, or manager of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding. The Company shall indemnify a director, trustee, officer, employee, member, or manager seeking indemnity in connection with an action, suit, or proceeding (or part of an action, suit, or proceeding) initiated by such person only if the action, suit, or proceeding (or part of the action, suit, or proceeding) initiated by such person was authorized by the board of directors of the Company.

§6.2 Advance Payment of Costs . The Company shall pay expenses, including attorneys' fees, incurred by an officer of the Company in defending any action, suit, or proceeding referred to in §6.1 as they are incurred, in advance of the final disposition of such action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company. The Company shall pay expenses, including attorneys' fees, incurred by a director of the Company as specified in the Ohio Revised Code or any successor.

§6.3 Requested Service . Any person shall be deemed to be serving at the written request of the Company if such person is serving as a director, trustee, officer, employee, member, or manager of (a) another organization of which a majority of the outstanding voting securities representing the present right to vote for the election of its directors or equivalent executives is owned directly or indirectly by the Company (a "Subsidiary"), (b) any employee benefit plan of the Company or a Subsidiary, or (c) another organization of which the Company or a Subsidiary has the right to appoint a member or members of the board of directors or similar governing body of such organization.

§6.4 Non-Exclusive . The indemnification authorized in this Article shall not be deemed exclusive of any other rights to which persons seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

§6.5 Insurance . The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Company, or is or was serving at the request of the Company as a director, trustee, officer, employee, member, or manager of another corporation, domestic or foreign, nonprofit or for profit, limited liability company, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under this Article or under Chapter 1701, Ohio Revised Code.

§6.6 Survival . The indemnification authorized in this Article shall continue as to a person who has ceased to be a director, trustee, officer, employee, member, or manager.

§6.7 Successors . The indemnification authorized in this Article shall inure to the benefit of the heirs, executors, and administrators of any person entitled to indemnification under this Article.

§6.8 Elimination or Impairment of Indemnification Rights . No amendment, termination, or repeal of this Article 6, nor, to the fullest extent permitted by law, any modification of law, shall adversely affect or impair in any way the rights to be indemnified or to advancement of expenses pursuant to this Article 6 with respect to any actions, omissions, transactions or facts occurring prior to the final adoption of such amendment, modification, termination or repeal.

ARTICLE 7

Seal

The board of directors may adopt and alter a corporate seal and use the same or a facsimile thereof, but failure to affix the corporate seal, if any, shall not affect the validity of any instrument.

ARTICLE 8

Fiscal Year

The fiscal year of the Company shall be fixed and may be changed from time to time by the board of directors.

ARTICLE 9

Control Share Acquisitions

Section 1701.831, Ohio Revised Code, shall not apply to control share acquisitions of shares of the Company.

ARTICLE 10

Amendment of Regulations

These regulations may be amended or repealed or new regulations may be adopted: (a) at any meeting of the shareholders held for such purpose by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power on such proposal; (b) without a meeting of the shareholders, by the written consent of the holders of record of shares entitling them to exercise a majority of the voting power on such proposal; or (c) by the board of directors (to the extent permitted by the Ohio Revised Code).

Exhibit 10.1

Cardinal Health
Deferred Compensation Plan
Amended and Restated Effective as of January 1, 2009

Fourth Amendment

Background Information

A. Cardinal Health, Inc. ("Cardinal Health") established and maintains the Cardinal Health Deferred Compensation Plan (the "Plan") for the benefit of participants and their beneficiaries.

B. The Human Resources and Compensation Committee of the Board of Directors of Cardinal Health (the "Compensation Committee") oversees the administration of the Plan and is authorized to amend the Plan. In addition, the Benefits Policy Committee ("BPC") is authorized to amend the Plan, except as may affect the compensation of executive officers who are subject to Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16 Officers"), in accordance with authority delegated by the Compensation Committee.

C. The BPC, as to Participants who are not Section 16 Officers, and the Compensation Committee, as to Section 16 Officers, desire to amend the Plan to provide for a special one-time employer contribution to the Plan on behalf of certain Participants who have forfeited a portion of past employer contributions under the tax qualified retirement plan in connection with corrective actions under that plan.

D. Section 7.1 of the Plan permits the amendment of the Plan at any time.

Amendment of the Plan

The Plan is hereby amended as follows, effective as of January 1, 2011:

1. Section 3.2 of the Plan is hereby amended by the addition of the following at the end thereof:

   "The Employer shall also make an additional matching contribution to the Accounts of certain Participants who have been required to forfeit Employer matching contributions under the Qualified Plan in connection with corrective actions under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer matching contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer matching contributions under the foregoing sentence shall be fully vested when made and subject to the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made."

2. Section 3.4 of the Plan is hereby amended by the addition of the following at the end thereof:

"The Employer shall also make an additional contribution to the Accounts of certain Participants who have been required to forfeit Employer contributions (other than matching contributions) under the Qualified Plan in connection with corrective actions under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer contributions under the foregoing sentence shall be subject to the vesting requirements applicable to Employer Contribution Credits and the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made."

3. All other terms and provisions of the Plan shall remain unchanged.

CARDINAL HEALTH, INC.

By: /s/ Carole S. Watkins

Title: Chief Human Resources Officer

Date: March 16, 2011

Exhibit 12.1

CARDINAL HEALTH, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(in millions, except for ratios)	Fiscal Year Ended June 30, 2006	2007	2008	2009	2010	For the Nine Months Ended, March 31, 2011
Earnings before income taxes and discontinued operations	$1,316.3	$815.3	$1,295.1	$1,159.8	$1,211.6	$ 1,177.0
Plus fixed charges:						
Interest expense	102.5	108.2	143.4	118.4	125.5	70.9
Capitalized interest	4.1	10.5	13.5	5.1	2.9	4.1
Amortization of debt offering costs	3.4	7.4	3.5	3.8	9.9	1.4
Interest portion of rent expense	16.8	15.6	12.2	11.1	6.0	5.2
Fixed charges	126.8	141.7	172.6	138.4	144.3	81.6
Plus amortization of capitalized interest	2.9	1.3	1.5	2.5	6.5	4.2
Less capitalized interest	(4.1)	(10.5)	(13.5)	(5.1)	(2.9)	(4.1)
Earnings	$1,441.9	$947.8	$1,455.7	$1,295.6	$1,359.5	$ 1,258.7
Ratio of earnings to fixed charges (1)	**11.4**	**6.7**	**8.4**	**9.4**	**9.4**	**15.4**

(1) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings before income taxes and discontinued operations plus fixed charges and capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense which is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

Exhibit 31.1

I, George S. Barrett, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 6, 2011

/s/ George S. Barrett
George S. Barrett
Chairman and Chief Executive Officer

Exhibit 31.2

I, Jeffrey W. Henderson, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 6, 2011

/s/ Jeffrey W. Henderson
Jeffrey W. Henderson
Chief Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2011

/s/ George S. Barrett
George S. Barrett
Chairman and Chief Executive Officer

Exhibit 32.2

Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Jeffrey W. Henderson, Chief Financial Officer of Cardinal Health, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2011

/s/ Jeffrey W. Henderson
Jeffrey W. Henderson
Chief Financial Officer

Exhibit 99.1

Statement Regarding Forward-Looking Information

As used in this exhibit, "Cardinal Health," the "Company," "we," "our," "us" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2010 (the "2010 Form 10-K"), our Annual Report to Shareholders, any quarterly report on Form 10-Q or any of our current reports on Form 8-K (along with any exhibits to such reports as well as any amendments to such reports), our press releases, or any other written or oral statements made by or on behalf of us, may include directly or by incorporation by reference forward-looking statements which reflect our current view (as of the date such forward-looking statement is first made) with respect to future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include, but are not limited to:

- competitive pressures in the markets in which we operate, including pricing pressures;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services;
- uncertainties due to government healthcare reform, including the impact of the recently enacted healthcare reform legislation;
- legislative changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- the loss of, material reduction in purchases by, or default by one or more key customers;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices, including policies concerning price appreciation;
- changes in hospital buying groups or hospital buying practices;
- changes in the frequency or magnitude of branded pharmaceutical price appreciation or generic pharmaceutical price deflation, restrictions in the amount of inventory available to us, or changes in the timing of generic launches or the introduction of branded pharmaceuticals;
- uncertainties relating to market conditions for pharmaceuticals;
- uncertainties relating to demand for our products and services;
- changes in the distribution or outsourcing pattern for pharmaceutical and medical/surgical products and services, including an increase in direct and limited distribution;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities related to the operations or activities of such businesses prior to their acquisition;
- our ability to achieve the expected benefits from the acquisition of Healthcare Solutions Holding, LLC (P4 Healthcare) and to grow our specialty pharmaceutical services and distribution business;
- uncertainties related to our ability to achieve the expected benefits from the acquisition of Kinray, Inc., including the expected accretion in earnings;
- uncertainties relating to the growth of the pharmaceutical market in China;
- uncertainties relating to our ability to achieve the expected benefits from the acquisition of Yong Yu, including the expected accretion in earnings;
- risks arising from possible violations of the Foreign Corrupt Practices Act;
- risks arising from possible violations of healthcare fraud and abuse laws;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- changes in laws and regulations or in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations as a result of possible misinterpretations or misapplications;
- the continued financial viability and success of our customers, suppliers and franchisees;

- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, the U.S. Food and Drug Administration, the U.S. Nuclear Regulatory Commission, the U.S. Department of Health and Human Services, U.S. Federal Trade Commission, various state boards of pharmacy, state health departments, and state insurance departments or comparable agencies that could delay, limit or suspend product development, manufacturing, distribution or sales or result in warning letters, recalls, seizures, injunctions and monetary sanctions;
- costs or claims resulting from potential errors or defects in our manufacturing, compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls;
- the results, costs, effects or timing of any commercial disputes, patent infringement claims, or other legal proceedings;
- the costs, effects, timing or success of restructuring programs or plans;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil, oil related, latex, synthetic rubber, cotton and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the risks of counterfeit products in the supply chain;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S and international laws relating to global operations;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- disruption or damage to or failure of our information or controls systems;
- uncertainties relating to general political, business, industry, regulatory and market conditions;
- risks associated with the spin-off of CareFusion, including risks of non-performance under spin-off agreements and risks relating to adverse tax consequences to us and our shareholders; and
- other factors described in “Item 1A: Risk Factors” of the 2010 Form 10-K and Part II, Item 1A of this Form 10-Q.

The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue,” and similar expressions generally identify “forward-looking statements,” which speak only as of the date the statement was made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.