

Q2 FY2018

Cardinal Health, Inc. Earnings Investor/Analyst call
February 8, 2018



Forward-looking statements and GAAP reconciliation

Cautions Concerning Forward-Looking Statements

This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include competitive pressures in Cardinal Health's various lines of business; the amount or rate of pharmaceutical price appreciation or deflation and the timing of and benefit from generic pharmaceutical introductions; the ability to maintain the benefits from the generic sourcing venture with CVS Health; risks associated with the recently completed acquisition of the Patient Recovery Business, including the ability to retain the acquired businesses' customers and employees, the ability to successfully integrate the acquired businesses into our operations and the ability to achieve the expected synergies as well as accretion in earnings; the risk of non-renewal or a default under one or more key customer or supplier arrangements or changes to the terms of or level of purchases under those arrangements; uncertainties due to government health care reform including proposals to modify or repeal the Affordable Care Act; uncertainties with respect to the recently enacted Tax Cuts and Jobs Act, including the ability to realize the benefits of, and manage the potential impact from certain provisions of the Act; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of ongoing investigations and of any action by any governmental or regulatory authority, including litigation or reputational harm arising from the distribution of opioids; and changes in foreign currency rates and the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of Feb. 8, 2018. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, this presentation contains Non-GAAP financial measures. Cardinal Health provides definitions and reconciliations of the differences between Non-GAAP financial measures and their most directly comparable GAAP financial measures in the Financial Appendix at the end of this presentation and at ir.cardinalhealth.com.

Q2 FY18 results



Q2 FY18 financial summary

GAAP Basis (\$M)

	Q2 FY18	Q2 FY17
Revenue	\$35,186	\$33,150
% change	6% increase YoY	5% increase YoY
Operating Earnings	\$399	\$542
% change	26% decrease YoY	4% decrease YoY
Ratio to revenue	1.13%	1.63%
Net Earnings¹	\$1,053	\$324
% change	225% increase YoY	0% decrease YoY
Ratio to revenue	3.00%	0.98%
Diluted EPS¹	\$3.33^{2,3}	\$1.02
% change	226% increase YoY	4% increase YoY

Non-GAAP Basis (\$M)

	Q2 FY18	Q2 FY17
	N/A	N/A
	\$730	\$701
	4% increase YoY	4% decrease YoY
	2.07%	2.11%
	\$478	\$427
	12% increase YoY	1% decrease YoY
	1.36%	1.29%
	\$1.51³	\$1.34
	13% increase YoY	3% increase YoY

¹Attributable to Cardinal Health, Inc.

² Reflects the \$2.83 net benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amounts are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.

³Includes a tax benefit of \$0.20 per share from applying a lower federal tax rate to our year-to-date U.S. pretax non-GAAP earnings. Any impact on the tax benefit from future changes in the estimated effective tax rate will be reflected in the applicable period of the change in estimate.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q2 FY18 Pharmaceutical segment business analysis

	Q2 FY18 (\$M)	Q2 FY17 (\$M)	YoY Change
Revenue	\$31,146	\$29,743	5%
Segment Profit	\$514	\$537	(4)%
Segment Profit Margin	1.65%	1.81%	-16 bps

Highlights:

- **Revenue** increase was due to sales growth from pharmaceutical and specialty distribution customers, which was partially offset by the previously announced expiration of a large, mail-order customer contract.
- **Segment profit** decrease was driven by costs related to the company's ongoing investment in its Pharmaceutical IT platform, as well as the company's generics program performance. These were partially offset by strong performance in its Specialty Solutions business.

The sum of the components may not equal the total due to rounding.

Q2 FY18 Medical segment business analysis

	Q2 FY18 (\$M)	Q2 FY17 (\$M)	YoY Change
Revenue	\$4,044	\$3,410	19%
Segment Profit	\$220	\$159	38%
Segment Profit Margin	5.43%	4.68%	+76 bps

Highlights:

- **Revenue** increase was driven by contributions from the acquisition of the Patient Recovery business and, to a lesser extent, new and existing customers.
- **Segment profit** increase was driven by contributions from the acquisition of the Patient Recovery business, which were partially offset by performance in Cardinal Health Branded products, including Cordis. Segment profit for the quarter includes the impact of the Patient Recovery business inventory fair value step-up expense. Excluding the \$22 million step-up in the quarter, year-over-year Medical segment profit growth was 52 percent.

The sum of the components may not equal the total due to rounding.

Q2 FY18 GAAP to non-GAAP adjustments¹

	Q2 FY 2018			
	Gross Margin (\$M)	Operating Earnings (\$M)	Net Earnings ² (\$M)	Diluted EPS ²
GAAP	\$1,861	\$399	\$1,053	\$3.33
LIFO charges/(credits)	-	-	-	-
Restructuring and employee severance	-	21	23	0.07
Amortization and other acquisition-related costs	-	184	143	0.46
Impairments and (gain)/loss on disposal of assets	-	68	111	0.35
Litigation (recoveries)/charges, net	-	58	41	0.13
Transitional tax benefit ³	-	-	(894)	(2.83)
Non-GAAP	\$1,861	\$730	\$478	\$1.51

Amortization of acquisition-related intangible assets ⁴	-	\$150	\$115	\$0.37
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Q2 FY 2017			
Gross Margin (\$M)	Operating Earnings (\$M)	Net Earnings ² (\$M)	Diluted EPS ²
\$1,602	\$542	\$324	\$1.02
9	9	5	0.02
-	7	5	0.01
-	115	76	0.24
-	9	6	0.02
-	19	12	0.04
\$1,611	\$701	\$427	\$1.34

-	\$95	\$63	\$0.20
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¹Please see appendix for GAAP to Non-GAAP reconciliations.

²Attributable to Cardinal Health, Inc.

³Reflects the estimated net transitional benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amounts are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.

⁴Amortization of acquisition-related intangible assets is included in Amortization and other acquisition-related costs.

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FY2018 Outlook

The company presents its outlook for fiscal 2018 non-GAAP EPS and non-GAAP effective tax rate on the following pages. The company does not provide a GAAP EPS or GAAP effective tax rate outlook because it is unable to reliably forecast many of the items that the company excludes from GAAP EPS and effective tax rate to calculate them. See “Forward-Looking non-GAAP Measures” following the attached schedules for additional information.



Non-GAAP EPS impact of tax reform

	Q2 FY18	FY18
Non-GAAP EPS	\$1.51	\$5.25 - \$5.50
Less: Tax benefit from change in U.S. federal rate ¹	\$0.20	\$0.40
Non-GAAP EPS excluding the impact of tax reform	\$1.31	\$4.85 - \$5.10

¹ Reflects the benefit from applying a lower federal tax rate to our U.S. pretax non-GAAP earnings.. Any impact on the tax benefit from future changes in the estimated effective tax rate will be reflected in the applicable period of the change in estimate.

FY18 financial expectations

	FY2018 Outlook	FY2017 Actual
Revenue	Mid-single digit percentage growth vs. PY	\$130.0B
Non-GAAP EPS	\$5.25 to \$5.50	\$5.40

Red font indicates a change since 11/6/17.

FY18 corporate assumptions

	FY2018 Outlook	FY2017 Actual
Non-GAAP effective tax rate	29% - 31% ¹	32.6% ³
Diluted weighted average Shares outstanding	316M - 317M	320M
Interest and other, net	\$340M - \$360M	\$197M
Capital expenditures	\$500M - \$540M	\$387M
Acquisition-related intangible amortization	\$576M or ~\$1.16 ²	\$392M or ~\$0.85

¹May fluctuate quarterly due to unique items affecting periods.

²Includes only acquisitions/divestitures closed as of December 31, 2017.

³FY2017 GAAP ETR 32.7%, Please see appendix for GAAP to Non-GAAP reconciliations.

Red font indicates a change since 11/6/17.

Pharmaceutical segment FY18(E)

- **Low- to mid-single digit percentage increase in revenue versus prior year**
- **Full-year segment profit down low-double digits versus prior year**

Key assumptions

- Generic drug price assumption of mid-single digit deflation for full fiscal year
- Brand drug manufacturer price assumption of 7% to 8% inflation for full fiscal year
- Incremental expense increase related to investment in information systems to support growth
- Incremental contribution from new generic launches, but Y-o-Y benefit significantly less
- Incremental contribution from Red Oak Sourcing, but Y-o-Y benefit less
- Double-digit revenue and profit growth from our Specialty business
- **Reduced contribution (\$0.05 per share) from early closing of Cardinal Health China divestiture¹**

¹Closed February 1, 2018. Cardinal Health China reports in both segments, but primarily contributes to the Pharmaceutical segment.
Red font indicates a change since 11/6/17.

Medical segment FY18(E)

- High-teens percentage increase in revenue versus prior year
- Strong double-digit segment profit growth versus prior year

Key assumptions

- Patient Recovery business acquisition completed in July 2017, accretive to FY18; integrated into Cardinal Health Branded products upon closing
- Excluding Patient Recovery, medical segment flat to down, driven by Cordis and exam gloves
- Second-half segment profit margin rate exceeds 6%
- Significantly reduced portion of a Veterans Affairs contract, the full effect of which began in Q4FY17
- No reinstatement of a medical device tax

Red font indicates a change since 11/6/17.

Q2 FY18 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information



Q2 FY18 segment analysis

Pharmaceutical segment

	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18
Revenue (\$M)	29,743	28,406	29,552	28,920	31,146
Segment Profit (\$M)	537	611	505	467	514

Medical segment

	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18
Revenue (\$M)	3,410	3,418	3,416	3,724	4,044
Segment Profit (\$M)	159	148	138	129	220

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

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⁴Non-GAAP EPS for the three and six months ended December 31, 2017 includes a \$0.20 benefit from applying a lower federal tax rate to our year-to-date U.S. pre-tax non-GAAP earnings. Excluding this benefit, non-GAAP EPS would have been \$1.31 and \$2.40 for the three and six months ended December 31, 2017, respectively.

The sum of the components may not equal the total due to rounding.

We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

			Gross Margin		Operating Earnings		Operating Earnings		Earnings Before Income Taxes		Provision for/ (Benefit from) Income Taxes		Net Earnings ²		Net Earnings ² Growth Rate		Diluted EPS ²		Diluted EPS ² Growth Rate
	Gross Margin	Growth Rate	Operating Earnings	Growth Rate	Income Taxes														
Year-to-Date 2018																			
GAAP	\$	3,533	11 %	\$	661	(39)%	\$	495	\$	(675)	\$	1,168	85 %	\$	3.68			87 %	
Restructuring and employee severance	-		153		153		45		108				0.34						
Amortization and other acquisition-related costs	-		368		368		98		270				0.85						
Impairments and (gain)/loss on disposal of assets	-		68		68		(43)		111				0.35						
Litigation (recoveries)/charges, net	-		90		90		30		60				0.19						
Loss on extinguishment of debt	-		-		2		1		1				-						
Transitional tax benefit, net ³	-		-		-		894		(894)				(2.82)						
Non-GAAP	\$	3,533	10 %	\$	1,340	(2)%	\$	1,175	\$	350	\$	823	(0)%	\$	2.60 ⁴			1 %	
Year-to-Date 2017																			
GAAP	\$	3,192	0 %	\$	1,076	(9)%	\$	985	\$	351	\$	633	(11)%	\$	1.97			(8)%	
LIFO charges/(credits)	9		9		9		4		5				0.02						
Restructuring and employee severance	-		16		16		6		10				0.03						
Amortization and other acquisition-related costs	-		237		237		79		158				0.49						
Impairments and (gain)/loss on disposal of assets	-		12		12		4		8				0.02						
Litigation (recoveries)/charges, net	-		20		20		8		12				0.04						
Non-GAAP	\$	3,201	(1)%	\$	1,370	(6)%	\$	1,279	\$	452	\$	826	(7)%	\$	2.57			(4)%	

¹For more information on these measures, refer to the Use of Non-GAAP Financial Measures and Definitions schedules

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Cardinal Health, Inc. and Subsidiaries
Total Company Information

(in millions)	Second Quarter		Non-GAAP Second Quarter	
	2018	2017	2018	2017
Revenue				
Amount	\$ 35,186	\$ 33,150		
Growth rate	6 %	5 %		
Gross margin				
Amount	\$ 1,861	\$ 1,602	\$ 1,861	\$ 1,611
Growth rate	16 %	(0)%	15 %	(2)%
Operating earnings				
Amount	\$ 399	\$ 542	\$ 730	\$ 701
Growth rate	(26)%	(4)%	4 %	(4)%
Net earnings attributable to Cardinal Health, Inc.				
Amount	\$ 1,053	\$ 324	\$ 478	\$ 427
Growth rate	225 %	0 %	12 %	(1)%
Return on equity	58.9 %	20.2 %	26.7 %	26.6 %
Effective tax rate	(231.9)%	34.0 %	26.2 %	34.2 %
Debt to total capital	56 %	46 %		
Net debt to capital			53 %	36 %

Refer to the GAAP/Non-GAAP reconciliation for definitions and calculations supporting the Non-GAAP balances.

Cardinal Health, Inc. and Subsidiaries
Segment Information

(in millions)	Second Quarter		(in millions)	Second Quarter	
	2018	2017		2018	2017
Pharmaceutical			Medical		
Revenue			Revenue		
Amount	\$ 31,146	\$ 29,743	Amount	\$ 4,044	\$ 3,410
Growth rate	5 %	5 %	Growth rate	19 %	8 %
Segment profit			Segment profit		
Amount	\$ 514	\$ 537	Amount	\$ 220	\$ 159
Growth rate	(4)%	(14)%	Growth rate ¹	38 %	50 %
Segment profit margin	1.65 %	1.81 %	Segment profit margin	5.43 %	4.68 %

¹ Segment profit includes a \$22 million impact from the roll-out of the inventory fair value step up related to the Patient Recovery acquisition for the three months ended December 31, 2017. Excluding the impact of the inventory fair value step up, Medical segment profit would have increased 52% for the three months ended December 31, 2017.

Supplemental Consolidated Information

Total consolidated revenue for the three months ended December 31, 2017 was \$35,186 million, which included total segment revenue of \$35,190 million and Corporate revenue of \$(4) million. Total consolidated revenue for the three months ended December 31, 2016 was \$33,150 million, which included total segment revenue of \$33,153 million and Corporate revenue of \$(3) million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the three months ended December 31, 2017 were \$399 million, which included total segment profit of \$734 million and Corporate costs of \$(335) million. Total consolidated operating earnings for the three months ended December 31, 2016 were \$542 million, which included total segment profit of \$696 million and Corporate costs of \$(154) million. Corporate includes, among other things, LIFO charges/(credits), restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

	Second Quarter			
(in millions)	2018	2017		
GAAP return on equity	58.9 %	20.2 %		
Non-GAAP return on equity				
Net earnings attributable to Cardinal Health, Inc.	\$ 1,053	\$ 324		
LIFO charges/(credits), net of tax	-	5		
Restructuring and employee severance, net of tax	23	5		
Amortization and other acquisition-related costs, net of tax	143	76		
Impairments and loss on disposal of assets, net of tax	111	6		
Litigation charges, net, net of tax	41	12		
Loss on extinguishment of debt, net of tax	-	-		
Transitional tax benefit, net	(894)	-		
Adjusted net earnings attributable to Cardinal Health, Inc.	\$ 478	\$ 427		
Annualized	\$ 1,913	\$ 1,710		
	Second Quarter	First Quarter	Second Quarter	First Quarter
	2018	2018	2017	2017
Total Cardinal Health, Inc. shareholders' equity	\$ 7,599	\$ 6,695	\$ 6,323	\$ 6,512
Divided by average Cardinal Health, Inc. shareholders' equity	\$ 7,157		\$ 6,418	
Non-GAAP return on equity	26.7 %		26.6 %	

The sum of the components may not equal the total due to rounding.

We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

	Year-to-Date							
(in millions)	2018		2017					
GAAP return on equity	33.1 %		19.6 %					
Non-GAAP return on equity								
Net earnings from continuing operations attributable to Cardinal Health, Inc.	\$	1,168	\$	633				
LIFO charges/(credits), net of tax		-		5				
Restructuring and employee severance, net of tax		108		10				
Amortization and other acquisition-related costs, net of tax		270		158				
Impairments and (gain)/loss on disposal of assets, net of tax		111		8				
Litigation (recoveries)/charges, net, net of tax		60		12				
Loss on extinguishment of debt, net of tax		1		-				
Transitional tax benefit		(894)		-				
Adjusted net earnings attributable to Cardinal Health, Inc.	\$	823	\$	826				
Annualized	\$	1,647	\$	1,652				
		Second Quarter	First Quarter	Fourth Quarter	Second Quarter			
		2018	2018	2017	2017			
Total Cardinal Health, Inc. shareholders' equity	\$	7,599	\$	6,695	\$	7,619	\$	6,323
Divided by average Cardinal Health, Inc. shareholders' equity	\$	7,047			\$	6,463		
Non-GAAP return on equity		23.4 %				25.6 %		

The sum of the components may not equal the total due to rounding.

We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions)	Second Quarter		Fiscal Year	
	2018	2017	2017	
GAAP effective tax rate	(231.9)%	34.0 %	32.7 %	
Non-GAAP effective tax rate				
Earnings before income taxes	\$ 317	\$ 491	\$ 1,924	
LIFO charges/(credits)	-	9	-	
Restructuring and employee severance	21	7	56	
Amortization and other acquisition-related costs	184	115	527	
Impairments and loss on disposal of assets	68	9	18	
Litigation (recoveries)/charges, net	58	19	48	
Transitional tax benefit, net	-	-	-	
Adjusted earnings before income taxes	\$ 648	\$ 650	\$ 2,572	
Provision for income taxes	\$ (736)	\$ 167	\$ 630	
LIFO charges/(credits) tax benefit/(expense)	-	4	-	
Restructuring and employee severance tax benefit/(expense)	(2)	2	20	
Amortization and other acquisition-related costs tax benefit/(expense)	41	39	165	
Impairments and loss on disposal of assets tax benefit/(expense)	(43)	3	6	
Litigation (recoveries)/charges, net tax benefit/(expense)	17	7	19	
Transitional tax benefit, net	894	-	-	
Adjusted provision for income taxes	\$ 171	\$ 222	\$ 839	
Non-GAAP effective tax rate	26.2 %	34.2 %	32.6 %	

The sum of the components may not equal the total due to rounding.

We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries

Forward Looking non-GAAP Measures

In this presentation, the Company presents its outlook for fiscal 2018 non-GAAP EPS and non-GAAP Effective Tax Rate (ETR). The Company does not provide EPS or ETR outlook, which are the most directly comparable GAAP measures to non-GAAP EPS and non-GAAP ETR, respectively, because changes in the items that the Company excludes from GAAP EPS and GAAP ETR to calculate these measures can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, due to their unpredictability, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on EPS or ETR outlook numbers.

The timing and amount of any of the excluded items could significantly impact the Company's fiscal 2018 EPS. Over the past five fiscal years, the excluded items have lowered the Company's EPS from \$0.47 to \$2.76, which includes a goodwill impairment charge of \$2.32 per share related to our Nuclear Pharmacy Services division that we recognized in fiscal 2013. During the second quarter of fiscal 2018, the excluded items have increased the Company's EPS by \$1.82, which includes a \$2.83 transitional tax benefit related to the Tax Cuts and Jobs Act.

Cardinal Health, Inc. and Subsidiaries

Definitions

Debt: long-term obligations plus short-term borrowings.

Debt to Total Capital: debt divided by (debt plus total Cardinal Health, Inc. shareholders' equity).

Interest and Other, net: other (income)/expense, net plus interest expense, net.

Net Debt: a Non-GAAP measure defined as debt minus (cash and equivalents).

Net Debt to Capital: a Non-GAAP measure defined as net debt divided by (net debt plus total Cardinal Health, Inc. shareholders' equity).

Non-GAAP Diluted EPS attributable to Cardinal Health, Inc. or "Non-GAAP Diluted EPS" or "Non-GAAP Diluted Earnings Per Share": non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

Non-GAAP Diluted EPS from continuing operations: non-GAAP earnings from continuing operations divided by diluted weighted-average shares outstanding.

Non-GAAP Effective Tax Rate: (provision for income taxes adjusted for (1) LIFO charges/(credits)¹, (2) restructuring and employee severance², (3) amortization and other acquisition-related costs³, (4) impairments and (gain)/loss on disposal of assets⁴, (5) litigation (recoveries)/charges, net⁵, and (6) loss on extinguishment of debt⁶ and (7) transitional tax benefit⁷) divided by (earnings before income taxes adjusted for the first six items).

Non-GAAP Gross Margin: Gross margin excluding LIFO charges/(credits).

¹The inventories of the Company's core pharmaceutical distribution facilities in the Pharmaceutical segment are valued at the lower of cost, using the LIFO method, or market. These charges or credits are included in cost of products sold, and represent changes in the Company's LIFO inventory reserve.

²Programs by which the Company fundamentally changes its operations such as closing and consolidating facilities, moving manufacturing of a product to another location, production or business process sourcing, employee severance (including rationalizing headcount or other significant changes in personnel), and realigning operations (including realignment of the management structure of a business unit in response to changing market conditions).

³Costs that consist primarily of amortization of acquisition-related intangible assets, transaction costs, integration costs, and changes in the fair value of contingent consideration obligations.

⁴Asset impairments and (gains)/losses from the disposal of assets not eligible to be classified as discontinued operations are classified within impairments and (gain)/loss on disposal of assets within the condensed consolidated statements of earnings.

⁵Loss contingencies related to litigation and regulatory matters and income from favorable resolution of legal matters.

⁶Charges related to the make-whole premium on the redemption of notes.

⁷Estimate for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.

Cardinal Health, Inc. and Subsidiaries

Definitions

Non-GAAP Net Earnings attributable to Cardinal Health, Inc. or "Non-GAAP Net Earnings": net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, and (7) transitional tax benefit, each net of tax.

Non-GAAP Operating Earnings: operating earnings excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net.

Non-GAAP Return on Equity: (annualized current period net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, and (7) transitional tax benefit, each net of tax) divided by average Cardinal Health, Inc. shareholders' equity.

Return on Equity: annualized current period net earnings attributable to Cardinal Health, Inc. divided by average Cardinal Health, Inc. shareholders' equity.

Segment Profit: segment revenue minus (segment cost of products sold and segment distribution, selling, general, and administrative expenses).

Segment Profit Margin: segment profit divided by segment revenue.