

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from _____ to _____

Commission File Number: 1-11373



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

Ohio

*(State or other jurisdiction of
incorporation or organization)*

7000 Cardinal Place, Dublin, Ohio

(Address of principal executive offices)

31-0958666

*(IRS Employer
Identification No.)*

43017

(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 Website, 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 the registrant's common shares, without par value, outstanding as of April 30, 2014, was the following: 340,201,299.

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* Items not listed are inapplicable.

Part I. Financial Information

Item 1: Financial Statements

Condensed Consolidated Statements of Earnings (Unaudited)

(in millions, except per common share amounts)	Three Months Ended March 31		Nine Months Ended March 31	
	2014	2013	2014	2013
Revenue	\$ 21,427	\$ 24,552	\$ 68,190	\$ 75,673
Cost of products sold	20,130	23,261	64,285	72,000
Gross margin	1,297	1,291	3,905	3,673
Operating expenses:				
Distribution, selling, general and administrative expenses	736	712	2,233	2,099
Restructuring and employee severance	5	33	25	39
Amortization and other acquisition-related costs	56	53	160	106
Impairments and loss on disposal of assets	—	21	10	27
Litigation (recoveries)/charges, net	(8)	(3)	(21)	(37)
Operating earnings	508	475	1,498	1,439
Other income, net	(33)	(6)	(43)	(17)
Interest expense, net	34	34	100	87
Earnings before income taxes and discontinued operations	507	447	1,441	1,369
Provision for income taxes	192	101	512	448
Earnings from continuing operations	315	346	929	921
Earnings/(loss) from discontinued operations, net of tax	—	(1)	3	(1)
Net earnings	\$ 315	\$ 345	\$ 932	\$ 920
Basic earnings per common share:				
Continuing operations	\$ 0.92	\$ 1.01	\$ 2.72	\$ 2.70
Discontinued operations	—	—	0.01	—
Net basic earnings per common share	\$ 0.92	\$ 1.01	\$ 2.73	\$ 2.70
Diluted earnings/(loss) per common share:				
Continuing operations	\$ 0.91	\$ 1.00	\$ 2.69	\$ 2.68
Discontinued operations	—	—	0.01	(0.01)
Net diluted earnings per common share	\$ 0.91	\$ 1.00	\$ 2.70	\$ 2.67
Weighted-average number of common shares outstanding:				
Basic	342	341	341	341
Diluted	347	345	346	344
Cash dividends declared per common share	\$ 0.3025	\$ 0.2750	\$ 0.9075	\$ 0.7875

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(in millions)	Three Months Ended March 31		Nine Months Ended March 31	
	2014	2013	2014	2013
Net earnings	\$ 315	\$ 345	\$ 932	\$ 920
Other comprehensive income/(loss):				
Net change in foreign currency translation adjustments	(24)	(24)	4	12
Net unrealized gain/(loss) on derivative instruments, net of tax	(5)	6	(2)	7
Total other comprehensive income/(loss), net of tax	(29)	(18)	2	19
Total comprehensive income	\$ 286	\$ 327	\$ 934	\$ 939

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(in millions)

	March 31, 2014 (Unaudited)	June 30, 2013
Assets		
Current assets:		
Cash and equivalents	\$ 3,041	\$ 1,901
Trade receivables, net	4,812	6,304
Inventories, net	8,030	8,373
Prepaid expenses and other	1,053	1,192
Total current assets	16,936	17,770
Property and equipment, net	1,404	1,489
Goodwill and other intangibles, net	5,593	5,574
Other assets	768	986
Total assets	\$ 24,701	\$ 25,819
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,919	\$ 12,295
Current portion of long-term obligations and other short-term borrowings	241	168
Other accrued liabilities	1,987	2,127
Total current liabilities	13,147	14,590
Long-term obligations, less current portion	3,679	3,686
Deferred income taxes and other liabilities	1,343	1,568
Shareholders' equity:		
Preferred shares, without par value:		
Authorized—500 thousand shares, Issued—none	—	—
Common shares, without par value:		
Authorized—755 million shares, Issued—364 million shares at March 31, 2014 and June 30, 2013	2,959	2,953
Retained earnings	4,657	4,038
Common shares in treasury, at cost: 23 million shares and 25 million shares at March 31, 2014 and June 30, 2013, respectively	(1,154)	(1,084)
Accumulated other comprehensive income	70	68
Total shareholders' equity	6,532	5,975
Total liabilities and shareholders' equity	\$ 24,701	\$ 25,819

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in millions)	Nine Months Ended March 31	
	2014	2013
Cash flows from operating activities:		
Net earnings	\$ 932	\$ 920
(Earnings)/loss from discontinued operations, net of tax	(3)	1
Earnings from continuing operations	929	921
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	344	275
Gain on sale of investments	(32)	—
Impairments and loss on disposal of assets	10	27
Share-based compensation	72	68
Provision for bad debts	31	18
Change in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables	1,473	81
Decrease/(increase) in inventories	350	(343)
Increase/(decrease) in accounts payable	(1,392)	214
Other accrued liabilities and operating items, net	23	166
Net cash provided by operating activities	1,808	1,427
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	(168)	(2,219)
Additions to property and equipment	(138)	(103)
Purchase of other investments	(27)	(6)
Proceeds from sale of other investments	47	—
Proceeds from maturities of held-to-maturity securities	—	71
Net cash used in investing activities	(286)	(2,257)
Cash flows from financing activities:		
Net change in short-term borrowings	65	(11)
Reduction of long-term obligations	(1)	(6)
Proceeds from long-term obligations, net of issuance costs	—	1,286
Net proceeds from issuance of common shares	219	63
Tax proceeds/(disbursements) from share-based compensation	36	(13)
Dividends on common shares	(312)	(258)
Purchase of treasury shares	(389)	(200)
Net cash provided by/(used in) financing activities	(382)	861
Net increase in cash and equivalents	1,140	31
Cash and equivalents at beginning of period	1,901	2,274
Cash and equivalents at end of period	\$ 3,041	\$ 2,305

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned and controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. References to "we," "our" and similar pronouns in this Quarterly Report on Form 10-Q refer to Cardinal Health, Inc. and its majority-owned and controlled 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, respectively.

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 2014 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2014.

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, 2014 (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, 2013 (the "2013 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.

Walgreens Contract

Our pharmaceutical distribution contract with Walgreen Co. ("Walgreens") expired on August 31, 2013. Sales to Walgreens generated approximately 20 percent of our consolidated revenue for fiscal 2013.

CVS Joint Venture

In December 2013, we announced an agreement with CVS Caremark Corporation ("CVS") to form Red Oak Sourcing, LLC, a U.S.-based generic sourcing entity ("Sourcing JV"). Both companies are contributing their sourcing and supply chain expertise to the 50/50 joint venture and are committing to source generic pharmaceuticals through it. The Sourcing JV, which we expect to be operational as soon as July 1, 2014, will have an initial term of 10 years. Under this arrangement, the Sourcing JV will negotiate generic supply contracts on behalf of both companies; however, it will not own products or hold inventory on behalf of either company. The arrangement includes a quarterly payment of \$25 million over the term that we will pay to CVS. No physical assets will be contributed by either company to the Sourcing JV, and minimal funding will be provided to capitalize the entity. The venture is subject to the completion of final documentation and customary closing conditions.

Sale of Investments

During the three months ended March 31, 2014, we sold our minority equity interests in two investments for proceeds of \$47 million, which resulted in a pre-tax gain of \$32 million included in other income, net in the condensed consolidated statements of earnings.

Recent Financial Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance related to the criteria for determining which disposals can be presented as discontinued operations and the related disclosure requirements. This amendment will be effective for us in the first quarter of fiscal 2016, with early adoption permitted. We will adopt this guidance on a prospective basis, and we do not expect the adoption to impact our financial position or results of operations.

In February 2013, the FASB issued amended accounting guidance related to reclassifications out of accumulated other comprehensive income ("AOCI"). An entity is required to present, either parenthetically on the face of the statement where net income is presented or in the notes, the significant amounts, by component, reclassified out of AOCI by the respective line items of net income and to report changes in its AOCI balances by component. We adopted this amended guidance on a prospective basis in the first quarter of fiscal 2014 and have elected to report reclassifications out of AOCI in Note 10 in this Form 10-Q. The adoption of this guidance did not impact our financial position or results of operations.

In January 2013, the FASB issued updated guidance to limit the scope of the balance sheet offsetting disclosures to derivatives, repurchase agreements and securities lending transactions to the extent they are offset in the financial statements or subject to an enforceable master netting arrangement or similar arrangement. We adopted this amended guidance on a retrospective basis in the first quarter of fiscal 2014. The adoption of this guidance did not impact our financial position or results of operations. See Note 8 for additional information regarding fair value measurements.

In July 2012, the FASB issued amended accounting guidance related to testing indefinite-lived intangible assets for impairment. Under this guidance, a company is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on a qualitative assessment, that it is more likely than not that its estimated fair value is less than its carrying amount. We adopted this amended guidance in the first quarter of fiscal 2014. The adoption of this guidance did not impact our financial position or results of operations.

2. Acquisitions

While we have completed acquisitions during the nine months ended March 31, 2014, the pro forma results of operations and the results of operations for acquisitions since the acquisition dates have not been separately disclosed because the effects were not significant enough compared to the consolidated financial statements, individually or in the aggregate.

AssuraMed

On March 18, 2013, we completed the acquisition of AssuraMed, Inc. ("AssuraMed") for \$2.07 billion, net of cash acquired, in an all-cash transaction. The acquisition of AssuraMed, a provider of medical supplies

Notes to Condensed Consolidated Financial Statements (continued)

to homecare providers and patients in the home, expands our ability to serve this patient base.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date for AssuraMed:

(in millions)	Amount
Identifiable intangible assets	\$ 627
Cash and equivalents	25
Trade receivables	103
Inventories	69
Prepaid expenses and other	102
Property and equipment	40
Accounts payable	(71)
Other accrued liabilities	(24)
Deferred income taxes and other liabilities	(180)
Total identifiable net assets acquired	691
Goodwill	1,404
Total net assets acquired	\$ 2,095

3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs related to our restructuring activities:

(in millions)	Three Months Ended March 31	
	2014	2013
Employee-related costs (1)	\$ 2	\$ 29
Facility exit and other costs (2)	3	4
Total restructuring and employee severance	\$ 5	\$ 33

(in millions)	Nine Months Ended March 31	
	2014	2013
Employee-related costs (1)	\$ 10	\$ 34
Facility exit and other costs (2)	15	5
Total restructuring and employee severance	\$ 25	\$ 39

- (1) Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods.
- (2) Facility exit and other costs primarily consist of lease termination costs, accelerated depreciation, equipment relocation costs, project consulting fees and costs associated with restructuring our delivery of information technology infrastructure services.

On January 30, 2013, we announced a restructuring plan within our Medical segment. Under this restructuring plan, among other things, we have moved production of procedure kits from our facility in Waukegan, Illinois to other facilities, and we are selling property and consolidating office space in Waukegan, Illinois. We recognized restructuring costs of \$1 million and \$13 million related to this restructuring plan during the three and nine months ended March 31, 2014, respectively, which primarily consisted of facility exit and other costs. We recognized restructuring costs of \$29 million related to this restructuring plan during both the three and nine months ended March 31, 2013, which consisted of both employee-related costs and facility exit and other costs.

We currently estimate the total costs associated with this restructuring plan to be approximately \$77 million on a pre-tax basis, of which \$51 million was recognized in fiscal 2013 and \$21 million was recognized during the nine months ended March 31, 2014, including the loss to write down the property in Waukegan, Illinois as discussed in Note 4. The

estimated \$5 million remaining costs to be recognized primarily through the end of fiscal 2014 consist of facility exit and other costs.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2013	\$ 55	\$ 2	\$ 57
Additions	17	1	18
Payments and other adjustments	(42)	(2)	(44)
Balance at March 31, 2014	\$ 30	\$ 1	\$ 31

4. Impairments and Loss on Disposal of Assets

In connection with our Medical segment restructuring plan discussed in Note 3, the property in Waukegan, Illinois meets the criteria for classification as held for sale. As a result, during the three months ended December 31, 2013, we recognized an \$8 million loss to write down this property to the estimated fair value, less costs to sell, of \$24 million, which is included in prepaid expenses and other in the condensed consolidated balance sheets. The fair value was estimated using inputs such as broker listings and sales agreements and thus represents a Level 2 nonrecurring fair value measurement.

During the three months ended March 31, 2013, we recognized an \$11 million loss to write down our gamma sterilization assets in El Paso, Texas and an \$8 million loss to write down commercial software under development.

5. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill, by segment and in total:

(in millions)	Pharmaceutical	Medical	Total
Balance at June 30, 2013	\$ 2,094	\$ 2,507	\$ 4,601
Goodwill acquired, net of purchase price adjustments	52	39	91
Foreign currency translation adjustments and other	(2)	(8)	(10)
Balance at March 31, 2014	\$ 2,144	\$ 2,538	\$ 4,682

Other Intangible Assets

Other intangible assets are amortized over periods ranging from one to twenty years. The following tables summarize other intangible assets by class at:

(in millions)	March 31, 2014		
	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
Trademarks and other	\$ 11	\$ —	\$ 11
Total indefinite-life intangibles	11	—	11
Definite-life intangibles:			
Customer relationships	1,040	349	691
Trademarks, trade names and patents	211	64	147
Non-compete agreements	17	11	6
Other	114	58	56
Total definite-life intangibles	1,382	482	900
Total other intangible assets	\$ 1,393	\$ 482	\$ 911

Notes to Condensed Consolidated Financial Statements (continued)

(in millions)	June 30, 2013		
	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
Trademarks and other	\$ 11	\$ —	\$ 11
Total indefinite-life intangibles	11	—	11
Definite-life intangibles:			
Customer relationships	982	230	752
Trademarks, trade names and patents	209	49	160
Non-compete agreements	15	10	5
Other	101	56	45
Total definite-life intangibles	1,307	345	962
Total other intangible assets	\$ 1,318	\$ 345	\$ 973

Total amortization of intangible assets was \$46 million and \$28 million for the three months ended March 31, 2014 and 2013, respectively, and \$138 million and \$72 million for the nine months ended March 31, 2014 and 2013, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2014 through 2018 is as follows: \$46 million, \$159 million, \$144 million, \$132 million and \$97 million.

6. Income Taxes

Fluctuations in our provision for income taxes as a percentage of pre-tax earnings ("effective tax rate") are due to changes in international and U.S. state effective tax rates and discrete items.

During the three months ended March 31, 2014, the effective tax rate of 38.0 percent was impacted by net unfavorable discrete items of \$5 million, which increased the rate by 1.0 percentage point. The discrete items include the unfavorable impact of remeasurement of unrecognized tax benefits (\$5 million).

During the nine months ended March 31, 2014, the effective tax rate of 35.5 percent was impacted by net favorable discrete items of \$18 million, which reduced the rate by 1.2 percentage points. The discrete items include the favorable impact of the settlement of federal and state tax controversies (\$67 million) and release of valuation allowance (\$12 million) and the unfavorable impact of remeasurement of unrecognized tax benefits (\$61 million).

During the three and nine months ended March 31, 2013, the effective tax rates of 22.7 percent and 32.7 percent were impacted by net favorable discrete items of \$57 million and \$51 million, which decreased the rates by 12.7 and 3.7 percentage points, respectively. The discrete items for the three and nine months ended March 31, 2013 include the favorable impact of revaluation of the deferred tax liability and related interest on unrepatriated foreign earnings as a result of an agreement with tax authorities (\$64 million), partially offset by unfavorable amounts related to remeasuring unrecognized tax benefits.

We had \$539 million and \$650 million of unrecognized tax benefits at March 31, 2014 and June 30, 2013, respectively. The March 31, 2014 and June 30, 2013 balances include \$348 million and \$371 million, respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not affect our effective tax rate. We include the full amount of unrecognized tax benefits in

deferred income taxes and other liabilities in the condensed consolidated balance sheets.

We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At March 31, 2014 and June 30, 2013 we had \$147 million and \$198 million, respectively, accrued for the payment of interest and penalties. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

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 U.S. Internal Revenue Service ("IRS") or other taxing authorities, including proposed assessments of additional tax, possible settlement of audit issues, reassessment of existing unrecognized tax benefits 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 is a net decrease of approximately zero to \$90 million, exclusive of penalties and interest.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. We are subject to audit by the IRS for fiscal years 2006 through the current fiscal year. We are generally subject to audit by taxing authorities in various U.S. state and foreign jurisdictions for fiscal years 2003 through the current fiscal year.

During the nine months ended March 31, 2014, the IRS closed audits of fiscal years 2003 through 2005. The IRS is currently conducting audits of fiscal years 2006 through 2010, and our transfer pricing arrangements continue to be under consideration as part of these audits. While the IRS has made and could make proposed adjustments to our transfer pricing arrangements, or other matters, we are defending our reported tax positions, and have accounted for the unrecognized tax benefits associated with our tax positions.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), under which CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was \$203 million and \$186 million at March 31, 2014 and June 30, 2013, respectively, and is included in other assets in the condensed consolidated balance sheets.

7. Contingent Liabilities and Litigation

Legal Proceedings

We become involved from time to time in disputes, litigation and regulatory matters incidental to our business, including governmental investigations and enforcement actions, personal injury claims, employment matters, commercial disputes, intellectual property matters, government contract compliance matters, disputes regarding environmental clean-up costs, claims 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 matters.

We may be named from time to time in *qui tam* actions, which are cases initiated by private parties purporting to act on behalf of federal or state governments that allege that false claims have been submitted or have been caused to be submitted for payment by the government. After a private party has filed a *qui tam* action, the government must investigate the private party's claim and determine whether to intervene in the matter.

Notes to Condensed Consolidated Financial Statements (continued)

These actions may remain under seal while the government makes this determination.

In addition, we occasionally 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 disputes, litigation and regulatory matters 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 developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We are unable to estimate a range of reasonably possible loss for matters described below, since damages or fines have not been specified and the proceedings are in early stages with significant uncertainty as to factual issues. We do not believe, based on currently available information, that the outcomes of these matters will have a material adverse effect on our financial condition, though the outcomes could be material to our results of operations for a particular period.

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 (recoveries)/charges, net in our condensed consolidated statements of earnings.

Lakeland, Florida Distribution Center DEA Investigation and Related Matters

In February 2012, the U.S. Drug Enforcement Administration (the "DEA") issued an order to show cause and immediate suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances, asserting that we failed to maintain required controls against the diversion of controlled substances. In May 2012, we entered into a settlement agreement with the DEA that resolved the administrative aspects of the DEA's action, but did not foreclose the possibility of the U.S. Department of Justice (the "DOJ") seeking civil fines for conduct covered by the settlement agreement. In that regard, we are providing information to and engaging in discussions with the DEA and the DOJ.

State of West Virginia vs. Cardinal Health, Inc.

In June 2012, the West Virginia Attorney General filed, and in January 2014 amended, complaints against 13 pharmaceutical wholesale distributors, including us, in the Circuit Court of Boone County, West Virginia alleging, among other things, that the distributors failed to maintain effective controls to guard against diversion of controlled substances in West Virginia, failed to report suspicious orders of controlled substances in accordance with the West Virginia Uniform Controlled Substances Act and were negligent in distributing controlled substances to pharmacies that serve individuals who abuse controlled substances. In addition to injunctive and other equitable relief, the complaints seek monetary damages and the creation of a court-supervised fund, to be financed by

the defendants in these actions, for a medical monitoring program focused on prescription drug abuse.

Federal False Claims Investigation

The DOJ has requested information in connection with an investigation of possible violations of the federal False Claims Act with respect to our Medical segment's administration of a prime vendor agreement with the federal government. We are cooperating with the DOJ in this matter.

Antitrust Litigation Proceeds

We recognized income resulting from settlements of class action antitrust claims in which we were a class member of \$9 million and \$3 million during the three months ended March 31, 2014 and 2013, respectively, and \$24 million and \$37 million during the nine months ended March 31, 2014 and 2013, respectively.

8. 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 tables present the fair values for those assets measured on a recurring basis at:

(in millions)	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash equivalents (1)	\$ 1,092	\$ —	\$ —	\$ 1,092
Forward contracts (2)	—	15	—	15
Other investments (3)	101	—	—	101
Total	\$ 1,193	\$ 15	\$ —	\$ 1,208

(in millions)	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents (1)	\$ 348	\$ —	\$ —	\$ 348
Forward contracts (2)	—	12	—	12
Other investments (3)	89	—	—	89
Total	\$ 437	\$ 12	\$ —	\$ 449

- (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 interest rate swaps, foreign currency contracts and commodity contracts 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

Notes to Condensed Consolidated Financial Statements (continued)

determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in the condensed consolidated balance sheets.

- (3) The other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds primarily invest in the equity securities of companies with large market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

9. Financial Instruments and Other Financing Arrangements

Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period. Our derivative and hedging programs are consistent with those described in our 2013 Form 10-K.

During the nine months ended March 31, 2014, we entered into pay-floating interest rate swaps with total notional amounts of \$300 million. These swaps have been designated as fair value hedges of our fixed rate debt and are included in other assets in the condensed consolidated balance sheets at March 31, 2014.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable and other accrued liabilities at March 31, 2014 and June 30, 2013 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at:

(in millions)	March 31, 2014	June 30, 2013
Estimated fair value	\$ 4,032	\$ 3,899
Carrying amount	3,920	3,854

The estimated fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement. See Note 8 for further information regarding fair value measurements.

Other Financing Arrangements

On October 15, 2013, we reduced our committed receivables sales facility program from \$950 million to \$700 million in light of the Walgreens contract expiration. Our committed receivables sales facility program is available to us through Cardinal Health Funding, LLC ("CHF"), which was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated in accordance with GAAP, CHF is a separate legal entity from Cardinal Health and from our subsidiary that sells the receivables to CHF. CHF is designed

to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors.

10. Shareholders' Equity

During the nine months ended March 31, 2014, we repurchased 5.7 million common shares having an aggregate cost of \$389 million. The average price paid per common share was \$67.66.

During the nine months ended March 31, 2013, we repurchased 4.9 million common shares having an aggregate cost of \$200 million. The average price paid per common share was \$40.63.

We funded the repurchases with available cash. The common shares repurchased are held in treasury to be used for general corporate purposes.

Accumulated Other Comprehensive Income

The following table summarizes the changes in the balance of AOCI by component and in total:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Gain on Derivatives, net of tax	Accumulated Other Comprehensive Income
Balance at June 30, 2013	\$ 54	\$ 14	\$ 68
Other comprehensive income/(loss), net of tax before reclassifications	4	—	4
Amounts reclassified to earnings	—	(2)	(2)
Total other comprehensive income/ (loss), net of tax	4	(2)	2
Balance at March 31, 2014	\$ 58	\$ 12	\$ 70

11. Earnings Per Share

The following tables reconcile the number of common shares used to compute basic and diluted earnings per share:

(in millions)	Three Months Ended March 31	
	2014	2013
Weighted-average common shares—basic	342	341
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	5	4
Weighted-average common shares— diluted	347	345

(in millions)	Nine Months Ended March 31	
	2014	2013
Weighted-average common shares—basic	341	341
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	5	3
Weighted-average common shares— diluted	346	344

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive were zero and 7 million for the three months ended March 31, 2014 and 2013, respectively, and zero and 10 million for the nine months ended March 31, 2014 and 2013, respectively.

12. Segment Information

Notes to Condensed Consolidated Financial Statements (continued)

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our 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 following tables present revenue for each reportable segment and Corporate:

(in millions)	Three Months Ended March 31	
	2014	2013
Pharmaceutical (1)	\$ 18,762	\$ 22,070
Medical	2,657	2,484
Total segment revenue	21,419	24,554
Corporate (2)	8	(2)
Total revenue	\$ 21,427	\$ 24,552

(in millions)	Nine Months Ended March 31	
	2014	2013
Pharmaceutical (1)	\$ 60,018	\$ 68,314
Medical	8,168	7,363
Total segment revenue	68,186	75,677
Corporate (2)	4	(4)
Total revenue	\$ 68,190	\$ 75,673

(1) The decrease in Pharmaceutical segment revenue is primarily due to the Walgreens contract expiration.

(2) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

We evaluate segment performance 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 ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology and legal. Corporate expenses are allocated to the segments based upon headcount, level of benefit provided and ratable allocation. Other income, net, interest expense, net and provision for income taxes are not allocated to the segments.

Restructuring and employee severance, amortization and other acquisition-related costs, impairments and loss on disposal of assets and litigation (recoveries)/charges, net are not allocated to the segments. In addition, certain investment and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. We encourage our segments and corporate functions 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 often retained at Corporate. Investment spending within Corporate was \$7 million for both the three months ended March 31, 2014 and 2013 and \$17 million and \$14 million for the nine months ended March 31, 2014 and 2013, respectively.

The following tables present segment profit by reportable segment and Corporate:

(in millions)	Three Months Ended March 31	
	2014	2013
Pharmaceutical	\$ 452	\$ 498
Medical	111	100
Total segment profit	563	598
Corporate	(55)	(123)
Total operating earnings	\$ 508	\$ 475

(in millions)	Nine Months Ended March 31	
	2014	2013
Pharmaceutical	\$ 1,368	\$ 1,339
Medical	348	268
Total segment profit	1,716	1,607
Corporate	(218)	(168)
Total operating earnings	\$ 1,498	\$ 1,439

The following table presents total assets for each reportable segment and Corporate:

(in millions)	March 31, 2014	June 30, 2013
Pharmaceutical (1)	\$ 14,447	\$ 16,258
Medical	6,376	6,521
Corporate	3,878	3,040
Total assets	\$ 24,701	\$ 25,819

(1) The decrease in Pharmaceutical segment assets is primarily due to the Walgreens contract expiration.

13. Share-Based Compensation

Share-Based Compensation Plans

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees. The following tables provide total share-based compensation expense by type of award:

(in millions)	Three Months Ended March 31	
	2014	2013
Restricted share unit expense	\$ 15	\$ 15
Employee stock option expense	6	5
Performance share unit expense	3	2
Total share-based compensation	\$ 24	\$ 22

(in millions)	Nine Months Ended March 31	
	2014	2013
Restricted share unit expense	\$ 46	\$ 44
Employee stock option expense	16	17
Performance share unit expense	10	7
Total share-based compensation	\$ 72	\$ 68

The total tax benefit related to share-based compensation was \$8 million for both the three months ended March 31, 2014 and 2013 and \$25 million for both the nine months ended March 31, 2014 and 2013.

Stock Options

Employee stock options granted under the Plans generally vest in equal

Notes to Condensed Consolidated Financial Statements (continued)

annual installments over three years and are exercisable for periods ranging from seven to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date and, when exercised, are issued out of treasury shares.

The following table summarizes all stock option transactions under the Plans:

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2013	15	\$ 36.97
Granted	2	51.77
Exercised	(7)	38.45
Canceled and forfeited	—	—
Outstanding at March 31, 2014	10	\$ 39.04
Exercisable at March 31, 2014	6	\$ 33.55

At March 31, 2014, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was \$29 million, which is expected to be recognized over a weighted-average period of two years. The following table provides additional data related to stock option activity at:

(in millions, except contractual lives)	March 31, 2014	June 30, 2013
Aggregate intrinsic value of outstanding options at period end	\$ 308	\$ 156
Aggregate intrinsic value of exercisable options at period end	\$ 202	\$ 113
Weighted-average remaining contractual life of outstanding options (in years)	6	4
Weighted-average remaining contractual life of exercisable options (in years)	4	3

Stock options are granted to our officers and certain employees. The fair values were estimated on the grant date using a lattice valuation model. We believe the lattice model provides reasonable estimates because it has the ability to take into account individual exercise patterns based on changes in our stock price and other variables, and it provides for a range of input assumptions.

Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years. The fair value is determined by the grant date market price of our common shares. Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2013	3	\$ 38.74
Granted	1	52.21
Vested	(1)	37.48
Canceled and forfeited	—	—
Nonvested at March 31, 2014	3	\$ 45.42

At March 31, 2014, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized

was \$89 million, which is expected to be recognized over a weighted-average period of two years.

Performance Share Units

Performance share units vest over a three-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 200 percent of the target award amount. The fair value of performance share units is determined by the grant date market price of our common shares. The compensation expense associated with nonvested performance share units is dependent on our periodic assessment of the probability of the targets being achieved and our estimate of the number of shares that will ultimately be issued. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

During the nine months ended March 31, 2014, 274 thousand performance share units were granted at target at a weighted-average fair value per share of \$51.49. Also during the nine months ended March 31, 2014, 157 thousand performance share units with an initial two-year performance period and a weighted-average grant date fair value per share of \$41.60 vested based on achievement of 143 percent of the target performance goal. At March 31, 2014, there were 864 thousand nonvested performance share units with a weighted-average grant date fair value per share of \$44.39.

At March 31, 2014, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was \$18 million, which is expected to be recognized over a weighted-average period of two years.

14. Subsequent Events

On April 2, 2014, we announced an agreement to acquire Access Closure, Inc. ("AccessClosure") for \$320 million in an all-cash transaction. The acquisition of AccessClosure, a manufacturer and distributor of extravascular closure devices, will expand our portfolio of physician preference items. We expect the transaction to close in May 2014, subject to customary closing conditions and regulatory clearances.

Financial Review**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 at March 31, 2014 and June 30, 2013, and for our condensed consolidated statements of earnings for the three and nine months ended March 31, 2014 and 2013. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Form 10-K.

Portions of this Form 10-Q (including information incorporated by reference) include "forward-looking statements." The words "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," 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 "Part II, Item 1A: Risk Factors" of this Form 10-Q, Exhibit 99.1 to this Form 10-Q and "Part I, Item 1A: Risk Factors" of our 2013 Form 10-K. 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 healthcare services company providing pharmaceutical and medical products and services that help pharmacies, hospitals, ambulatory surgery centers, clinical laboratories, physician offices and other healthcare providers focus on patient care while reducing costs, enhancing efficiency and improving quality. We also provide medical products to patients in the home.

We report our financial results in two segments: Pharmaceutical and Medical.

Revenue for the three and nine months ended March 31, 2014 was \$21.4 billion and \$68.2 billion, a 13 percent and 10 percent decrease, respectively, from the prior-year periods largely due to the previously disclosed expiration of our pharmaceutical distribution contract with Walgreen Co. ("Walgreens") on August 31, 2013. Gross margin of \$1.3 billion for the three months ended March 31, 2014 was flat compared to the prior-year period and increased 6 percent to \$3.9 billion for the nine months ended March 31, 2014, reflecting the positive impact of acquisitions, strong performance from generic programs, and the offsetting impact of the Walgreens contract expiration.

Operating earnings increased 7 percent to \$508 million and 4 percent to \$1.5 billion for the three and nine months ended March 31, 2014, respectively. Operating earnings during the three months ended March 31, 2013 were impacted by \$29 million of restructuring costs recognized in connection with a restructuring plan within our Medical segment.

Earnings from continuing operations were down 9 percent to \$315 million and up 1 percent to \$929 million for the three and nine months ended March 31, 2014, respectively. Both current-year periods benefited from a pre-tax gain of \$32 million on the sale of our minority equity interests in

two investments. A \$64 million revaluation of a deferred tax liability benefited both prior-year periods.

Our cash and equivalents balance was \$3.0 billion at March 31, 2014, compared to \$1.9 billion at June 30, 2013. The increase in cash and equivalents during the nine months ended March 31, 2014 was driven by net cash provided by operating activities of \$1.8 billion, which includes the decrease in our net working capital associated with the Walgreens contract expiration, partially offset by share repurchases of \$389 million and dividends of \$312 million. We plan to continue to execute a balanced deployment of available capital to position ourselves for sustainable competitive advantage and to enhance shareholder value.

Walgreens Contract

The Walgreens contract expiration unfavorably impacted period-over-period comparisons of revenue and operating earnings during the three and nine months ended March 31, 2014. We expect the contract expiration to have an adverse impact on our period-over-period comparisons of revenue and operating earnings during the remainder of fiscal 2014 and the first quarter of fiscal 2015.

CVS Joint Venture

In December 2013, we announced an agreement with CVS Caremark Corporation ("CVS") to form Red Oak Sourcing, LLC, a U.S.-based generic sourcing entity ("Sourcing JV"). Both companies are contributing their sourcing and supply chain expertise to the 50/50 joint venture and are committing to source generic pharmaceuticals through it. The Sourcing JV, which we expect to be operational as soon as July 1, 2014, will have an initial term of 10 years. Under this arrangement, the Sourcing JV will negotiate generic supply contracts on behalf of both companies; however, it will not own products or hold inventory on behalf of either company. The arrangement includes a quarterly payment of \$25 million over the term that we will pay to CVS. No physical assets will be contributed by either company to the Sourcing JV, and minimal funding will be provided to capitalize the entity. The venture is subject to the completion of final documentation and customary closing conditions.

Acquisitions

We did not complete any acquisitions that were significant, individually or in the aggregate, during the nine months ended March 31, 2014. In March 2013, we acquired AssuraMed, Inc. ("AssuraMed"), a provider of medical supplies to homecare providers and patients in the home. This acquisition increased revenue and operating earnings for the three and nine months ended March 31, 2014.

On April 2, 2014, we announced an agreement to acquire Access Closure, Inc. ("AccessClosure") for \$320 million in an all-cash transaction. The acquisition of AccessClosure, a manufacturer and distributor of extravascular closure devices, will expand our portfolio of physician preference items. We expect the transaction to close in May 2014, subject to customary closing conditions and regulatory clearances.

Trends

While pharmaceutical price appreciation on some generic products positively impacted our margins during the nine months ended March 31, 2014, the magnitude and timing of future generic price appreciation is uncertain.

Financial Review (continued)

Results of Operations

Revenue

(in millions)	Three Months Ended March 31		
	2014	2013	Change
Pharmaceutical	\$ 18,762	\$ 22,070	(15)%
Medical	2,657	2,484	7 %
Total segment revenue	21,419	24,554	(13)%
Corporate	8	(2)	N.M.
Total revenue	\$ 21,427	\$ 24,552	(13)%

(in millions)	Nine Months Ended March 31		
	2014	2013	Change
Pharmaceutical	\$ 60,018	\$ 68,314	(12)%
Medical	8,168	7,363	11 %
Total segment revenue	68,186	75,677	(10)%
Corporate	4	(4)	N.M.
Total revenue	\$ 68,190	\$ 75,673	(10)%

Pharmaceutical Segment

Revenue for the three and nine months ended March 31, 2014 compared to the prior-year periods was negatively impacted by the Walgreens contract expiration (\$4.9 billion and \$11.9 billion, respectively). Revenue for the nine months ended March 31, 2014 was also negatively impacted by the expiration of our pharmaceutical distribution contract with Express Scripts, Inc. on September 30, 2012 (\$2.0 billion). These decreases were partially offset by sales growth from new and existing pharmaceutical distribution customers during the three and nine months ended March 31, 2014 (\$1.6 billion and \$5.3 billion, respectively).

Medical Segment

Revenue for the three and nine months ended March 31, 2014 compared to the prior-year periods reflects the benefit of acquisitions (\$208 million and \$755 million, respectively).

Cost of Products Sold

As a result of the same factors affecting the change in revenue, cost of products sold decreased \$3.1 billion (13 percent) and \$7.7 billion (11 percent) compared to the prior-year periods. See the gross margin discussion below for additional drivers impacting cost of products sold.

Gross Margin

(in millions)	Three Months Ended March 31		
	2014	2013	Change
Gross margin	\$ 1,297	\$ 1,291	—%

(in millions)	Nine Months Ended March 31		
	2014	2013	Change
Gross margin	\$ 3,905	\$ 3,673	6%

Gross margin increased during the three and nine months ended March 31, 2014 compared to the prior-year periods (\$6 million and \$232 million, respectively). Acquisitions positively impacted gross margin (\$57 million and \$207 million, respectively).

Gross margin for the three months ended March 31, 2014 was unfavorably impacted by \$40 million due to lower sales, which included the impact of the Walgreens contract expiration, partially offset by sales growth from

new and existing customers. Gross margin for the nine months ended March 31, 2014 was positively impacted by \$36 million due to sales growth, which included growth from new and existing customers, partially offset by the impact of the Walgreens contract expiration.

Excluding the impact of the Walgreens contract expiration, gross margin rate was flat during the three and nine months ended March 31, 2014. Margin rate benefited from strong performance from generic programs, including the impact of generic pharmaceutical price appreciation, and was adversely impacted by customer pricing changes.

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

(in millions)	Three Months Ended March 31		
	2014	2013	Change
SG&A expenses	\$ 736	\$ 712	3%

(in millions)	Nine Months Ended March 31		
	2014	2013	Change
SG&A expenses	\$ 2,233	\$ 2,099	6%

SG&A expenses increased during the three and nine months ended March 31, 2014 compared to the prior-year periods primarily due to acquisitions (\$37 million and \$113 million, respectively).

Segment Profit and Consolidated Operating Earnings

(in millions)	Three Months Ended March 31		
	2014	2013	Change
Pharmaceutical	\$ 452	\$ 498	(9)%
Medical	111	100	11 %
Total segment profit	563	598	(6)%
Corporate	(55)	(123)	N.M.
Total operating earnings	\$ 508	\$ 475	7 %

(in millions)	Nine Months Ended March 31		
	2014	2013	Change
Pharmaceutical	\$ 1,368	\$ 1,339	2%
Medical	348	268	30%
Total segment profit	1,716	1,607	7%
Corporate	(218)	(168)	N.M.
Total operating earnings	\$ 1,498	\$ 1,439	4%

Pharmaceutical Segment Profit

Pharmaceutical segment profit for the three months ended March 31, 2014 was unfavorably impacted by lower sales, which included the impact of the Walgreens contract expiration, partially offset by sales growth from new and existing customers. Pharmaceutical segment profit for the nine months ended March 31, 2014 was positively impacted by sales growth, which included growth from new and existing customers, partially offset by the impact of the Walgreens contract expiration.

Excluding the impact of the Walgreens contract expiration, the impact of gross margin rate on Pharmaceutical segment profit for the three and nine months ended March 31, 2014 was flat. Margin rate benefited from strong performance from generic programs, including the impact of generic pharmaceutical price appreciation, and was adversely impacted by customer pricing changes.

Financial Review (continued)

Medical Segment Profit

The principal driver for the increase in Medical segment profit during the three and nine months ended March 31, 2014 was the positive impact of acquisitions. Medical segment profit was also moderated by overall procedural volume softness and reductions in Presource kitting volumes.

Consolidated Operating Earnings

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

(in millions)	Three Months Ended March 31	
	2014	2013
Restructuring and employee severance	\$ 5	\$ 33
Amortization and other acquisition-related costs	56	53
Impairments and loss on disposal of assets	—	21
Litigation (recoveries)/charges, net	(8)	(3)

(in millions)	Nine Months Ended March 31	
	2014	2013
Restructuring and employee severance	\$ 25	\$ 39
Amortization and other acquisition-related costs	160	106
Impairments and loss on disposal of assets	10	27
Litigation (recoveries)/charges, net	(21)	(37)

Restructuring and Employee Severance

On January 30, 2013, we announced a restructuring plan within our Medical segment. Under this restructuring plan, we have moved production of procedure kits from our facility in Waukegan, Illinois to other facilities, and we are selling property in Waukegan, Illinois. We recognized restructuring costs of \$1 million and \$13 million related to this plan during the three and nine months ended March 31, 2014, respectively, and restructuring costs of \$29 million related to this plan during both the three and nine months ended March 31, 2013.

We estimate additional costs of \$5 million to be recognized primarily through the end of fiscal 2014.

Amortization and Other Acquisition-Related Costs

Amortization of acquisition-related intangible assets was \$46 million and \$26 million for the three months ended March 31, 2014 and 2013, respectively, and \$138 million and \$69 million for the nine months ended March 31, 2014 and 2013, respectively. The increase in amortization during the three and nine months ended March 31, 2014 was primarily due to intangible assets from the acquisition of AssuraMed. We also recognized transaction costs associated with the purchase of AssuraMed of \$18 million during the three and nine months ended March 31, 2013.

Impairments and Loss on Disposal of Assets

For the nine months ended March 31, 2014, impairments and loss on disposal of assets included an \$8 million loss to write down property in Waukegan, Illinois in connection with our Medical segment restructuring plan. For the three months ended March 31, 2013, impairments and loss on disposal of assets included an \$11 million loss to write down our gamma sterilization assets in El Paso, Texas and an \$8 million loss to write down commercial software under development.

Litigation (Recoveries)/Charges, Net

We recognized income resulting from settlements of class action antitrust claims in which we were a class member of \$9 million and \$3 million during the three months ended March 31, 2014 and 2013, respectively, and \$24 million and \$37 million during the nine months ended March 31, 2014 and 2013, respectively.

Earnings Before Income Taxes and Discontinued Operations

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

(in millions)	Three Months Ended March 31		
	2014	2013	Change
Other income, net	\$ (33)	\$ (6)	N.M.
Interest expense, net	34	34	—%

(in millions)	Nine Months Ended March 31		
	2014	2013	Change
Other income, net	\$ (43)	\$ (17)	N.M.
Interest expense, net	100	87	15%

Other Income, Net

Other income, net for the three and nine months ended March 31, 2014 included a \$32 million pre-tax gain related to the sale of our minority equity interests in two investments.

Interest Expense, Net

The increase in interest expense, net for the nine months ended March 31, 2014 compared to the prior-year period was primarily due to \$1.3 billion of notes issued in connection with the AssuraMed acquisition during the third quarter of fiscal 2013.

Provision for Income Taxes

Generally, fluctuations in the effective tax rate are due to changes within international and U.S. state effective tax rates resulting from our business mix and discrete items.

During the three months ended March 31, 2014, the effective tax rate of 38.0 percent was impacted by net unfavorable discrete items of \$5 million, which increased the rate by 1.0 percentage point. The discrete items include the unfavorable impact of remeasurement of unrecognized tax benefits (\$5 million).

During the nine months ended March 31, 2014, the effective tax rate of 35.5 percent was impacted by net favorable discrete items of \$18 million, which reduced the rate by 1.2 percentage points. The discrete items include the favorable impact of the settlement of federal and state tax controversies (\$67 million) and release of valuation allowance (\$12 million) and the unfavorable impact of remeasurement of unrecognized tax benefits (\$61 million).

During the three and nine months ended March 31, 2013, the effective tax rates of 22.7 percent and 32.7 percent were impacted by net favorable discrete items of \$57 million and \$51 million, which decreased the rates by 12.7 and 3.7 percentage points, respectively. The discrete items for the three and nine months ended March 31, 2013 include the favorable impact of revaluation of the deferred tax liability and related interest on unrepatriated foreign earnings as a result of an agreement with tax

Financial Review (continued)

authorities (\$64 million), partially offset by unfavorable amounts related to remeasuring unrecognized tax benefits.

Ongoing Audits

During the nine months ended March 31, 2014, the U.S. Internal Revenue Service ("IRS") closed audits of fiscal years 2003 through 2005. The IRS is currently conducting audits of fiscal years 2006 through 2010.

Liquidity and Capital Resources

We currently believe that, based upon available capital resources (cash on hand and access to committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures, business growth and expansion; contractual obligations; payments for tax settlements; and current and projected debt service requirements, dividends and share repurchases. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need to access capital in addition to cash on hand and our existing committed credit facilities.

Cash and Equivalents

Our cash and equivalents balance was \$3.0 billion at March 31, 2014, compared to \$1.9 billion at June 30, 2013. At March 31, 2014, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

The increase in cash and equivalents during the nine months ended March 31, 2014 was driven by net cash provided by operating activities of \$1.8 billion, partially offset by share repurchases of \$389 million and dividends of \$312 million. Net cash provided by operating activities of \$1.8 billion included a significant net working capital decrease as a result of the Walgreens contract expiration.

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

	March 31	
	2014	2013
Days sales outstanding	20.2	23.5
Days inventory on hand (1)	28.7	27.5
Days payable outstanding (1)	39.0	39.8

(1) Chargeback billings, which are used in the above calculations, were \$5.1 billion and \$4.0 billion for the three months ended March 31, 2014 and 2013, respectively.

Changes in working capital can vary significantly depending on factors such as customer payments of accounts receivable, the timing of inventory purchases and payments to vendors in the regular course of business.

The changes in DSO and DIOH are primarily a result of the Walgreens contract expiration. DPO decreased primarily due to the timing of payments to vendors, partially offset by the impact of the Walgreens contract expiration.

The cash and equivalents balance at March 31, 2014 included \$482 million of cash held by subsidiaries outside of the United States. Although the vast majority of this cash is available for repatriation, permanently bringing the money 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 through intercompany loans.

Credit Facilities and Commercial Paper

On October 15, 2013, we reduced our committed receivables sales facility program from \$950 million to \$700 million in light of the Walgreens contract expiration. In addition to our committed receivables sales facility program, our sources of liquidity include a \$1.5 billion revolving credit facility and a commercial paper program of up to \$1.5 billion, backed by the revolving credit facility.

We had no outstanding balance under the committed receivables sales facility program or under the revolving credit facility at March 31, 2014, except for standby letters of credit of \$41 million under the committed receivables sales facility program. We had no outstanding borrowings from the commercial paper program at March 31, 2014. Our revolving credit facility and committed receivables sales facility program 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, 2014, we were in compliance with these financial covenants.

Capital Expenditures

Capital expenditures were \$138 million and \$103 million during the nine months ended March 31, 2014 and 2013, respectively.

Dividends

On February 5, 2014, our Board of Directors approved the quarterly dividend of \$0.3025 per share, or \$1.21 on an annualized basis, which was paid on April 15, 2014 to shareholders of record on April 1, 2014.

Share Repurchases

During the nine months ended March 31, 2014, we repurchased \$389 million of our common shares under our repurchase authorization which expires August 31, 2015. We funded the repurchases with cash on hand. At March 31, 2014, we had \$11 million remaining under this repurchase authorization.

On October 29, 2013, our Board of Directors approved an additional \$1.0 billion share repurchase program, which expires on December 31, 2016. At March 31, 2014, we had \$1.0 billion remaining under this repurchase authorization.

Off-Balance Sheet Arrangements

We had no significant off-balance sheet arrangements at March 31, 2014.

Contractual Obligations

Other than our agreement with CVS to form the Sourcing JV, there has been no material change in our outstanding contractual obligations since the end of fiscal 2013 through March 31, 2014.

Recent Financial Accounting Standards

See Note 1 of the "Notes to Condensed Consolidated Financial Statements" for a discussion of recent financial accounting standards.

Critical Accounting Policies and Sensitive Accounting Estimates

Refer to the Critical Accounting Policies and Sensitive Accounting Estimates section of "Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Form 10-K. There have been no material changes to our critical accounting policies and sensitive accounting estimates since the end of fiscal 2013 through March 31, 2014.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risks since the end of fiscal 2013 through March 31, 2014 from those reported in our 2013 Form 10-K.

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 (the "Exchange Act")) as of March 31, 2014. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of March 31, 2014 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act 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, 2014 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

In addition to the proceedings described below, the legal proceedings described in Note 7 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Item 1: Legal Proceedings" by reference.

In June 2012, Henry Stanley, Jr., a purported shareholder, filed a derivative action on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against the current and certain former members of our Board of Directors. The complaint alleged that the defendants breached their fiduciary duties in connection with the U.S. Drug Enforcement Administration's suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances in February 2012, and the suspension and reinstatement of such registrations at three of our facilities in 2007 and 2008. The complaint sought, among other things, unspecified money damages from the defendants and an award of attorney's fees. In October 2012, the U.S. District Court dismissed the derivative action with prejudice, and in August 2013, the U.S. Court of Appeals affirmed the decision. In September 2013, the plaintiff in the derivative action made demand on our Board of Directors to take action against current and certain former members of our Board of Directors to recover damages based on the allegations made in the derivative action. A special committee of independent directors investigated the allegations made in the demand. After receiving and evaluating the special committee's findings and recommendations, our Board of Directors determined in February 2014 that pursuing the claims set forth in the demand was not in the best interest of the company.

Item 1A: Risk Factors

You should carefully consider the information in this Form 10-Q and the risk factors discussed in "Part I, Item 1A: Risk Factors" and other risks discussed in our 2013 Form 10-K and our filings with the SEC since June 30, 2013, including "Part II, Item 1A: Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended December 31, 2013. These risks could materially and adversely affect our results of operations, financial condition, liquidity and cash flows. Our business 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 we made of our common shares during the three months ended March 31, 2014:

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 Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2) (in millions)
January 1 – 31, 2014	153,429	\$ 68.00	—	\$ 1,350
February 1 – 28, 2014	2,612,267	70.49	2,612,032	1,166
March 1 – 31, 2014	2,164,050	71.40	2,163,862	1,011
Total	4,929,746	\$ 70.81	4,775,894	\$ 1,011

- (1) Includes 259, 235 and 188 common shares purchased in January, February and March 2014, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan and 153,170 common shares tendered in January 2014 to satisfy tax withholding and pay the exercise price upon exercise of outstanding employee stock options.
- (2) On August 8, 2012, our Board of Directors approved a \$750 million share repurchase program, which expires on August 31, 2015. During the three months ended March 31, 2014, we repurchased \$339 million of our common shares under this program. On October 29, 2013, our Board of Directors approved an additional \$1.0 billion share repurchase program, which expires on December 31, 2016.

Item 6: Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on August 10, 2012, File No. 1-11373)
10.1	Amended and Restated Aircraft Time Sharing Agreement, effective February 5, 2014, between Cardinal Health, Inc. and George S. Barrett
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 the Chief Executive Officer and 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
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

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 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.

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.

Date: May 6, 2014

Cardinal Health, Inc.

/s/ GEORGE S. BARRETT

George S. Barrett
Chairman and Chief Executive Officer

/s/ JEFFREY W. HENDERSON

Jeffrey W. Henderson
Chief Financial Officer

CARDINAL HEALTH, INC.
AMENDED AND RESTATED AIRCRAFT TIME SHARING AGREEMENT

This Amended and Restated Aircraft Time Sharing Agreement ("Agreement") by and between Cardinal Health, Inc. ("Operator"), an Ohio corporation whose address is 7000 Cardinal Place, Dublin, Ohio 43017 and George S. Barrett ("User"), whose address is 7000 Cardinal Place, Dublin, Ohio 43017 (collectively the "Parties"), is effective February 5, 2014, and shall terminate on December 31, 2015, unless terminated sooner by either party pursuant to Article I below.

WHEREAS, effective as of the date hereof the Parties agree that this Agreement shall amend and restate in its entirety the Aircraft Time Sharing Agreement between Operator and User dated November 1, 2012; such Aircraft Time Sharing Agreement shall be deemed to have been fully and completely incorporated into and replaced in its entirety by this Agreement;

WHEREAS, Operator has the right of possession of the aircraft ("Aircraft"), equipped with engines and components as described in the Leased Aircraft Subject to the Amended and Restated Aircraft Time Sharing Agreement attached hereto and made a part hereof, as Exhibit A;

WHEREAS, Operator employs a fully qualified flight crew to operate the Aircraft;

WHEREAS, Operator desires to provide to User, and User desires to have the use of said Aircraft with flight crew on a non-exclusive time sharing basis as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR");

WHEREAS, this Agreement sets forth the understanding of the Parties as to the terms under which Operator will provide User with the use, on a periodic basis, of the Aircraft as described in Exhibit A hereto, currently operated by Operator; and

WHEREAS, the use of the Aircraft will at all times be pursuant to and in full compliance with the requirements of Part 91 (General Operating and Flight Rules) of the Federal Aviation Regulations ("FAR");

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows:

1. Termination.

Either party may terminate this Agreement for any reason upon written notice to the other, such termination to become effective thirty (30) days from the date of the notice; provided that this Agreement may be terminated on such shorter notice as may be required to comply with applicable laws, regulations, insurance

requirements or in the event the insurance required hereunder is not in full force and effect.

2. Use of Aircraft.

(a) User may use the Aircraft from time to time, with the permission and approval of Operator's Flight Operations Department, for any and all lawful purposes allowed by FAR Part 91 (General Operating and Flight Rules) at such times as the Operator does not require the use of the Aircraft for the business purposes of Operator or an affiliate. User's use may include the use of the Aircraft by his family members (including children or grandchildren) and guests if they accompany him on the flight.

(b) User represents, warrants and covenants to Operator that:

1. User shall use each Aircraft for and on his own account only and shall not use any Aircraft for the purposes of providing transportation of passengers or cargo in air commerce for compensation or hire and shall not accept any reimbursement from a passenger or otherwise for charges under this Agreement;
2. User shall refrain from incurring any mechanics lien or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, and User shall not attempt to convey, mortgage, assign, lease or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien;
3. During the term of this Agreement, User will abide by and conform to all such laws, governmental, and airport orders, rules, and regulations as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time-sharing User.

(c) User shall provide Operator's Flight Operations Department with notice of his desire to use the Aircraft and proposed flight schedules pursuant to and in accordance with Operator's Corporate Aircraft Utilization Policy, as amended from time to time.

(d) Operator shall have sole and exclusive authority over the scheduling of the Aircraft, including which Aircraft is used for any particular flight.

(e) Operator shall not be liable to User or any other person for loss, injury, or damage occasioned by the delay or failure to furnish the Aircraft and crew pursuant to this Agreement for any reason.

3. Time-Sharing Arrangement.

It is intended that this Agreement is and will meet the requirements of a "Time Sharing Agreement" as that term is defined in FAR Part 91.501(c)(1) whereby Operator will lease its Aircraft and flight crew to User.

4. Cost of Use of Aircraft.

(a) In exchange for use of the Aircraft, User shall pay the following amounts for each flight, pursuant to FAR 91.501(d):

- (1) The cost of fuel, oil, lubricants and other additives.
- (2) Travel expenses of the crew, including food, lodging, and ground transportation.
- (3) Hangar and tie-down costs when the Aircraft is required by the User to be away from the Aircraft's base of operation.
- (4) Insurance obtained for the specific flight.
- (5) Landing fees, airport taxes, and similar assessments.
- (6) Customs, foreign permit, and similar fees directly related to the flight.
- (7) In flight food and beverages.
- (8) Passenger ground transportation.
- (9) Flight planning and weather contract services.
- (10) An additional charge comprised of the allocable share attributable to such flight of the average quarterly cost of trip-related repairs and maintenance and other similar incremental costs, which shall not exceed 100% of the expenses listed in Paragraph 4(a)(1).

(b) Operator will invoice, and User will pay, for all appropriate charges.

(c) In addition to the rental rate referenced in Paragraph 4(a) above, User shall also be assessed the Federal Excise Taxes as imposed under Section 4261 of the Internal Revenue Code, any applicable state and local taxes and any segment and landing fees associated with such flight(s).

5. Invoicing and Payment.

All payments to be made to Operator by User hereunder shall be paid in the manner set forth in this Paragraph 5. Operator will pay to suppliers, employees, contractors and government entities all expenses related to the operations of the Aircraft hereunder in the ordinary course. For all flights operated hereunder in each calendar month, Operator shall provide to User an initial invoice for the charges specified in Paragraph 4 of this Agreement (including Federal or international air transportation Excise Taxes, as applicable, imposed by the Internal Revenue Code and to be collected by Operator), such invoice to be issued within thirty (30) days after the end of the calendar month in which such

flights were completed. The initial invoice for the costs specified in Paragraph 4 (a) above may be based, in whole or in part, on average or estimated costs. User shall pay Operator the full amount of such monthly invoice within thirty (30) days after receipt of the invoice. After the completion of each calendar quarter, Operator shall also provide to User final invoices for all flights operated hereunder in each calendar month of such calendar quarter. Such final invoices will be based on the actual costs for such flights, based on the billings received by Operator from third party vendors. To the extent that User is required to pay Operator any additional amounts under the final invoices, it will do so within thirty (30) days after receipt of the final invoice. In the event that the final invoice reduces the amounts paid as reimbursement under the initial invoices for such flights, the Operator shall return any overage or provide a credit to the User. All invoices shall separately itemize the expenses in items (1) through (10) of Paragraph 4(a) for the collective flights included in that invoice. User shall further pay all costs incurred by Operator in collecting any amounts due from User pursuant to the provisions of this Paragraph 5 after delinquency, including court costs and reasonable attorneys' fees.

6. Insurance and Limitation of Liability.

Operator represents that the flight operations for the Aircraft as contemplated in this Agreement will be covered by the Operator's (or the Operator's 100% wholly owned subsidiary's) aircraft all-risk physical damage insurance (hull Coverage), aircraft bodily injury and property damage liability insurance, passenger, pilot and crew voluntary settlement insurance and statutory workers compensation and employer's liability insurance.

(a) Insurance.

1. Operator will maintain or cause to be maintained in full force and effect throughout the term of this Agreement aircraft liability insurance in respect of the Aircraft in an amount at least equal to \$100 million combined single limit for bodily injury to or death of persons (including passengers) and property damage liability. Operator will retain all rights and benefits with respect to the proceeds payable under policies of hull insurance maintained by Operator (or the Operator's 100% wholly owned subsidiary) that may be payable as a result of any incident or occurrence while an Aircraft is being operated on behalf of User under this Agreement.
2. Operator shall use best efforts to procure such additional insurance coverage as User may request naming User as an additional insured; provided, that the cost of such additional insurance shall be borne by User pursuant to Paragraph 4(a)(4) hereof.

(b) Limitation of Liability. User agrees that the insurance specified in paragraph 6 (a) shall provide its sole recourse for all claims, losses, liabilities, obligations,

demands, suits, judgments or causes of action, penalties; fines, costs and expenses of any nature whatsoever, including attorneys' fees and expenses for or on account of or arising out of, or in any way connected with the use of the Aircraft by User, family members or guests, including injury to or death of any persons, including User, family members and guests which may result from or arise out of the use or operation of the Aircraft during the term of this Agreement ("Claims"). This Paragraph 6 shall survive termination of this Agreement.

(c) User agrees that when, in the reasonable view of Operator's Flight Operations Department or the pilots of the Aircraft, safety may be compromised, Operator or the pilots may terminate a flight, refuse to commence a flight, or take other action necessitated by such safety considerations without liability for loss, injury, damage, or delay.

(d) In no event shall Operator be liable to User or his family members, employees, agents, representatives, guests, or invitees for any claims or liabilities, including property damage or injury and death, and expenses, including attorney's fees, in excess of the amount paid by Operator's insurance carrier in the event of such loss.

(e) OPERATOR SHALL IN NO EVENT BE LIABLE TO USER OR HIS FAMILY MEMBERS, EMPLOYEES, AGENTS, REPRESENTATIVES, GUESTS, OR INVITEES FOR ANY INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES AND/OR PUNITIVE DAMAGES OF ANY KIND OR NATURE UNDER ANY CIRCUMSTANCES OR FOR ANY REASON INCLUDING ANY DELAY OR FAILURE TO FURNISH THE AIRCRAFT OR CAUSED OR OCCASIONED BY THE PERFORMANCE OR NON-PERFORMANCE OF ANY SERVICES COVERED BY THIS AGREEMENT.

7. Covenants Regarding Aircraft Maintenance.

Each Aircraft has been inspected and maintained in the twelve-month period preceding the date hereof in accordance with the provisions of FAR Part 91. Operator shall, at its own expense, inspect, maintain, service, repair, overhaul, and test the Aircraft in accordance with FAR Part 91. Each Aircraft will remain in good operating condition and in a condition consistent with its airworthiness certification, including all FAA-issued airworthiness directives and mandatory service bulletins. In the event that any non-standard maintenance is required during any applicable lease term, Operator, or Operator's Pilot-In-Command, shall immediately notify User of the maintenance required, the effect on the ability to comply with User's dispatch requirements and the manner in which the Parties will proceed with the performance of such maintenance and conduct of the balance of the planned flight(s).

8. No Warranty.

NEITHER OPERATOR (NOR ITS AFFILIATES) MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE: ANY WARRANTY OR

REPRESENTATION, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO ANY AIRCRAFT TO BE USED HEREUNDER OR ANY ENGINE OR COMPONENT THEREOF INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, AIRWORTHINESS, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT OR TITLE.

9. Operational Control.

Operator shall be responsible for the physical and technical operation of the Aircraft and the safe performance of all flights and shall retain full authority and control, including exclusive operational control, and possession of the Aircraft at all times during the term of this Agreement. In accordance with applicable FARs, the qualified flight crew provided by Operator will exercise all required and/or appropriate duties and responsibilities in regard to the safety of each flight conducted hereunder. The Pilot-In-Command shall have absolute discretion in all matters concerning the preparation of the Aircraft for flight and the flight itself, the load carried and its distribution, the decision whether or not a flight shall be undertaken, the route to be flown, the place where landings shall be made and all other matters relating to operation of the Aircraft. User specifically agrees that the flight crew shall have final and complete authority to delay or cancel any flight for any reason or condition which, in sole judgment of the Pilot-In-Command, could compromise the safety of the flight and to take any other action which, in the sole judgment of the Pilot-In-Command, is necessitated by considerations of safety. No such action of the Pilot-In-Command shall create or support any liability to User or any other person for loss, injury, damages or delay. The Parties further agree that Operator shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement which is caused by government regulation or authority, mechanical difficulty or breakdown, war, civil commotion, strikes or labor disputes, weather conditions, acts of God or other circumstances beyond Operator's reasonable control. User agrees that Operator's operation of aircraft is within the operation guidelines of the Operator's Flight Operations Department manual and the crews are responsible to operate within the guidelines of FAR 91 and the Operator's Flight Operations Department manual.

10. Governing Law.

The Parties hereto acknowledge that this Agreement shall be governed by and construed in all respects in accordance with the laws of the State of Ohio.

11. Counterparts.

This Agreement may be executed in one or more counterparts each of which will be deemed an original, all of which together shall constitute one and the same agreement.

12. Notices and Communications.

All notices, requests, demands and other communications required or desired to be given hereunder shall be in writing (except as permitted pursuant to Paragraph 2(c)) and shall be deemed to be given: (i) if personally delivered, upon such delivery; (ii) if mailed by certified mail, return receipt requested, postage pre-paid, addressed as (to the extent applicable for mailing) listed in the preamble hereto, upon the earlier to occur of actual receipt, refusal to accept receipt or three (3) days after such mailing; (iii) if sent by regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, addressed (to the extent applicable for overnight delivery) as listed in the preamble hereto, upon the earlier to occur of actual receipt or the next "Business Day" (as hereafter defined) after being sent by such delivery; or (iv) upon actual receipt when sent by fax, mailgram, telegram or telex. Notice given by other means shall be deemed to be given only upon actual receipt. Addresses may be changed by written notice given as provided herein and signed by the party giving the notice.

13. Further Acts.

OPERATOR and USER shall from time to time perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary to: (i) carry out the intent and purpose of this Agreement; and (ii) establish, maintain and protect the respective rights and remedies of the other party.

14. Successors and Assigns.

Neither this Agreement nor any party's interest herein shall be assignable to any other party whatsoever, except that Operator may assign its interest to an affiliate without the consent of the User. This Agreement shall inure to the benefit of and be binding upon the Parties hereto, their heirs, representatives and successors.

15. Severability.

In the event that any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, those provisions shall be replaced by provisions acceptable to both Parties to this Agreement.

16. Flight Crew.

Operator is responsible for providing a qualified flight crew for all flight operations under this Agreement. The Operator will furnish two experienced and competent pilots who shall be under the direction and control of the Operator at all times.

17. Taxes.

The Parties acknowledge that reimbursement of all items specified in Paragraph 4, except for subsections (7) and (8) thereof, are subject to the Federal Excise Tax imposed under Internal Revenue Code 4261 (the "Commercial Transportation Tax"). User shall pay to Operator (for payment to the appropriate governmental agency) any Commercial Transportation Tax or state and local taxes, if any, applicable to flights of the Aircraft conducted hereunder. Operator shall indemnify User for any claims related to the Commercial Transportation Tax or other taxes to the extent that User has paid Operator the amounts necessary to pay such taxes.

18. Right of Possession.

Operator has the right of possession to each Aircraft in Exhibit A pursuant to an Aircraft Lease Agreement. Nothing herein shall constitute a transfer of Operator's possessory rights to the Aircraft.

19. Truth-in-Leasing.

The Operator shall mail a copy of this Agreement for and on behalf of both Parties to: Federal Aviation Administration, Aircraft Registration Branch, Attention: Technical Section, P.O. Box 25724, Oklahoma City, Oklahoma 73125, within twenty-four (24) hours of its execution, as provided by FAR 91.23 (c)(1). Additionally, Operator agrees to comply with the notification requirements of FAR Section 91.23 by notifying by telephone or in person the Columbus, Ohio FAA Flight Standards District Office at least forty-eight (48) hours prior to the first flight under this Agreement.

(a) OPERATOR CERTIFIES THAT EACH AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED WITHIN THE 12-MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT IN ACCORDANCE WITH THE PROVISIONS OF PART 91 OF THE FEDERAL AVIATION REGULATIONS AND THAT ALL APPLICABLE REQUIREMENTS FOR EACH AIRCRAFT'S MAINTENANCE AND INSPECTION HEREUNDER WILL BE MET AND ARE VALID FOR THE OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT DURING THE DURATION OF THIS AGREEMENT.

(b) OPERATOR, WHOSE ADDRESS APPEARS IN PARAGRAPH 12 ABOVE AND WHOSE AUTHORIZED SIGNATURE APPEARS BELOW, AGREES, CERTIFIES AND ACKNOWLEDGES THAT WHENEVER EACH AIRCRAFT IS OPERATED UNDER THIS AGREEMENT, OPERATOR SHALL BE KNOWN AS, CONSIDERED AND SHALL IN FACT BE THE OPERATOR OF THE AIRCRAFT AND THAT OPERATOR UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(c) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF FACTORS AND PERTINENT FEDERAL AVIATION REGULATIONS BEARING ON OPERATONAL CONTROL CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

(d) OPERATOR AGREES TO KEEP A COPY OF THIS AGREEMENT IN THE AIRCRAFT AT ALL TIMES DURING THE TERM OF THIS AGREEMENT.

IN WITNESS WHEREOF, the Parties hereto have each caused this Agreement to be duly executed on February 5, 2014.

OPERATOR:

Cardinal Health, Inc.

/s/ Gregory B. Kenny

By: Gregory B. Kenny

Its: Chairman of the Human Resources and Compensation Committee of the Board of Directors

USER:

George S. Barrett

/s/ George S. Barrett

EXHIBIT A

Cardinal Health, Inc.
Leased Aircraft Subject to Amended and Restated Aircraft Time Sharing
Agreement

Each of the undersigned is a party to the Amended and Restated Aircraft Time Sharing Agreement dated February 5, 2014, by and between Cardinal Health, Inc. ("Operator") and George S. Barrett ("User") (together the "Parties"), and agrees that from and after February 5, 2014, until this Exhibit A shall be superseded and replaced through agreement of the Parties or the Amended and Restated Aircraft Time Sharing Agreement shall be terminated pursuant to its terms, the Aircraft described below shall constitute the "Aircraft" described in and subject to the terms of the Amended and Restated Aircraft Time Sharing Agreement.

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OPERATOR:

Cardinal Health, Inc.

/s/ Gregory B. Kenny

By: Gregory B. Kenny

Its: Chairman of the Human Resources and Compensation Committee of the
Board of Directors

USER:

George S. Barrett

/s/ George S. Barrett

Cardinal Health, Inc. and Subsidiaries

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	Fiscal Year Ended June 30					Nine Months Ended March 31, 2014
	2009	2010	2011	2012	2013	
Earnings before income taxes and discontinued operations	\$ 1,159.8	\$ 1,211.6	\$ 1,518.3	\$ 1,698.1	\$ 888.3	\$ 1,441.0
Plus fixed charges:						
Interest expense	118.4	125.5	95.2	92.3	119.2	97.3
Capitalized interest	5.1	2.9	5.7	6.0	1.7	0.7
Amortization of debt offering costs	3.8	9.9	1.8	2.8	3.5	2.7
Interest portion of rent expense	11.1	6.0	7.1	7.8	8.3	7.2
Fixed charges	138.4	144.3	109.8	108.9	132.7	107.9
Plus: amortization of capitalized interest	2.5	6.5	5.3	3.2	3.4	2.3
Less: capitalized interest	(5.1)	(2.9)	(5.7)	(6.0)	(1.7)	(0.7)
Earnings	\$ 1,295.6	\$ 1,359.5	\$ 1,627.7	\$ 1,804.2	\$ 1,022.7	\$ 1,550.5
Ratio of earnings to fixed charges (1)	9.4	9.4	14.8	16.6	7.7	14.4

- (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 that 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.

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.

Date: May 6, 2014

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

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.

Date: May 6, 2014

/s/ JEFFREY W. HENDERSON

Jeffrey W. Henderson

Chief Financial Officer

**Certification of the Chief Executive Officer and 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**

Each of George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Jeffrey W. Henderson, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 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, 2014

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

/s/ JEFFREY W. HENDERSON

Jeffrey W. Henderson

Chief Financial Officer

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, 2013 (the "2013 Form 10-K"), any quarterly report on Form 10-Q or any of our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our Annual Report to Shareholders, 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 the 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:

- 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;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- material reductions in purchases, non-renewal or early termination of contracts, or a default, by key customers;
- risks associated with the generic sourcing joint venture with CVS Caremark Corporation announced in December 2013, including those related to our ability to successfully and timely implement the joint venture and our ability to realize the expected benefits from the joint venture;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration ("DEA"), the U.S. Food and Drug Administration, the U.S. Nuclear Regulatory Commission, the U.S. Department of Health and Human Services, the U.S. Federal Trade Commission, various state boards of pharmacy, state health departments, state insurance departments or comparable agencies or foreign equivalents that could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions and monetary sanctions;
- compliance with the settlement agreement that we entered into in connection with the DEA's suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances, our ability to begin to distribute controlled substances from our Lakeland, Florida distribution center in May 2014, and the possibility of civil fines levied against us by the U.S. Department of Justice for conduct covered by the settlement agreement;
- 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;
- changes in hospital buying groups or hospital buying practices;
- changes in the frequency or magnitude of brand or generic pharmaceutical price appreciation or generic pharmaceutical price deflation, restrictions in the amount of inventory available to us, or changes in the timing or frequency of generic launches or the introduction of brand 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;
- uncertainties related to our ability to achieve the expected benefits from the acquisition of Access Closure, Inc.;
- uncertainties related to our ability to achieve the expected benefits from the acquisition of AssuraMed, Inc. ("AssuraMed") and the impact on AssuraMed's business of competitive bidding by Medicare;
- risks arising from AssuraMed being a Medicare-certified supplier and participating in state Medicaid programs, which may require meeting defined quality standards and maintaining accreditation to receive reimbursement as well as compliance with applicable billing, payment and record-keeping requirements;
- uncertainties relating to our ability to grow our specialty pharmaceutical services and distribution business;
- uncertainties relating to growth of the pharmaceutical market in China;
- risks arising from possible violations of (1) the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws and other similar anti-bribery laws in other jurisdictions and (2) U.S. and foreign export control, trade embargo and customs laws;
- 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 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 and suppliers;
- 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, government contract compliance matters, patent infringement claims, *qui tam* actions or other legal proceedings;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil-based resins, cotton, latex 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 or a data security breach;
- disruptions to the proper functioning of our critical facilities, including our national logistics center;
- uncertainties relating to general political, business, industry, regulatory and market conditions;
- adverse changes in U.S. or foreign tax laws, unfavorable challenges to our tax positions and payments to settle these challenges;
- risks associated with the spin-off of CareFusion Corporation, including risks relating to adverse tax consequences to us and our shareholders; and
- other factors described in “Item 1A-Risk Factors” of the 2013 Form 10-K.

The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue,” “likely,” and similar expressions generally identify “forward-looking statements,” which speak only as of the date the statements were 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.