# 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 December 31, 2021

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** | **31-0958666** |
|---|---|
| ***(State or other jurisdiction of incorporation or organization)*** | ***(IRS Employer Identification No.)*** |
| **7000 Cardinal Place , Dublin , Ohio** | **43017** |
| ***(Address of principal executive offices)*** | ***(Zip Code)*** |

**(614) 757-5000**

***(Registrant's telephone number, including area code)***

**Securities registered pursuant to Section 12(b) of the Act:**

| *Title of each class* | *Trading Symbol(s)* | *Name of each exchange on which registered* |
|---|---|---|
| **Common shares (without par value)** | **CAH** | **New York Stock Exchange** |

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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 January 31, 2022, was the following: 277,061,392.

# Cardinal Health
**Q2 Fiscal 2022 Form 10-Q**

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## About Cardinal Health

Cardinal Health, Inc. is an Ohio corporation formed in 1979 and is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide pharmaceuticals and medical products and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical. As used in this report, “we,” “our,” “us,” and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2022 and fiscal 2021 and to FY22 and FY21 are to the fiscal years ending or ended June 30, 2022 and June 30, 2021, respectively.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended December 31, 2021 (this "Form 10-Q") (including information incorporated by reference) includes "forward-looking statements" addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), but there are others in this Form 10-Q, which 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, trends 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 made, projected or implied. The most significant of these risks and uncertainties are described in this Form 10-Q, including Exhibit 99.1, and in "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 (our “2021 Form 10-K”). Forward-looking statements in this Form 10-Q speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

## Non-GAAP Financial Measures

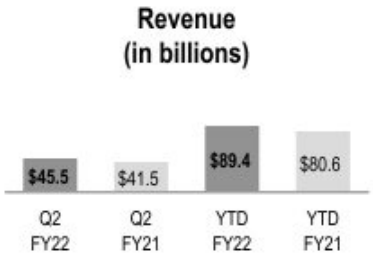
In the "Overview of Consolidated Results" section of MD&A, we use financial measures that are derived from our consolidated financial data but are not presented in our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the United States Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the “Explanation and Reconciliation of Non-GAAP Financial Measures” section following MD&A in this Form 10-Q.

# 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 between the periods specified in our condensed consolidated balance sheets at December 31, 2021 and June 30, 2021, and in our condensed consolidated statements of earnings for the three and six months ended December 31, 2021 and 2020. All comparisons presented are with respect to the prior-year period, unless stated otherwise. This discussion and analysis should be read in conjunction with the MD&A included in our 2021 Form 10-K.

# Overview of Consolidated Results

## Revenue




During the three and six months ended December 31, 2021, revenue increased 9 percent and 11 percent to $45.5 billion and $89.4 billion, respectively, primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which largely consisted of branded pharmaceutical sales to large customers.

## GAAP and Non-GAAP Operating Earnings/(Loss)

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| **GAAP operating earnings/(loss)** | **$ (950)** | $ 461 | **N.M.** | **$ (535)** | $ (163) | **N.M.** |
| Surgical gown recall costs/(income) | **1** | (1) | | **1** | (2) | |
| State opioid assessment related to prior fiscal years | **—** | — | | **—** | 41 | |
| Restructuring and employee severance | **7** | 20 | | **25** | 57 | |
| Amortization and other acquisition-related costs | **79** | 116 | | **158** | 234 | |
| Impairments and (gain)/loss on disposal of assets | **1,295** | — | | **1,293** | 9 | |
| Litigation (recoveries)/charges, net | **34** | 32 | | **52** | 1,070 | |
| **Non-GAAP operating earnings** | **$ 467** | $ 628 | **(26) %** | **$ 994** | $ 1,246 | **(20) %** |

The sum of the components and certain computations may reflect rounding adjustments.

We had GAAP operating losses of $950 million and $535 million during the three and six months ended December 31, 2021, respectively, due to a $1.3 billion pre-tax non-cash goodwill impairment charge related to the Medical segment. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements" for additional detail.

We had a GAAP operating loss of $163 million during the six months ended December 31, 2020 due to the $1.02 billion pre-tax charge recognized for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications. See further description of opioid lawsuits and claims in the Significant Developments in Fiscal 2022 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements."

Non-GAAP operating earnings during the three and six months ended December 31, 2021 decreased 26 percent and 20 percent, respectively, due to the decrease in Medical segment profit resulting from increased inflationary impacts, primarily related to commodities and transportation, global supply chain constraints, the adverse impact of the net positive impact of PPE in the prior year and the impact of the divestiture of the Cordis business.

## GAAP and Non-GAAP Diluted EPS

| ($ per share) | Three Months Ended December 31, 2021 [2] | 2020 [2] | Change | Six Months Ended December 31, 2021 [2] | 2020 [2] | Change |
|---|---|---|---|---|---|---|
| **GAAP diluted EPS [1]** | **$ 0.17** | $ 2.13 | **N.M** | **$ 1.12** | $ 1.27 | **(12) %** |
| State opioid assessment related to prior fiscal years | **—** | — | | **—** | 0.10 | |
| Restructuring and employee severance | **0.02** | 0.05 | | **0.07** | 0.15 | |
| Amortization and other acquisition-related costs | **0.21** | 0.29 | | **0.41** | 0.60 | |
| Impairments and (gain)/loss on disposal of assets [3] | **0.77** | — | | **0.78** | (0.02) | |
| Litigation (recoveries)/charges, net [4] | **0.10** | (0.73) | | **0.15** | 1.16 | |
| Loss on early extinguishment of debt | **—** | — | | **0.03** | — | |
| **Non-GAAP diluted EPS [1]** | **$ 1.27** | $ 1.74 | **(27) %** | **$ 2.56** | $ 3.26 | **(21) %** |

The sum of the components and certain computations may reflect rounding adjustments.

(1) Diluted earnings per share attributable to Cardinal Health, Inc. ("diluted EPS").

(2) The reconciling items are presented within this table net of tax. See quantification of tax effect of each reconciling item in our GAAP to Non-GAAP Reconciliations in the "Explanation and Reconciliation of Non-GAAP Financial Measures."

(3) Impairments and (gain)/loss on disposals of assets, net includes a pre-tax impairment charge of $1.3 billion related to our Medical segment recorded in the second quarter of fiscal 2022. For fiscal 2022, the estimated net tax benefit related to the impairment is $92 million and is included in the annual effective tax rate. As a result, the amount of tax benefit in the current quarter increased by approximately $1.0 billion and is expected to significantly increase the provision for income taxes during the remainder of the fiscal year.

(4) Litigation (recoveries)/charges, net, includes a tax benefit recorded during the three months ended December 31, 2020 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. During the three months ended December 31, 2020, the total benefit from the net operating loss carryback was $420 million; however, for purposes of Non-GAAP financial measures, we allocated $394 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of $26 million is included in non-GAAP measures.

During the three and six months ended December 31, 2021, GAAP diluted EPS was adversely impacted by the goodwill impairment charge related to the Medical segment, which had a $(0.77) and $(0.76) per share after-tax impact, respectively. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements" for additional detail. During the six months ended December 31, 2021, GAAP diluted EPS was also adversely impacted by the factors impacting non-GAAP operating earnings.

During the three and six months ended December 31, 2020, GAAP diluted EPS included a tax benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss. Refer to Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional detail. During the six months ended December 31, 2020, GAAP diluted EPS was adversely impacted by the opioid litigation charge recognized for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications, which had a $(2.38) per share after-tax impact on GAAP diluted EPS. See the Significant Developments in Fiscal 2022 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

During the three and six months ended December 31, 2021, non-GAAP diluted EPS decreased 27 percent and 21 percent to $1.27 and $2.56 per share, respectively. This decrease was primarily due to the factors impacting non-GAAP operating earnings and the prior-year tax benefit from the net operating loss carryback, partially offset by lower share count as a result of share repurchases.

## Cash and Equivalents

Our cash and equivalents balance was $3.2 billion at December 31, 2021 compared to $3.4 billion at June 30, 2021. During the six months ended December 31, 2021, net cash provided by operating activities was $549 million, which includes the payment into escrow of the majority of our first annual settlement payment under the Proposed Settlement Agreement related to state and local governmental opioid claims, and we deployed $800 million for share repurchases, $592 million for debt repayment, and $289 million for cash dividends. We also received proceeds of $927 million, net of cash transferred, from the divestiture of the Cordis business.

# Significant Developments in Fiscal 2022 and Trends

## Opioid Lawsuits Development

In July 2021, we announced that we and two other national distributors have negotiated a proposed settlement agreement (the "Proposed Settlement Agreement") and settlement process that, if all conditions are satisfied, would result in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities.

The Proposed Settlement Agreement includes a cash component, pursuant to which we would pay up to approximately $6.37 billion, the majority of which would be paid over 18 years. The exact payment amount will depend on several factors, including the participation rate of states and political subdivisions, the extent to which states take action to foreclose opioid lawsuits by political subdivisions (e.g., laws barring or limiting opioid lawsuits by political subdivisions), and the extent to which political subdivisions in participating states file additional opioid lawsuits against us after the Proposed Settlement Agreement becomes effective.

The Proposed Settlement Agreement also includes injunctive relief terms related to distributors' controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating controlled substances monitoring programs; (3) due diligence for new and existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will be selected to oversee compliance with these provisions for a period of five years. In addition, we and the two other settling distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which distributors will fund for ten years.

In September 2021, the three distributors determined that a sufficient number of states had agreed to participate in the Proposed Settlement Agreement to proceed to the next phase of the settlement process, which was the subdivision sign-on period. The subdivision sign-on period ended January 26, 2022. Each participating state will now make a determination as to whether a sufficient number of its political subdivisions have agreed to the Proposed Settlement Agreement (or otherwise had their claims foreclosed) to proceed with the Proposed Settlement Agreement. Following that determination by participating states, each of the three distributors will independently determine whether a sufficient number of subdivisions, including both those litigating and those that have not sued, have agreed to participate in the Proposed Settlement Agreement (or otherwise had their claims foreclosed) to proceed to execution. This process is currently contemplated to end in February 2022. The Proposed Settlement Agreement remains subject to contingencies. It is possible that a sufficient number of states and subdivisions will not agree to the Proposed Settlement Agreement or that other required contingencies will not be satisfied.

If the required contingencies are satisfied, the Proposed Settlement Agreement is expected to become effective in April 2022. During the period between the satisfaction of contingencies and the effective date, the participating states and the distributors would cooperate to obtain consent judgments embodying the terms of the Proposed Settlement Agreement in each participating state and dismissing lawsuits of participating states and subdivisions.

In connection with the negotiations of the Proposed Settlement Agreement, we and the two other national distributors have entered into a settlement with each of the States of Florida, New York, Ohio and Rhode Island and their participating subdivisions. If the Proposed Settlement Agreement becomes effective, these states and their participating subdivisions will become a part of it.

West Virginia subdivisions and Native American tribes are not a part of this settlement process and we have been involved in separate negotiations with these groups. In September 2021 we announced that we, along with two other national distributors, had reached an agreement with the Cherokee Nation in connection with ongoing negotiations toward a broader agreement with Native American tribes. In January 2022, we, along with two other national distributors, executed a term sheet with the Native American tribes.

A bench trial before a federal judge in West Virginia brought by Cabell County and City of Huntington against us and two other national distributors concluded in July 2021. The judge has not yet issued a decision. In addition, a bench trial in the case brought by the Washington Attorney General against us and the same two other national distributors began in November 2021 in Washington state court. A trial in a case brought by private plaintiffs is scheduled to begin in state court in Georgia in March 2022. Trials are inherently unpredictable and it is possible that the outcome of these trials, either individually or in the aggregate, could materially negatively impact our financial results, cash flows or results of operations.

During the six months ended December 31, 2021, we paid into escrow the majority of our first annual payment under the Proposed Settlement Agreement. We also made certain payments under the separate New York and Ohio settlements. In total, we have $6.68 billion accrued at December 31, 2021, of which $480 million is included in other accrued liabilities, and the remainder is included in deferred income taxes and other liabilities in our condensed consolidated balance sheets. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ

materially from this accrual, whether as a result of settlement discussions, a judicial decision or verdict or otherwise. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

## Inflationary Impacts and Global Supply Chain Constraints, and Medical Goodwill

Medical segment profit was negatively impacted by increased inflationary impacts, primarily related to commodities and transportation (including ocean and domestic freight), and global supply constraints during the three and six months ended December 31, 2021. Due to the risks and uncertainties related to these impacts, we performed interim goodwill impairment testing, which resulted in a pre-tax non-cash goodwill impairment charge of $1.3 billion, included in impairments and (gain)/loss on disposal of assets in our condensed consolidated statements of earnings. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements" for additional detail. For fiscal 2022, the estimated net tax benefit related to the impairment is $92 million and is included in the annual effective tax rate. As a result, the amount of tax benefit in the current quarter increased by approximately $1.0 billion and is expected to significantly increase the provision for income taxes during the remainder of the fiscal year. Refer to Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional detail.

We expect these inflationary impacts and global supply chain constraints to continue to adversely impact Medical segment profit. In order to partially mitigate the impact, we are taking cost-savings measures and intend to implement price increases. If these increased costs and the adverse impact of supply chain disruptions are greater than we expect, continue beyond our expectations, or we are unable to increase prices or achieve the cost-savings measures that we expect, our results of operations will be adversely impacted to a greater extent than we currently anticipate.

We also experienced increased costs in the Pharmaceutical segment, primarily related to transportation and labor, during the three and six months ended December 31, 2021. However, we do not expect the impact to be meaningful to Pharmaceutical segment profit for fiscal 2022.

## COVID-19

The COVID-19 pandemic ("COVID-19") had a net negative impact on our consolidated operating earnings during the three and six months ended December 31, 2021.

In the Pharmaceutical segment, volumes within our generics program were lower compared to levels prior to COVID-19, which negatively impacted Pharmaceutical segment profit during the six months ended December 31, 2021. However, volumes within our generics program continued to improve and approximated levels prior to COVID-19 during the three months ended December 31, 2021. On a year-over-year basis, the impact to segment profit was favorable due to improvement in volume during the three and six months ended December 31, 2021.

Medical segment profit was negatively impacted by COVID-19 during the three and six months ended December 31, 2021 and on a year-over-year basis primarily due to the net impact of personal protective equipment ("PPE"), which we expect to improve during the remainder of fiscal 2022. During the three months and six ended December 31, 2021, demand for surgical products related to elective procedures was comparable to levels in the prior year. Higher volumes in our laboratory business continued to positively impact Medical segment profit, but did not have a meaningful impact on a year-over-year basis due to relatively higher volumes in the prior periods.

We currently anticipate that the negative impact of the COVID-19 pandemic on consolidated operating earnings will be less in fiscal 2022 than in the prior year, which included an inventory reserve of $197 million for certain Medical segment PPE during the fourth quarter of fiscal 2021. As a result, we expect the COVID-19 impact for fiscal 2022 will be positive in comparison to prior year. However, we cannot estimate the length or severity of the COVID-19 pandemic or of the related U.S. or global economic consequences on our businesses and results of operations, including whether and when historic economic and operating conditions will resume, or its impact on our business, financial position, results of operations or cash flow. Its impact may be greater or less than we anticipate.

## Cordis Divestiture

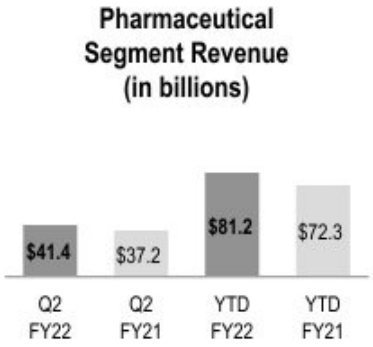
In August 2021, we sold our Cordis business to Hellman & Friedman for proceeds of $927 million, net of cash transferred, and we retained certain working capital accounts and certain liabilities. The purchase price is subject to adjustments based on working capital requirements as set forth in the agreement. Cardinal Health will retain product liability associated with lawsuits and claims related to inferior vena cava

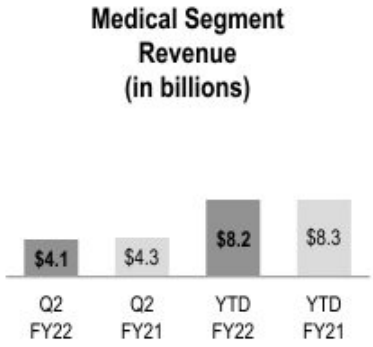
("IVC") filters in the U.S. and Canada, as well as authority for these matters discussed in Note 6 of the "Notes to Condensed Consolidated Financial Statements." In connection with the closing, we entered into a Transition Services Agreement ("TSA") with the buyer to provide support functions for a period of up to twenty-four months following the sale. See Note 2 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

As anticipated, Medical segment revenue and Medical segment profit were adversely impacted during the three and six months ended December 31, 2021 due to the divestiture of the Cordis business. We expect the divestiture will decrease Medical segment revenue by approximately $700 million and adversely impact Medical segment profit by approximately $70 million in fiscal 2022. The divestiture of the Cordis business resulted in a decrease in amortization of acquisition-related intangible assets during the three and six months ended December 31, 2021, which we expect to continue for the remainder of fiscal 2022. The divestiture of the Cordis business is subject to risks and uncertainties that may further adversely impact Medical segment profit. For example, the TSA period may be extended beyond our current expectations or could have unintended consequences, and the costs associated with the exit or disposal activities and stranded costs could be greater than anticipated.

# Results of Operations

## Revenue




| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| Pharmaceutical | **$ 41,375** | $ 37,236 | **11 %** | **$ 81,197** | $ 72,348 | **12 %** |
| Medical | **4,085** | 4,310 | **(5) %** | **8,234** | 8,267 | **— %** |
| Total segment revenue | **45,460** | 41,546 | **9 %** | **89,431** | 80,615 | **11 %** |
| Corporate | **(3)** | (5) | **N.M** | **(6)** | (9) | **N.M** |
| **Total revenue** | **$ 45,457** | $ 41,541 | **9 %** | **$ 89,425** | $ 80,606 | **11 %** |

### Pharmaceutical Segment

During the three and six months ended December 31, 2021, revenue increased primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which together increased revenue by $4.1 billion and $8.8 billion, respectively, and largely consisted of branded pharmaceutical sales to large customers.

### Medical Segment

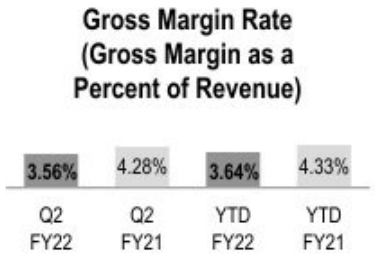
Medical segment revenue decreased during the three months ended December 31, 2021 primarily due to the impact of the divestiture of the Cordis business.

Medical segment revenue was flat during the six months ended December 31, 2021. The adverse impact of the divestiture of the Cordis business was offset primarily due to the positive impact of PPE within products and distribution and sales growth in at-Home solutions.

## Cost of Products Sold

Cost of products sold for the three and six months ended December 31, 2021 increased 10 percent to $43.8 billion and 12 percent to $86.2 billion, respectively, compared to the respective prior-year periods as a result of the factors affecting the changes in revenue and gross margin.

## Gross Margin


| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| Gross margin | **$ 1,616** | $ 1,776 | **(9) %** | **$ 3,258** | $ 3,491 | **(7) %** |

Gross margin during the three and six months ended December 31, 2021 was adversely impacted due to the divestiture of the Cordis business and increased costs in the Medical segment due to inflationary impacts and global supply chain constraints.

Gross margin rate declined 72 basis points and 69 basis points during the three and six months ended December 31, 2021, respectively, mainly due to changes in product mix resulting from pharmaceutical distribution branded sales, which have a dilutive impact on our overall gross margin rate. The performance of Medical segment products and distribution, which reflects the divestiture of the Cordis business and increased costs due to inflationary impacts and global supply chain constraints, also had an adverse impact on gross margin rate.

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

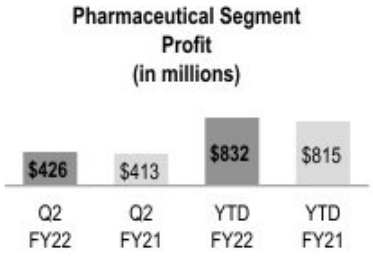
| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| SG&A expenses | **$ 1,151** | $ 1,147 | **— %** | **$ 2,265** | $ 2,284 | **(1) %** |

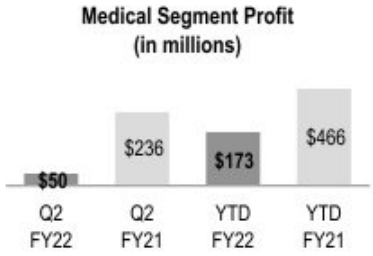
During the three and six months ended December 31, 2021, SG&A expenses were flat primarily due to increased expenses related to investments in information technology infrastructure and higher operations expenses, mostly offset by the divestiture of the Cordis business.

During the six months ended December 31, 2021, the year-over-year comparison was also favorably impacted by the prior-year $41 million accrual for our estimated portion of the assessment on prescription opioid medications that were sold or distributed in New York state in calendar year 2017 and 2018, which was recognized during the three months ended September 30, 2020. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information on the New York Opioid Stewardship Act.

## Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 12 of the "Notes to Condensed Consolidated Financial Statements" for additional information on segment profit.




| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| Pharmaceutical | **$ 426** | $ 413 | **3 %** | **$ 832** | $ 815 | **2 %** |
| Medical | **50** | 236 | **(79) %** | **173** | 466 | **(63) %** |
| Total segment profit | **476** | 649 | **(27) %** | **1,005** | 1,281 | **(22) %** |
| Corporate | **(1,426)** | (188) | **N.M.** | **(1,540)** | (1,444) | **N.M** |
| **Total consolidated operating earnings/(loss)** | **$ (950)** | $ 461 | **N.M.** | **$ (535)** | $ (163) | **N.M** |

### Pharmaceutical Segment Profit

During the three and six months ended December 31, 2021, Pharmaceutical segment profit increased primarily due to the performance of our generics program, including an improvement in volumes compared to the prior year, which were adversely impacted by COVID-19. This was partially offset by increased expenses related to investments in information technology infrastructure. During the three months ended December 31, 2021, Pharmaceutical segment profit was also adversely impacted by higher operations expenses.

Pharmaceutical segment profit during the three and six months ended December 31, 2021 was positively impacted by a $16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

### Medical Segment Profit

Medical segment profit decreased during the three and six months ended December 31, 2021 largely due to increased inflationary costs, primarily related to commodities and transportation, and the adverse impact of global supply chain constraints. Medical segment profit also reflects an adverse impact related to the prior-year net positive impact of PPE and the impact of the divestiture of the Cordis business.

### Corporate

The changes in Corporate during the three and six months ended December 31, 2021 were due to the factors discussed in the Other Components of Consolidated Operating Earnings/(Loss) section that follows.

## Other Components of Consolidated Operating Earnings/(Loss)

In addition to revenue, gross margin and SG&A expenses discussed previously, consolidated operating earnings/(loss) were impacted by the following:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **2021** | 2020 |
| Restructuring and employee severance | **$ 7** | $ 20 | **$ 25** | $ 57 |
| Amortization and other acquisition-related costs | **79** | 116 | **158** | 234 |
| Impairments and (gain)/loss on disposal of assets, net | **1,295** | — | **1,293** | 9 |
| Litigation (recoveries)/charges, net | **34** | 32 | **52** | 1,070 |

**Restructuring and Employee Severance**
Restructuring and employee severance during the three and six months ended December 31, 2021 and 2020 was primarily related to the implementation of certain enterprise-wide cost-saving measures. Restructuring costs during the three and six months ended December 31, 2021 also included costs related to the divestiture of the Cordis business.

**Amortization and Other Acquisition-Related Costs**
Amortization of acquisition-related intangible assets was $79 million and $113 million for the three months ended December 31, 2021 and 2020, respectively, and $157 million and $228 million for the six months ended December 31, 2021 and 2020, respectively. The decrease in amortization of acquisition-related intangible assets was primarily due to the divestiture of the Cordis business.

**Impairments and (Gain)/Loss on Disposal of Assets, Net**
During the three and six months ended December 31, 2021, we recognized a $1.3 billion pre-tax non-cash goodwill impairment charge related to our Medical segment, as discussed further in the "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements."

**Litigation (Recoveries)/Charges, Net**

During the six months ended December 31, 2020, we recognized a pre-tax charge of $1.02 billion associated with certain opioid matters. See the Significant Developments in Fiscal 2022 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

We recognized estimated losses and legal defense costs associated with the IVC filter product liability claims of $13 million and $18 million during the three months ended December 31, 2021 and 2020, respectively, and $39 million and $28 million during the six months ended December 31, 2021 and 2020, respectively. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

During the six months ended December 31, 2021, we recognized income of $17 million for recoveries in class action antitrust lawsuits in which we were a class member.

During the three and six months ended December 31, 2020, we recognized a $13 million charge in connection with a civil investigation by the United States Attorney's Office for the District of Massachusetts related to discounts and rebates offered or provided to certain Specialty Solutions customers, as described further in Note 6 of the "Notes to Condensed Consolidated Financial Statements."

## Earnings/(Loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes were impacted by the following:

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2021** | 2020 | **Change** | **2021** | 2020 | **Change** |
| Other (income)/expense, net | **$ (13)** | $ (12) | **N.M** | **$ (17)** | $ (19) | **N.M** |
| Interest expense, net | **37** | 46 | **(20) %** | **77** | 91 | **(15) %** |
| Loss on early extinguishment of debt | **—** | — | **N.M** | **10** | 1 | **N.M** |
| (Gain)/Loss on sale of equity interest in naviHealth | **(1)** | — | **N.M** | **(1)** | — | **N.M** |

**Interest Expense, Net**
The decrease in interest expense during the three and six months ended December 31, 2021 was primarily due to less debt outstanding.

**Loss on Early Extinguishment of Debt**

During six months ended December 31, 2021, we recognized a $10 million loss in connection with the debt redemption as described further in Note 5 of the "Notes to Condensed Consolidated Financial Statements."

## Provision for/(Benefit from) Income Taxes

During the three months ended December 31, 2021 and 2020, the effective tax rate was 105.0 percent and (47.6) percent, respectively. The effective tax rate for the three months ended December 31, 2021 reflects the impact of the tax effect of the goodwill impairment charge being included in our estimated annual effective tax rate. The estimated annual effective tax rate for the three months ended December 31, 2020 included a benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss, partially offset by the treatment of the tax impacts of the opioid litigation accrual.

During the six months ended December 31, 2021 and 2020, the effective tax rate was 153.1 percent and 259.7 percent. The effective tax rate for the six months ended December 31, 2021 reflects the impact of the tax effect of the goodwill impairment charge being included in our estimated annual effective tax rate. The effective tax rate for the six months ended December 31, 2020 included a benefit from a net operating loss carryback primarily related to a self-insurance pre-tax loss and the net tax benefit related to the treatment of the tax impacts of opioid litigation charges.

**Tax Effects of Goodwill Impairment Charge**

During the six months ended December 31, 2021, we recognized a $1.3 billion pre-tax charge for goodwill impairment related to the Medical Unit. The net tax benefit related to this charge is $92 million for fiscal 2022.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our benefit from income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

The tax effect of the goodwill impairment charge during the three months ended December 31, 2021 was included in our estimated annual effective tax rate because it was not considered unusual or infrequent, given that we recorded goodwill impairment in prior fiscal years. The impact of the non-deductible goodwill significantly increased the estimated annual effective tax rate for fiscal 2022. Applying the higher tax rate to the current quarter loss resulted in recognizing an interim tax benefit of approximately $1.0 billion, which impacted the benefit from income taxes in the condensed consolidated statements of earnings during the three months and six months ended December 31, 2021 and prepaid expenses and other assets in the condensed consolidated balance sheets at December 31, 2021. This interim tax benefit will reverse in future quarters of fiscal 2022.

# Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; current and projected debt service requirements, dividends and share repurchases; and opioid litigation settlement payments associated with the Proposed Settlement Agreement, the state agreements and Cherokee Nation and Native American tribes agreements. If we decide to engage in one or more acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

## Cash and Equivalents

Our cash and equivalents balance was $3.2 billion at December 31, 2021 compared to $3.4 billion at June 30, 2021. At December 31, 2021, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During the six months ended December 31, 2021, net cash provided by operating activities was $549 million, which includes the payment into escrow of the majority of our first annual settlement payment under the Proposed Settlement Agreement related to state and local governmental opioid claims, and we deployed $800 million for share repurchases, $592 million for debt repayment, and $289 million for cash dividends. We also received proceeds of $927 million, net of cash transferred, from the divestiture of the Cordis business.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases, and payments to vendors in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

The cash and equivalents balance at December 31, 2021 includes $722 million of cash held by subsidiaries outside of the United States.

## Other Financing Arrangements and Financial Instruments

### Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at December 31, 2021 include a $2.0 billion commercial paper program, backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At December 31, 2021, we had no amounts outstanding under our commercial paper program, revolving credit facility, or our committed receivables sales facility.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of December 31, 2021, we were in compliance with this financial covenant.

### Long-Term Debt and Other Short-Term Borrowings

At December 31, 2021 and June 30, 2021, we had total long-term obligations, including the current portion and other short-term borrowings, of $5.6 billion and $6.2 billion, respectively. During the six months ended December 31, 2021, we redeemed $572 million of the 2.616% Notes due 2022 with available cash. In connection with this redemption, we recorded a $10 million loss on early extinguishment of debt. The early redemption was funded with available cash.

# Anticipated Capital Resources

## Tax Effects of Self-Insurance Pre-tax Loss

In connection with a tax benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss as described further in our 2021 Form 10-K, we have filed for a refund of $974 million, which we expect to receive within 12 months. Accordingly, we have a current asset for this amount on our condensed consolidated balance sheets at both December 31, 2021 and June 30, 2021.

# Capital Deployment

## Proposed Opioid Litigation Settlement Agreement

We had $6.68 billion accrued at December 31, 2021 related to certain opioid litigation, as further described within the Significant Developments in Fiscal 2022 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements." We expect the majority of the payment amounts to be spread over 18 years. During the six months ended December 31, 2021, we paid into escrow the majority of our first annual payment under the Proposed Settlement Agreement, which is reflected in prepaid expenses and other assets in our condensed consolidated balance sheets. If the Proposed Settlement Agreement does not become effective, this payment will be returned to us. We also made certain payments under the separate New York and Ohio settlements. We expect to pay the remainder of our first annual payment into escrow in February 2022 and, if the Proposed Settlement Agreement becomes effective, to make subsequent annual payments under the Proposed Settlement Agreement every July for the term of our agreement beginning in July 2022. The amounts of these future payments may differ from the payment made during the six months ended December 31, 2021.

## Capital Expenditures

Capital expenditures during the six months ended December 31, 2021 and 2020 were $141 million and $174 million, respectively.

## Dividends

On each of May 5, 2021, August 4, 2021, and November 4, 2021 our Board of Directors approved a quarterly dividend of $0.4908 per share, or $1.96 per share on an annualized basis, which were paid on July 15, 2021, October 15, 2021 and January 15, 2022 to shareholders of record on July 1, 2021, October 1, 2021 and January 3, 2022 respectively.

## Share Repurchases

During the six months ended December 31, 2021, we repurchased $800 million of our common shares, in the aggregate, under accelerated share repurchase ("ASR") programs. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

On November 4, 2021, our Board of Directors approved a $3.0 billion share repurchase program, which will expire on December 31, 2024. As of January 31, 2022, we had $2.9 billion remaining authorized for share repurchases under this program.

# Other Items

The MD&A in our 2021 Form 10-K addresses our contractual obligations and off-balance sheet arrangements, as of and for the fiscal year ended June 30, 2021. There have been no subsequent material changes outside the ordinary course of business to those items.

# Critical Accounting Policies and Sensitive Accounting Estimates

The discussion and analysis presented below is a supplemental disclosure to the critical accounting policies and sensitive accounting estimates specified in our consolidated balance sheet at June 30, 2021. This discussion and analysis should be read in conjunction with the Critical Accounting Policies and Sensitive Accounting Estimates included in our 2021 Form 10-K and our Form 10-Q for the quarter ended September 30, 2021.

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ, including due to the risks discussed in "Risk Factors" and other risks discussed in our 2021 Form 10-K and our other filings with the SEC since June 30, 2021.

## Inventory

A portion of our inventories are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These are primarily merchandise inventories at the core pharmaceutical distribution facilities within our Pharmaceutical segment ("distribution facilities").

Our remaining inventory, including inventory in our Medical segment, that is not valued at the lower of LIFO cost or market is stated at the lower of cost, using the first-in, first-out method ("FIFO"), or net realizable value. We reserve for the lower of cost or net realizable value using the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Due to the unprecedented demand for certain PPE as a result of COVID-19, our Medical segment manufactured and sourced inventory at higher costs than in periods prior to COVID-19. As selling prices and customer demand decreased compared to the peak of COVID-19, we recorded a reserve of $197 million in fiscal 2021, primarily related to certain categories of gloves, to reduce the carrying value of certain PPE to its net realizable value.

We continued to monitor and assess changes in selling prices and customer demand related to PPE during the six months ended December 31, 2021. While we consider that our assumptions continue to be reasonable and appropriate, our estimates for selling prices and demand are inherently uncertain and if our assumptions decline in the future, additional inventory reserves may be required.

## Goodwill

Purchased goodwill is tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value does not exceed the carrying amount, then a quantitative test is performed. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

## Medical Unit Goodwill

During the three months ended December 31, 2021, the Medical Unit continued to experience adverse financial results related to inflationary impacts and global supply chain constraints. Due to the risks and uncertainties related to these impacts, we elected to bypass the qualitative assessment and perform interim goodwill impairment testing for the Medical Unit. We updated our assumptions from prior periods to include the increased magnitude and breadth of the inflationary impacts to supply chain and commodities costs as well as adverse impacts due to supply chain disruptions. In addition, our planned price increases did not impact the second quarter of fiscal 2022 and therefore, we updated our assumptions to reflect a longer duration to implement such actions.

Our determination of the estimated fair value of the Medical Unit is based on a combination of the income-based approach (using a discount rate of 9 percent and a terminal growth rate of 2 percent), and the market-based approach. The carrying amount exceeded the fair value, which resulted in a pre-tax impairment charge of $1.3 billion for the Medical Unit, which was recognized during the three months ended December 31, 2021 and is included in impairments and (gain)/loss on disposal of assets in our condensed consolidated statements of earnings. The carrying value of the Medical Unit at December 31, 2021 after recognizing the impairment charge was $8.1 billion, of which $2.8 billion was goodwill. See Note 4 of the "Notes to Condensed Consolidated Financial Statements" for further discussion.

While we consider these assumptions to be reasonable and appropriate, they are complex and subjective, and additional adverse changes in one key assumption or a combination of key assumptions may significantly affect future estimates. These assumptions include, among other things, a failure to meet expected earnings or other financial plans, or unanticipated events and circumstances, such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impact, including price increases or surcharges; further disruptions in the supply chain; the impact of the Cordis divestiture; the COVID-19 pandemic, including estimated demand and selling prices for PPE; an increase in the discount rate; a decrease in the terminal growth rate; increases in tax rates (including potential tax reform); or a significant change in industry or economic trends. Adverse changes in key assumptions may result in further decline in fair value below the carrying value in the future and therefore, an impairment of our Medical Unit goodwill in future periods, which could adversely affect our results of operations. For example, if we were to increase the discount rate by a hypothetical 0.25 percent or decrease the terminal growth rate by a hypothetical 0.70 percent, the fair value for the Medical Unit would have further decreased by approximately $225 million.

# Explanation and Reconciliation of Non-GAAP Financial Measures

The "Overview of Consolidated Results" section within MD&A in this Form 10-Q contains financial measures that are not calculated in accordance with GAAP.

In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

## Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results. We did not recognize any LIFO charges or credits during the periods presented.
- Surgical gown recall costs or income includes inventory write-offs and certain remediation and supply disruption costs, net of related insurance recoveries, arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the period in which the expense is incurred. This portion is excluded from non-GAAP financial measures because it is retrospectively applied to sales in prior fiscal years and inclusion would obscure analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while states' laws may require us to make payments on an ongoing basis, the portion of the assessment related to sales in prior periods are contemplated to be one-time, nonrecurring items. Income from state opioid assessments related to prior fiscal years represents reversals of accruals when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs, which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.

- Impairments and gain or loss on disposal of assets are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount. During fiscal 2021, we incurred a tax benefit related to a carryback of a net operating loss. Some pre-tax amounts, which contributed to this loss, relate to litigation charges. As a result, we allocated substantially all of the tax benefit to litigation charges. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a $16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment.
- Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- (Gain)/Loss on sale of equity interest in naviHealth was incurred in connection with the sale of our remaining equity interest in naviHealth in fiscal 2020. The equity interest was retained in connection with the initial sale of our majority interest in naviHealth during fiscal 2019. We exclude this significant gain because gains or losses on investments of this magnitude do not typically occur in the normal course of business and are similar in nature to a gain or loss from a divestiture of a majority interest, which we exclude from non-GAAP results. The gain on the initial sale of our majority interest in naviHealth in fiscal 2019 was also excluded from our non-GAAP measures.
- Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and subsequent adjustments 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.

The tax effect for each of the items listed above, other than the transitional tax benefit item, is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

## Definitions

**Growth rate calculation:** growth rates in this report are determined by dividing the difference between current-period results and prior-period results by prior-period results.

**Non-GAAP operating earnings**: operating earnings/(loss) excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, and (7) litigation (recoveries)/charges, net.

**Non-GAAP earnings before income taxes**: earnings/(loss) before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth.

**Non-GAAP net earnings attributable to Cardinal Health, Inc.**: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net.

**Non-GAAP effective tax rate:** provision for/(benefit from) income taxes adjusted for (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net divided by (earnings/(loss) before income taxes adjusted for the first nine items).

**Non-GAAP diluted earnings per share attributable to Cardinal Health, Inc.**: non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

# GAAP to Non-GAAP Reconciliation

| (in millions, except per common share amounts) | Operating Earnings/(Loss) | Operating Earnings Growth Rate | Earnings/(Loss) Before Income Taxes | Provision for/ (Benefit from) Income Taxes | Net Earnings[1] | Net Earnings[1] Growth Rate | Diluted EPS[1] | Diluted EPS[1] Growth Rate |
|---|---|---|---|---|---|---|---|---|
| | | | | Three Months Ended December 31, 2021 | | | | |
| **GAAP** | **$ (950)** | **N.M.** | **$ (973)** | **$ (1,022)** | **$ 49** | **N.M.** | **$ 0.17** | **N.M.** |
| Surgical gown recall costs/(income) | 1 | | 1 | — | 1 | | — | |
| Restructuring and employee severance | 7 | | 7 | 2 | 5 | | 0.02 | |
| Amortization and other acquisition-related costs | 79 | | 79 | 20 | 59 | | 0.21 | |
| Impairments and (gain)/loss on disposal of assets, net [2] | 1,295 | | 1,295 | 1,080 | 215 | | 0.77 | |
| Litigation (recoveries)/charges, net [3] | 34 | | 34 | 6 | 28 | | 0.10 | |
| (Gain)/Loss on sale of equity interest in naviHealth | — | | (1) | — | (1) | | — | |
| **Non-GAAP** | **$ 467** | **(26) %** | **$ 443** | **$ 86** | **$ 357** | **(31) %** | **$ 1.27** | **(27) %** |
| | | | | Three Months Ended December 31, 2020 | | | | |
| GAAP | $ 461 | 38 % | $ 427 | $ (203) | $ 629 | N.M | $ 2.13 | N.M |
| Surgical gown recall costs/(income) | (1) | | (1) | — | (1) | | — | |
| Restructuring and employee severance | 20 | | 20 | 5 | 15 | | 0.05 | |
| Amortization and other acquisition-related costs | 116 | | 116 | 29 | 87 | | 0.29 | |
| Litigation (recoveries)/charges, net [4] | 32 | | 32 | 248 | (216) | | (0.73) | |
| Non-GAAP | $ 628 | (3) % | $ 594 | $ 79 | $ 514 | 15 % | $ 1.74 | 14 % |
| | | | | Six Months Ended December 31, 2021 | | | | |
| **GAAP** | **$ (535)** | **N.M.** | **$ (604)** | **$ (925)** | **$ 320** | **(15) %** | **$ 1.12** | **(12) %** |
| Surgical gown recall costs/(income) | 1 | | 1 | — | 1 | | — | |
| Restructuring and employee severance | 25 | | 25 | 6 | 19 | | 0.07 | |
| Amortization and other acquisition-related costs | 158 | | 158 | 41 | 117 | | 0.41 | |
| Impairments and (gain)/loss on disposal of assets, net[2] | 1,293 | | 1,293 | 1,070 | 223 | | 0.78 | |
| Litigation (recoveries)/charges, net [3] | 52 | | 52 | 10 | 42 | | 0.15 | |
| Loss on early extinguishment of debt | — | | 10 | 3 | 7 | | 0.03 | |
| (Gain)/Loss on sale of equity interest in naviHealth | — | | (1) | — | (1) | | — | |
| **Non-GAAP** | **$ 994** | **(20) %** | **$ 934** | **$ 205** | **$ 728** | **(24) %** | **$ 2.56** | **(21) %** |
| | | | | Six Months Ended December 31, 2020 | | | | |
| GAAP | $ (163) | N.M. | $ (236) | $ (613) | $ 376 | N.M. | $ 1.27 | N.M. |
| Surgical gown recall costs/(income) | (2) | | (2) | (1) | (1) | | — | |
| State opioid assessment related to prior fiscal years | 41 | | 41 | 10 | 31 | | 0.10 | |
| Restructuring and employee severance | 57 | | 57 | 14 | 43 | | 0.15 | |
| Amortization and other acquisition-related costs | 234 | | 234 | 58 | 176 | | 0.60 | |
| Impairments and (gain)/loss on disposal of assets, net | 9 | | 9 | 16 | (7) | | (0.02) | |
| Litigation (recoveries)/charges, net [4] | 1,070 | | 1,070 | 728 | 342 | | 1.16 | |
| Loss on early extinguishment of debt | — | | 1 | — | 1 | | — | |
| Non-GAAP | $ 1,246 | 2 % | $ 1,174 | $ 212 | $ 960 | 16 % | $ 3.26 | 16 % |

[1] Attributable to Cardinal Health, Inc.

[2] Impairments and (gain)/loss on disposals of assets, net includes a pre-tax impairment charge of $1.3 billion related to our Medical segment recorded in the second quarter of fiscal 2022. For fiscal 2022, the estimated net tax benefit related to the impairment is $92 million and is included in the annual effective tax rate. As a result, the amount of tax benefit in the current quarter increased by approximately $1.0 billion and is expected to significantly increase the provision for income taxes during the remainder of the fiscal year.

[3] Litigation (recoveries)/charges, net for the second quarter of fiscal 2022 does not include a $16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit in the quarter.

[4] Litigation (recoveries)/charges, net includes a pre-tax charge of $1.02 billion recorded in the first quarter of fiscal 2021 related to the opioid litigation. For fiscal 2021, the amount of tax expense increased by approximately $150 million during the three months ended December 31, 2020 while the amount of tax benefit increased by approximately $300 million during the six months ended December 31, 2020 compared to the tax impacts that would have been recognized without the opioid litigation charge. The net tax benefit associated with the opioid litigation charges was $228 million for fiscal 2021.

Litigation(recoveries)/charges, net also includes a tax benefit recorded during the three months ended December 31, 2020 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. During the six months ended December 31, 2020, the total net benefit was $420 million; however, for purposes of reconciling Non-GAAP financial measures, we allocated $394 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of $26 million is included in non-GAAP measures.

The sum of the components and certain computations may reflect rounding adjustments.

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

# Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2021 Form 10-K since the end of fiscal 2021 through December 31, 2021.

# 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 December 31, 2021. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of December 31, 2021, our disclosure controls and procedures were effective 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 as appropriate to allow timely decisions regarding required disclosure.

## Changes in Internal Control Over Financial Reporting

As explained below, there were changes in our internal control over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Pharmaceutical Segment Information Technology Initiative

The Pharmaceutical segment is in a multi-year project to implement a replacement of certain finance and operating information systems. During the three and six months ended December 31, 2021, we transitioned selected processes to the new systems which affected our internal control over financial reporting. It is possible that ongoing transitions to new systems may adversely impact internal control over financial reporting.

# Legal Proceedings

In addition to the proceeding described below, the legal proceedings described in Note 6 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

In June 2019, Melissa Cohen, a purported shareholder, filed an action on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances and approving certain payments of executive compensation. In December 2019 and January 2020, similar complaints were filed in the U.S. District Court for the Southern District of Ohio by purported shareholders, Stanley M. Malone and Michael Splaine, respectively. In January, 2020, the court consolidated the derivative cases under the caption In re Cardinal Health, Inc. Derivative Litigation and in March 2020, plaintiffs filed an amended complaint. The amended consolidated derivative complaint seeks, among other things, unspecified money damages against the defendants and an award of attorneys' fees. In February 2021, the court granted in part and denied in part defendants' motion to dismiss. The court dismissed the claim with respect to executive compensation but declined to dismiss the failure to monitor claim.

Subject to definitive documentation and court approval and notice process, the parties have reached an agreement in principle to resolve these lawsuits. Under this agreement, our director and officer's liability insurance carriers, on behalf of the defendants, would pay Cardinal Health $124 million, less any attorneys' fees and expenses awarded by the court to plaintiffs' counsel. This settlement does not include any admission of liability.

# Risk Factors

You should carefully consider the information in this Form 10-Q, including the risk factors below, and the risk factors discussed in "Risk Factors" and other risks discussed in our 2021 Form 10-K and our filings with the SEC since June 30, 2021. 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.

**The public health crisis involving the abuse of prescription opioid pain medication and our efforts to resolve related claims could have additional or unexpected material negative effects on our business.**

Our Pharmaceutical segment distributes prescription opioid pain medications. In recent years, the abuse of prescription opioid pain medication has become a public health crisis.

A significant number of states, counties, municipalities and other governmental entities have filed lawsuits against pharmaceutical manufacturers, pharmaceutical wholesale distributors (including us), retail chains and others relating to the manufacturing, marketing or distribution of prescription opioid pain medications. In July 2021, we announced that, as a result of the previously disclosed settlement framework, we and two other national distributors have negotiated a Proposed Settlement Agreement and settlement process that, if all conditions are satisfied (including the approval of the Board of Directors), would result in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. This Proposed Settlement Agreement is subject to contingencies and there is no assurance that a sufficient number of states and subdivisions will agree to the proposed settlement agreement or that the required contingencies will be satisfied. It is possible that the settlement will not become effective.

West Virginia subdivisions and Native American Tribes are not a part of this settlement process. In September 2021, we announced that we, along with two other national distributors, had reached an agreement with the Cherokee Nation in connection with ongoing negotiations toward a broader agreement with Native American tribes. In January 2022, we, along with two other national distributors, agreed to a term sheet with the Native American tribes. We have had negotiations with the West Virginia subdivisions from time to time. For more information on the proposed settlement and other opioid-related litigation matters, see Note 6 to the Consolidated Financial Statements.

A bench trial before a federal judge in West Virginia brought by Cabell County and City of Huntington against us and two other national distributors concluded in July 2021. The judge has not yet issued a decision. In addition, a bench trial in the case brought by the Washington Attorney General against us and the same two other national distributors began in November 2021 in Washington state court. It is also possible that, even if the Proposed Settlement Agreement becomes effective, we could have trials for lawsuits brought by other states or subdivisions as well.

In addition to claims brought by governmental entities, we are also being sued by private plaintiffs, such as unions, other health and welfare funds, hospital systems, other healthcare providers and individuals alleging personal injury for the same activities and we could be named as a defendant in additional lawsuits. A trial in Georgia in a lawsuit brought by private plaintiffs against us and two other distributors is scheduled to begin in March 2022. We are vigorously defending ourselves in all of these matters; however, trials are inherently unpredictable and it is possible that the outcome of these trials or any future opioid-related trials, either individually or in the aggregate, could materially negatively impact our financial results, cash flows or results of operations.

We have received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil requests for information from other DOJ offices. We believe that these investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures, and distribution of certain controlled substances.

The defense and resolution of current and future lawsuits and investigations are subject to uncertainty and could have a material adverse effect on our results of operations, financial condition, cash flows, liquidity, or our ability to pay dividends or repurchase our shares, beyond the amounts accrued. In addition, they could have adverse reputational or operational effects on our business.

Other legislative, regulatory or industry measures related to the public health crisis involving the abuse of prescription opioid pain medication and the distribution of these medications could affect our business in ways that we may not be able to predict. For example, several states have now adopted or proposed taxes or other fees on the sale of opioids. These laws and proposals vary in the tax amounts imposed and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted.

Ongoing unfavorable publicity regarding the abuse or misuse of prescription opioid pain medications and the role of wholesale distributors in the supply chain of such prescription medications, as well as the continued proliferation of the opioid lawsuits, investigations, regulations and legislative actions, and unfavorable publicity in relation to those lawsuits could have a material adverse effect on our reputation or results of operations.

**We depend on direct and indirect suppliers to make their products and raw materials available to us and are subject to fluctuations in costs, availability and regulatory risk associated with these products and raw materials.**

Our manufacturing businesses use oil-based resins, pulp, cotton, latex and other commodities as raw materials in many products. Prices of oil and gas also affect our distribution and transportation costs. Prices of these commodities are volatile and can fluctuate significantly, causing our costs to produce and distribute our products to fluctuate. Beginning in the fourth quarter of fiscal year 2021, we have experienced higher supply chain costs, primarily related to international freight and commodities, which had a negative impact on Medical segment profit in fiscal 2021 and the first two quarters of fiscal 2022. Supply chain constraints have also had a negative impact on sales within our Medical segment. We expect these cost increases and supply chain constraints to continue to have a negative impact on segment profit, primarily in the Medical segment, in fiscal 2022. Due to competitive dynamics and contractual limitations, we may be unable to pass along cost increases through higher prices. If we continue to have challenges sufficiently offsetting these cost increases through other cost reductions, or recovering these costs through price increases or surcharges, Medical segment profit could be negatively impacted to a greater extent than we currently anticipate.

We depend on others to manufacture some products that we market and distribute. Our operations are also dependent on various components, compounds, raw materials and energy supplied by others. We purchase many of these components, raw materials and energy, and source certain products from numerous suppliers in various countries. In some instances, for reasons of quality assurance, cost effectiveness, or availability, we procure certain components and raw materials from a sole supplier. Our supplier relationships could be interrupted, become less favorable to us or be terminated and the supply of these components, compounds, raw materials or products could be interrupted or become insufficient. These supply interruptions or other disruptions in manufacturing processes could be caused by events beyond our control, including natural disasters, supplier facility shut-downs, defective raw materials, the impact of epidemics or pandemics, such as COVID-19, and actions by U.S. or international governments, including export restrictions or tariffs.

In addition, due to the stringent regulatory requirements regarding the manufacture and sourcing of our products, we may not be able to quickly establish additional or replacement sources for certain components, materials or products. A sustained supply reduction or interruption, and an inability to develop alternative and additional sources for such supply, could result in lost sales, increased cost, damage to our reputation, and may have an adverse effect on our business.

**Potential employee attrition due to COVID-19 vaccine mandates or otherwise may have an adverse impact on our business and results of operations.**

In August 2021, we announced that we would be requiring certain groups of U.S. and Canadian employees, including salaried and office-based employees and sales teams, to be fully vaccinated against COVID-19 by December 2021.

In September 2021, an executive order was issued requiring all employers with U.S. Government contracts to ensure that their U.S. based employees, contractors and subcontractors that work on or in support of U.S. Government contracts are fully vaccinated against COVID-19. While effectiveness of this executive order has been stayed, if it goes into effect, it would increase the number of our employees who will be required to be vaccinated against COVID-19 and is applicable to certain employees working in distribution centers and manufacturing facilities who would not have otherwise been covered by our company's vaccination requirement. Implementation of these mandates may result in attrition, including attrition of key or critical employees, and difficulty in attracting or securing new employees, which could have an adverse impact on our business, financial condition or results of operations.

Additionally, the global labor market is competitive and it is possible that our ability to attract and retain employees in key functions, including in our distribution centers and manufacturing facilities, could be negatively impacted.

**Our goodwill may become further impaired, which could require us to record additional significant charges to earnings in accordance with generally accepted accounting principles.**

U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. As a result of adverse financial results in our Medical Unit resulting from inflationary impacts and global supply chain constraints, we performed interim goodwill impairment testing for the Medical Unit for the period ended December 31, 2021. As a result of this interim test, we recorded a $1.3 billion impairment to goodwill related to our Medical Unit. This testing involves estimates and significant judgments by management. We believe our assumptions and estimates are reasonable and appropriate; however additional adverse changes in key assumptions, including a failure to meet expected earnings or other financial plans, unanticipated events and circumstances such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impacts, further disruptions in the supply chain, the impact of the Cordis divestiture, estimated demand and selling prices for PPE, an increase in the discount rate, a decrease in the terminal growth rate, increases in tax rates (including potential tax reform) or a significant change in industry or economic trends could affect the accuracy or validity of such estimates and may result in an additional goodwill impairment in our Medical Unit. It is also possible that we may record significant charges related to other reporting units. Any charge or charges could adversely affect our results of operations. See "Critical Accounting Policies and Sensitive Accounting Estimates" in MD&A above for more information regarding goodwill impairment testing.

# Unregistered Sales of Equity Securities and Use of Proceeds

## Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share (2,3) | Total Number of Shares Purchased as Part of Publicly Announced Programs (2,3,4) | Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (4) (in millions) |
|---|---|---|---|---|
| October 2021 | 2,023,918 | $ 49.45 | 2,022,057 | $ 243 |
| November 2021 | 4,771,889 | 50.30 | 4,771,372 | 3,003 |
| December 2021 | 256 | 49.88 | — | 3,003 |
| **Total** | **6,796,063** | **$ 50.05** | **6,793,429** | **$ 3,003** |

(1) Reflects 1,861, 517, and 256 common shares purchased in October, November, and December 2021, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On August 19, 2021, we entered into an accelerated share repurchase ("ASR") program to purchase common shares for an aggregate purchase price of $500 million and received an initial delivery of 7.8 million common shares using a reference price of $51.53. The program concluded on October 4, 2021 at a volume weighted average price per common share of $51.10 resulting in a final delivery of 2.0 million common shares. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(3) On November 10, 2021, we entered into an ASR program to purchase common shares for an aggregate purchase price of $300 million and received an initial delivery of 4.8 million common shares using a reference price of $50.30. The program concluded on January 31, 2022 at a volume weighted average price per common share of $49.39 resulting in a final delivery of 1.3 million common shares. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(4) On November 7, 2018, our Board of Directors approved a $1.0 billion share repurchase program that expired on December 31, 2021. On November 4, 2021, our Board of Directors approved a new $3.0 billion share repurchase program, which will expire on December 31, 2024. The ASR program with an aggregate purchase price of $300 million concluded on January 31, 2022, which reduced the amount remaining under our existing share repurchase authorization to $2.9 billion.

# Condensed Consolidated Statements of Earnings

**(Unaudited)**

| (in millions, except per common share amounts) | Three Months Ended December 31, 2021 | Three Months Ended December 31, 2020 | Six Months Ended December 31, 2021 | Six Months Ended December 31, 2020 |
|---|---|---|---|---|
| Revenue | **$ 45,457** | $ 41,541 | **$ 89,425** | $ 80,606 |
| Cost of products sold | **43,841** | 39,765 | **86,167** | 77,115 |
| Gross margin | **1,616** | 1,776 | **3,258** | 3,491 |
| **Operating expenses:** | | | | |
| Distribution, selling, general and administrative expenses | **1,151** | 1,147 | **2,265** | 2,284 |
| Restructuring and employee severance | **7** | 20 | **25** | 57 |
| Amortization and other acquisition-related costs | **79** | 116 | **158** | 234 |
| Impairments and (gain)/loss on disposal of assets, net | **1,295** | — | **1,293** | 9 |
| Litigation (recoveries)/charges, net | **34** | 32 | **52** | 1,070 |
| Operating earnings/(loss) | **(950)** | 461 | **(535)** | (163) |
| Other (income)/expense, net | **(13)** | (12) | **(17)** | (19) |
| Interest expense, net | **37** | 46 | **77** | 91 |
| Loss on early extinguishment of debt | **—** | — | **10** | 1 |
| (Gain)/Loss on sale of equity interest in naviHealth | **(1)** | — | **(1)** | — |
| Earnings/(loss) before income taxes | **(973)** | 427 | **(604)** | (236) |
| Benefit from income taxes | **(1,022)** | (203) | **(925)** | (613) |
| Net earnings | **49** | 630 | **321** | 377 |
| Less: Net earnings attributable to noncontrolling interests | **—** | (1) | **(1)** | (1) |
| **Net earnings attributable to Cardinal Health, Inc.** | **$ 49** | $ 629 | **$ 320** | $ 376 |
| **Earnings per common share attributable to Cardinal Health, Inc.:** | | | | |
| Basic | **$ 0.17** | $ 2.14 | **$ 1.13** | $ 1.28 |
| Diluted | **0.17** | 2.13 | **1.12** | 1.27 |
| **Weighted-average number of common shares outstanding:** | | | | |
| Basic | **279** | 294 | **283** | 293 |
| Diluted | **281** | 295 | **285** | 295 |
| Cash dividends declared per common share | **$ 0.4908** | $ 0.4859 | **$ 0.9816** | $ 0.9718 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Comprehensive Income

**(Unaudited)**

| (in millions) | Three Months Ended December 31, 2021 | Three Months Ended December 31, 2020 | Six Months Ended December 31, 2021 | Six Months Ended December 31, 2020 |
|---|---|---|---|---|
| Net earnings | **$ 49** | $ 630 | **$ 321** | $ 377 |
| **Other comprehensive income/(loss):** | | | | |
| Foreign currency translation adjustments and other | **(18)** | 21 | **(43)** | 33 |
| Net unrealized gain/(loss) on derivative instruments, net of tax | **(6)** | 13 | **(8)** | 18 |
| Total other comprehensive income/(loss), net of tax | **(24)** | 34 | **(51)** | 51 |
| Total comprehensive income | **25** | 664 | **270** | 428 |
| Less: comprehensive income attributable to noncontrolling interests | **—** | (1) | **(1)** | (1) |
| **Total comprehensive income attributable to Cardinal Health, Inc.** | **$ 25** | $ 663 | **$ 269** | $ 427 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Balance Sheets

| (in millions) | December 31, 2021 (Unaudited) | June 30, 2021 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and equivalents | **$ 3,161** | $ 3,407 |
| Trade receivables, net | **9,406** | 9,103 |
| Inventories, net | **14,941** | 14,594 |
| Prepaid expenses and other | **4,339** | 2,843 |
| Assets held for sale | **—** | 1,101 |
| Total current assets | **31,847** | 31,048 |
| | | |
| Property and equipment, net | **2,321** | 2,360 |
| Goodwill and other intangibles, net | **8,599** | 10,094 |
| Other assets | **913** | 951 |
| **Total assets** | **$ 43,680** | $ 44,453 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities:** | | |
| Accounts payable | **$ 24,759** | $ 23,700 |
| Current portion of long-term obligations and other short-term borrowings | **301** | 871 |
| Other accrued liabilities | **2,669** | 2,957 |
| Liabilities related to assets held for sale | **—** | 96 |
| Total current liabilities | **27,729** | 27,624 |
| | | |
| Long-term obligations, less current portion | **5,342** | 5,365 |
| Deferred income taxes and other liabilities | **9,607** | 9,670 |
| | | |
| **Shareholders' equity:** | | |
| Preferred shares, without par value: | | |
| Authorized—500 thousand shares, Issued—none | **—** | — |
| Common shares, without par value: | | |
| Authorized—755 million shares, Issued—**327 million** shares at **December 31, 2021** and June 30, 2021 | **2,721** | 2,806 |
| Retained earnings | **1,245** | 1,205 |
| Common shares in treasury, at cost: **50 million** shares and 36 million shares at **December 31, 2021** and June 30, 2021, respectively | **(2,883)** | (2,186) |
| Accumulated other comprehensive loss | **(85)** | (34) |
| **Total Cardinal Health, Inc. shareholders' equity** | **998** | 1,791 |
| Noncontrolling interests | **4** | 3 |
| **Total shareholders' equity** | **1,002** | 1,794 |
| **Total liabilities and shareholders' equity** | **$ 43,680** | $ 44,453 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Shareholders' Equity

**(Unaudited)**

| (in millions) | Common Shares Shares Issued | Common Shares Amount | Retained Earnings | Treasury Shares Shares | Treasury Shares Amount | Accumulated Other Comprehensive Loss | Noncontrolling Interests | **Total Shareholders' Equity** |
|---|---|---|---|---|---|---|---|---|
| | **Three Months Ended December 31, 2021** | | | | | | | |
| Balance at September 30, 2021 | 327 | $ 2,666 | $ 1,335 | (43) | $ (2,547) | $ (61) | $ 3 | **$ 1,396** |
| Net earnings | | | 49 | | | | — | **49** |
| Other comprehensive loss, net of tax | | | | | | (24) | | **(24)** |
| Employee stock plans activity, net of shares withheld for employee taxes | — | 15 | | | 4 | | | **19** |
| Share repurchase program activity | | 40 | | (7) | (340) | | | **(300)** |
| Dividends declared | | | (139) | | | | | **(139)** |
| Other | | | — | | | | 1 | **1** |
| **Balance at December 31, 2021** | **327** | **$ 2,721** | **$ 1,245** | **(50)** | **$ (2,883)** | **$ (85)** | **$ 4** | **$ 1,002** |
| | Three Months Ended December 31, 2020 | | | | | | | |
| Balance at September 30, 2020 | 327 | $ 2,760 | $ 771 | (33) | $ (2,022) | $ (87) | $ 3 | $ 1,425 |
| Net earnings | | | 629 | | | | 1 | 630 |
| Other comprehensive income, net of tax | | | | | | 34 | | 34 |
| Employee stock plans activity, net of shares withheld for employee taxes | — | 17 | | | — | 13 | | 30 |
| Dividends declared | | | (144) | | | | | (144) |
| Other | | | 1 | (1) | | | — | — |
| Balance at December 31, 2020 | 327 | $ 2,778 | $ 1,255 | (33) | $ (2,009) | $ (53) | $ 4 | $ 1,975 |
| | **Six Months Ended December 31, 2021** | | | | | | | |
| Balance at June 30, 2021 | 327 | $ 2,806 | $ 1,205 | (36) | $ (2,186) | $ (34) | $ 3 | **$ 1,794** |
| Net earnings | | | 320 | | | | 1 | **321** |
| Other comprehensive loss, net of tax | | | | | | (51) | | **(51)** |
| Employee stock plans activity, net of shares withheld for employee taxes | — | (25) | | 1 | 43 | | | **18** |
| Share repurchase program activity | | (60) | | (15) | (740) | | | **(800)** |
| Dividends declared | | | (280) | | | | | **(280)** |
| Other | | | — | | | | — | **—** |
| **Balance at December 31, 2021** | **327** | **$ 2,721** | **$ 1,245** | **(50)** | **$ (2,883)** | **$ (85)** | **$ 4** | **$ 1,002** |
| | Six Months Ended December 31, 2020 | | | | | | | |
| Balance at June 30, 2020 | 327 | $ 2,789 | $ 1,170 | (35) | $ (2,066) | $ (104) | $ 3 | $ 1,792 |
| Net earnings | | | 376 | | | | 1 | 377 |
| Other comprehensive income, net of tax | | | | | | 51 | | 51 |
| Employee stock plans activity, net of shares withheld for employee taxes | — | (11) | | 2 | 57 | | | 46 |
| Dividends declared | | | (289) | | | | | (289) |
| Other | | | (2) | | | | — | (2) |
| Balance at December 31, 2020 | 327 | $ 2,778 | $ 1,255 | (33) | $ (2,009) | $ (53) | $ 4 | $ 1,975 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Cash Flows

**(Unaudited)**

| (in millions) | Six Months Ended December 31, 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net earnings | **$ 321** | $ 377 |
| | | |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | **332** | 404 |
| (Gain)/Loss on sale of equity interest in naviHealth | **(1)** | — |
| Impairments and (gain)/loss on disposal of assets, net | **1,293** | 9 |
| Loss on early extinguishment of debt | **10** | 1 |
| Share-based compensation | **42** | 51 |
| Provision for bad debts | **25** | 35 |
| Change in operating assets and liabilities, net of effects from acquisitions and divestitures: | | |
| Increase in trade receivables | **(329)** | (499) |
| Increase in inventories | **(361)** | (1,256) |
| Increase in accounts payable | **1,059** | 1,861 |
| Other accrued liabilities and operating items, net | **(1,842)** | 504 |
| Net cash provided by operating activities | **549** | 1,487 |
| | | |
| **Cash flows from investing activities:** | | |
| Proceeds from divestitures, net of cash transferred, and disposal of property and equipment | **938** | — |
| Acquisition of subsidiaries, net of cash acquired | **—** | (3) |
| Additions to property and equipment | **(141)** | (174) |
| Purchases of investments | **(4)** | (18) |
| Proceeds from investments | **22** | 4 |
| Net cash provided by/(used in) investing activities | **815** | (191) |
| | | |
| **Cash flows from financing activities:** | | |
| Reduction of long-term obligations | **(592)** | (49) |
| Net tax withholdings from share-based compensation | **(27)** | (6) |
| Dividends on common shares | **(289)** | (289) |
| Purchase of treasury shares | **(800)** | — |
| Net cash used in financing activities | **(1,708)** | (344) |
| | | |
| Effect of exchange rate changes on cash and equivalents | **(11)** | 14 |
| Cash reclassified from assets held for sale | **109** | — |
| | | |
| Net increase/(decrease) in cash and equivalents | **(246)** | 966 |
| Cash and equivalents at beginning of period | **3,407** | 2,771 |
| **Cash and equivalents at end of period** | **$ 3,161** | $ 3,737 |

See notes to condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

## 1. Basis of Presentation and Summary of Significant Accounting Policies

### Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively.

References to "we," "our," and similar pronouns in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2021 (this "Form 10-Q") refer to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context requires otherwise.

Our fiscal year ends on June 30. References to fiscal 2022 and 2021 in these condensed consolidated financial statements are to the fiscal years ending or ended June 30, 2022 and June 30, 2021, 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 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.

The COVID-19 pandemic ("COVID-19") continues to affect the U.S. and global economies, and as previously disclosed, the pandemic began to materially affect our businesses during the third quarter of fiscal 2020. The length and severity of the pandemic and its impacts on our businesses and results of operations are uncertain.

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. In addition, financial results presented for this fiscal 2022 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2022. These condensed consolidated financial statements are unaudited and, accordingly, 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, 2021 (the "2021 Form 10-K").

### Recently Issued Financial Accounting Standards Not Yet Adopted

We assess the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board ("FASB") on our condensed consolidated financial statements as well as material updates to previous assessments, if any, from our fiscal 2021 Form 10-K. There were no accounting standards issued in fiscal 2022 that will have a material impact on our condensed consolidated financial statements.

### Recently Adopted Financial Accounting Standards

There were no new material accounting standards adopted in the six months ended December 31, 2021.

## 2. Divestitures

In August 2021, we sold the Cordis business to Hellman & Friedman for proceeds of $927 million, net of cash transferred, and we retained certain working capital accounts and certain liabilities. The purchase price is subject to adjustments based on working capital requirements as set forth in the agreement. Cardinal Health will retain product liability associated with lawsuits and claims related to inferior vena cava ("IVC") filters in the U.S. and Canada, as well as authority for these matters discussed in Note 6. The Cordis business operated within our Medical segment.

## 3. Restructuring and Employee Severance

The following table summarizes restructuring and employee severance:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Employee-related | **$ 2** | $ 8 |
| Facility exit and other | **5** | 12 |
| **Total restructuring and employee severance** | **$ 7** | $ 20 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Employee-related | **$ 10** | $ 32 |
| Facility exit and other | **15** | 25 |
| **Total restructuring and employee severance** | **$ 25** | $ 57 |

Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated, duplicate payroll costs and retention bonuses incurred during transition periods. Facility exit and other costs primarily consist of professional, project management and other service fees to support divestitures, vendor transition fees, accelerated depreciation, lease costs associated with vacant facilities, project consulting fees, and certain other divestiture-related costs.

Restructuring costs during both the three and six months ended December 31, 2021 and 2020 were primarily related to the implementation of certain enterprise-wide cost-savings measures. Restructuring costs during the three and six months ended December 31, 2021 also included costs related to the divestiture of the Cordis business.

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, 2021 | $ 53 | $ 26 | **$ 79** |
| Additions | 16 | 1 | **17** |
| Payments and other adjustments | (25) | (9) | **(34)** |
| **Balance at December 31, 2021** | **$ 44** | **$ 18** | **$ 62** |

## 4. 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 (1) | Medical (2) | **Total** |
|---|---|---|---|
| Balance at June 30, 2021 | $ 2,659 | $ 5,330 | **$ 7,989** |
| Goodwill acquired, net of purchase price adjustments | — | — | **—** |
| Foreign currency translation adjustments and other | — | (26) | **(26)** |
| Goodwill impairment | — | (1,307) | **(1,307)** |
| **Balance at December 31, 2021** | **$ 2,659** | **$ 3,997** | **$ 6,656** |

(1) At December 31, 2021 and June 30, 2021, the Pharmaceutical segment accumulated goodwill impairment loss was $829 million.

(2) At December 31, 2021 and June 30, 2021, the Medical segment accumulated goodwill impairment loss was $2.7 billion and $1.4 billion, respectively.

During the three months ended December 31, 2021, the Medical Unit, which is our Medical operating segment excluding our Cardinal Health at-Home Solutions division, continued to experience adverse financial results related to inflationary impacts and global supply chain constraints. Due to the risks and uncertainties related to these impacts, we elected to bypass the qualitative assessment and perform interim goodwill impairment testing for the Medical Unit. This quantitative test resulted in a pre-tax $1.3 billion goodwill impairment charge related to the Medical Unit, which is included in impairments and (gain)/loss on disposal of assets in our condensed consolidated statements of earnings. The goodwill balance of the Medical Unit, after recognizing the impairment, was $2.8 billion at December 31, 2021.

Our determination of estimated fair value of our reporting units is based on a combination of the income-based approach (using a discount rate of 9 percent and a terminal growth rate of 2 percent percent), and the market-based approach. Our fair value estimates utilize significant unobservable inputs and thus represent Level 3 fair value measurements.

## Other Intangible Assets

The following tables summarize other intangible assets by class at:

| (in millions) | December 31, 2021 Gross Intangible | Accumulated Amortization | Net Intangible | Weighted-Average Remaining Amortization Period (Years) |
|---|---|---|---|---|
| **Indefinite-life intangibles:** | | | | |
| Trademarks and patents | **$ 12** | **$ —** | **$ 12** | **N/A** |
| Total indefinite-life intangibles | **12** | **—** | **12** | **N/A** |
| **Definite-life intangibles:** | | | | |
| Customer relationships | **3,317** | **2,089** | **1,228** | **11** |
| Trademarks, trade names and patents | **552** | **344** | **208** | **9** |
| Developed technology and other | **1,036** | **541** | **495** | **9** |
| Total definite-life intangibles | **4,905** | **2,974** | **1,931** | **10** |
| **Total other intangible assets** | **$ 4,917** | **$ 2,974** | **$ 1,943** | **N/A** |

| (in millions) | June 30, 2021 Gross Intangible | Accumulated Amortization | Net Intangible |
|---|---|---|---|
| **Indefinite-life intangibles:** | | | |
| Trademarks and patents | $ 12 | $ — | $ 12 |
| Total indefinite-life intangibles | 12 | — | 12 |
| **Definite-life intangibles:** | | | |
| Customer relationships | 3,330 | 1,989 | 1,341 |
| Trademarks, trade names and patents | 551 | 328 | 223 |
| Developed technology and other | 1,035 | 506 | 529 |
| Total definite-life intangibles | 4,916 | 2,823 | 2,093 |
| **Total other intangible assets** | $ 4,928 | $ 2,823 | $ 2,105 |

Total amortization of intangible assets was $79 million and $113 million for the three months ended December 31, 2021 and 2020, respectively, and $157 million and $228 million for the six months ended December 31, 2021 and 2020, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2022 through 2026 is as follows: $157 million, $286 million, $262 million, $237 million, and $210 million.

# 5. Long-Term Obligations and Other Short-Term Borrowings

## Long-Term Debt and Other Short-Term Borrowings

We had total long-term obligations, including the current portion and other short-term borrowings, of $5.6 billion and $6.2 billion at December 31, 2021 and June 30, 2021, respectively. All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $24.8 billion and $23.7 billion at December 31, 2021 and June 30, 2021, respectively.

During the six months ended December 31, 2021, we redeemed all outstanding $572 million principal amount of 2.616% Notes due June 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with this redemption, we recorded a $10 million loss on early extinguishment of debt. The early redemption was funded with available cash.

During the six months ended December 31, 2020, we early repurchased a total of $40 million of the Floating Rate Notes due 2022 and $2 million of the 2.616% Notes due 2022. The repurchases were funded with available cash. In connection with the early debt repurchases, we recorded a $1 million loss on early extinguishment of debt during the six months ended December 31, 2020.

## Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $2.0 billion commercial paper program backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At December 31, 2021, we had no amounts outstanding under our commercial paper program, revolving credit facility, or our committed receivables sales facility.

In September 2019, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC (“CHF”) through September 30, 2022. CHF was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells 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.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of December 31, 2021, we were in compliance with this financial covenant.

## 6. Commitments, Contingent Liabilities and Litigation

### Commitments

**Generic Sourcing Venture with CVS Health Corporation ("CVS Health")**

In July 2014, we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health for an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. In August 2021, we amended our agreement to extend the term through June 2029. We are required to make quarterly payments to CVS Health for the term of the arrangement.

### Contingencies

**New York Opioid Stewardship Act**

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Under the OSA, each licensed manufacturer and distributor would be required to pay a portion of the assessment based on its share of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year, beginning in 2017.

The constitutionality of portions of the OSA has been challenged in court. In December 2018, the OSA was ruled unconstitutional by the U.S. district court for the Southern District of New York. Subsequently, New York passed a new statute that modified the assessment going forward and limited the OSA to two years (2017 and 2018). The U.S. Court of Appeals for the Second Circuit reversed the district court's decision on procedural grounds. In February 2021, the Second Circuit stayed the effect of the ruling pending a petition to the U.S. Supreme Court to review the Second Circuit's opinion. In October 2021, the U.S. Supreme Court declined to review the decision.

We accrue contingencies if it is probable that a liability has been incurred and the amount can be estimated. Because of the Second Circuit ruling, we recorded an aggregate accrual of $41 million for calendar year 2017 and 2018 during the six months ended December 31, 2020 based on the probable estimated payment amount. In the three months ended December 31, 2021, we paid the State of New York $20 million, our portion of the assessment for calendar year 2017. As a result, as of December 31, 2021, we had an accrual of $20 million, which reflects our best estimate of the portion of the assessment that we may owe for sales during calendar year 2018.

**Legal Proceedings**

We become involved from time to time in disputes, litigation and regulatory matters.

From time to time, we determine that products we source, manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a potential quality or regulatory issue, we investigate and take appropriate corrective action. Such actions have led to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, product liability claims and lawsuits and can lead to action by regulators. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. In addition, from time to time, we receive subpoenas or requests for information from various federal or state agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could directly or indirectly lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

We have been named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. 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 and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government.

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

We recognize estimated loss contingencies for certain litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges in our condensed consolidated statements of earnings; however, losses and recoveries of lost profits from disputes that occur in the ordinary course of business are included within segment profit. For

example, in the second quarter of fiscal year 2022, our Pharmaceutical segment profit was positively impacted by a $16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

**Opioid Lawsuits and Investigations**

Pharmaceutical wholesale distributors, including us, have been named as defendants in approximately 3,400 lawsuits relating to the distribution of prescription opioid pain medications. The lawsuits seek equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as public nuisance, negligence and unjust enrichment as well as violations of controlled substance laws, the Racketeer Influenced and Corrupt Organizations Act and various other statutes. These lawsuits also name pharmaceutical manufacturers, retail pharmacy chains and other entities as defendants.

*States & Political Subdivisions*

Approximately 2,900 of these lawsuits have been filed by counties, municipalities, cities and political subdivisions in various federal, state, and other courts. The vast majority of these lawsuits were filed in U.S. federal court and have been transferred for consolidated pre-trial proceedings in a Multi-District Litigation proceeding in the U.S. District Court for the Northern District of Ohio (the “MDL”).

In addition, 25 state attorneys general have filed lawsuits against distributors, including us, in various state courts. We have also received requests, civil investigative demands, subpoenas or requests for information from additional state attorneys general offices and governmental authorities.

In October 2019, we agreed in principle to a global settlement framework with a leadership group of state attorneys general; the framework is designed to resolve pending and future opioid lawsuits and claims by states and political subdivisions, but not private plaintiffs (the "Settlement Framework").

In July 2021, we announced that we and two other national distributors have negotiated a proposed settlement agreement (the “Proposed Settlement Agreement”) and settlement process that, if all conditions are satisfied, would result in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. The settlement process does not contemplate participation by any non-governmental or non-political entities or individuals.

The Proposed Settlement Agreement includes a cash component, pursuant to which we would pay up to approximately $6.37 billion, the majority of which would be paid over 18 years. The exact payment amount will depend on several factors, including the participation rate of states and political subdivisions, the extent to which states take action to foreclose opioid lawsuits by political subdivisions (e.g., laws barring or limiting opioid lawsuits by political subdivisions), and the extent to which political subdivisions in participating states file additional opioid lawsuits against us after the Proposed Settlement Agreement becomes effective.

The Proposed Settlement Agreement also includes injunctive relief terms related to distributors’ controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating controlled substances monitoring programs; (3) due diligence for new and existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will be selected to oversee compliance with these provisions for a period of five years. In addition, we and the two other settling distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which distributors will fund the for ten years.

As contemplated under the Proposed Settlement Agreement, in September 2021, the three distributors determined that a sufficient number of states had agreed to participate in the Proposed Settlement Agreement to proceed to the next phase of the settlement process, which was the subdivision sign-on period. The subdivision sign-on period ended January 26, 2022. Each participating state will now make a determination as to whether a sufficient number of its political subdivisions have agreed to the Proposed Settlement Agreement (or otherwise had their claims foreclosed) to proceed with the Proposed Settlement Agreement. Following that determination by participating states, each of the three distributors will independently determine whether a sufficient number of subdivisions, including both those litigating and those that have not sued, have agreed to participate in the Proposed Settlement Agreement (or otherwise had their claims foreclosed) to proceed to execution. This process is currently contemplated to end in February 2022. The Proposed Settlement Agreement remains subject to contingencies. It is possible that a sufficient number of states and subdivisions will not agree to the Proposed Settlement Agreement or that other required contingencies will not be satisfied.

If the required contingencies are satisfied, the Proposed Settlement Agreement is expected to become effective in April 2022. During the period between the satisfaction of contingencies and the effective date, the participating states and the distributors would cooperate to obtain consent judgments embodying the terms of the Proposed Settlement Agreement in each participating state and dismissing lawsuits of participating states and subdivisions.

In connection with the negotiations of the Proposed Settlement Agreement, we and the two other national distributors have entered into a settlement with each of the states of Florida, New York, Ohio and Rhode Island and their participating subdivisions. If the Proposed Settlement Agreement becomes effective, these states and their participating subdivisions will become a part of it.

West Virginia subdivisions and Native American tribes are not a part of this settlement process and we have been involved in separate negotiations with these groups. In September 2021 we announced that we, along with two other national distributors, had reached an agreement with the Cherokee Nation in connection with ongoing negotiations toward a broader agreement with Native American tribes. In January 2022, we, along with two other

national distributors, entered into a term sheet with the Native American tribes.

A bench trial before a federal judge in West Virginia brought by Cabell County and City of Huntington against us and two other national distributors concluded in July 2021. The judge has not yet issued a decision. In addition, a bench trial in the case brought by the Washington Attorney General against us and the same two other national distributors began in November 2021 in Washington state court. Trials are inherently unpredictable and it is possible that the outcome of these trials, either individually or in the aggregate, could materially negatively impact our financial results, cash flows or results of operations.

During the six months ended December 31, 2021, we paid into escrow the majority of our first annual payment under the Proposed Settlement Agreement, which is reflected in prepaid expenses and other assets in our condensed consolidated balance sheets. We also made certain payments under the separate New York and Ohio settlements. In total, we have $6.68 billion accrued at December 31, 2021, of which $480 million is included in other accrued liabilities and the remainder is included in deferred income taxes and other liabilities in our condensed consolidated balance sheets. During the six months ended December 31, 2020, we recorded total pre-tax charges of $1.02 billion in litigation (recoveries)/charges, net in our condensed consolidated statements of earnings.

Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual, whether as a result of settlement discussions, a judicial decision or verdict or otherwise, but we are not able to estimate a range of reasonably possible additional losses for these matters. We continue to strongly dispute the allegations made in these lawsuits and reaching an agreement in principle on a global settlement framework is not an admission of liability or wrongdoing.

*Department of Justice Investigations*

We have received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil requests for information from other DOJ offices. We believe that these investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures, and distribution of certain controlled substances. We are cooperating with these investigations. We are unable to predict the outcome of any of these investigations.

*Private Plaintiffs*

The Proposed Settlement Agreement does not address claims by private parties, which includes unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals alleging personal injury. Private parties had brought approximately 464 lawsuits as of January 25, 2022. Of these, 147 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs.

A trial in a case involving 21 plaintiffs is scheduled to begin in state court in Georgia in March 2022. We are vigorously defending ourselves in all of these matters; however, trials are inherently unpredictable and it is possible that an unfavorable outcome in these matters, individually or in the aggregate, could have a negative impact on our financial results.

*Insurance Litigation*

We are involved in legal proceedings with two insurers related to the availability of insurance coverage for the lawsuits described above. In October 2020, we filed a complaint for declaratory judgment against National Union Fire Insurance Company of Pittsburgh, PA (“National Union”) seeking a declaration that National Union is obligated to reimburse us for defense costs incurred in connection with the lawsuits described above. In January 2021, Swiss Re International SE commenced an arbitration in London seeking a determination that it does not have an obligation to reimburse us for defense and indemnity expenses incurred in connection with the lawsuits described above. We have not recorded a receivable for any recoveries related to these insurance litigation matters as of December 31, 2021.

**Cordis IVC Filter Matters**

*Product Liability Lawsuits*

As of January 25, 2022, we are named as a defendant in 443 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 5,750 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava ("IVC") filter products. Another 32 lawsuits involving similar claims by approximately 36 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. In July 2021, we entered into an agreement to settle approximately 1,300 claims. This agreement is subject to certain contingencies. We continue to vigorously defend ourselves in these lawsuits and are engaged in ongoing resolution discussions with certain plaintiffs.

At December 31, 2021, we had a total of $554 million net of estimated insurance recoveries, accrued for losses and legal defense costs, related to the Cordis IVC filter lawsuits in our condensed consolidated balance sheets. We believe there is a range of estimated losses with respect to these matters. Because no amount within the range is a better estimate than any other amount within the range, we have accrued the minimum amount in the range. We estimate the high end of the range to be approximately $1.09 billion, net of estimated insurance recoveries. The sale of the Cordis disposal group does not include product liability related to the IVC filters in the U.S. and Canada, which we retained.

*New Mexico Attorney General Action*

In August 2021, the Attorney General for the State of New Mexico filed an action against certain IVC filter manufacturers, including us, alleging claims under New Mexico's Unfair Practices Act, Medicaid Fraud Act and Fraud Against Taxpayers Act. The allegations made are similar to those made in the product liability lawsuits, described above. We intend to vigorously defend ourselves against these claims.

**SEC Investigation**

In February 2021, we received a subpoena from the U.S. Securities and Exchange Commission requesting the production of documents from 2015 through 2019 relating to inventory in the Cordis business, analysis of goodwill of the Medical segment and other matters. We are cooperating with this inquiry and related requests and cannot predict the outcome or duration of the investigation.

**Shareholder Securities Litigation**

In August 2019, the Louisiana Sheriffs' Pension & Relief Fund filed a purported class action complaint against Cardinal Health and certain current and former officers and employees in the United States District Court for the Southern District of Ohio purportedly on behalf of all purchasers of our common shares between March 2015 and May 2018. In June 2020, the court appointed 1199 SEIU Health Care Employees Pension Fund as lead plaintiff and a consolidated amended complaint was filed in September 2020. The amended complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making misrepresentations and omissions related to the acquisition and integration of the Cordis business and inventory and supply chain problems within the Cordis business, and seeks to recover unspecified damages and equitable relief for the alleged misstatements and omissions. The complaint also alleges that one of the individual defendants violated Section 20A of the Exchange Act because he sold shares of Cardinal Health stock during the time period. In September 2021, the court denied our motion to dismiss. We believe that the claims asserted in this complaint are without merit and intend to vigorously defend against them.

**Specialty Solutions DOJ Investigation**

In November 2018, the United States Attorney's Office for the District of Massachusetts (the "USAO") commenced an investigation of Cardinal Health regarding possible violations of the U.S. healthcare fraud and abuse laws. The USAO sought, among other things, documents and information relating to discounts and rebates offered or provided to certain Specialty Solutions customers. In January 2022, without admitting liability, we settled this matter with the DOJ for approximately $13 million, which was recorded as expense within litigation (recoveries)/charges net in our consolidated statement of earnings during the fiscal year ended June 30, 2021. Additionally, our Specialty Pharmaceutical Distribution business entered into a five-year corporate integrity agreement with the Department of Health and Human Services, Office of Inspector General, under which it agreed to certain remedial measures, including no longer offering term-based up-front discounts.

**Other Civil Litigation**

*Generic Pharmaceutical Pricing Antitrust Litigation*

In December 2019, pharmaceutical distributors including us were added as defendants in a civil class action lawsuit filed by indirect purchasers of generic drugs, such as hospitals and retail pharmacies. The indirect purchaser case is part of a multidistrict litigation consisting of multiple individual class action matters consolidated in the Eastern District of Pennsylvania. The indirect purchaser plaintiffs allege that pharmaceutical distributors encouraged manufacturers to increase prices, provided anti-competitive pricing information to manufacturers and improperly engaged in customer allocation. We have filed a motion to dismiss the complaints and we intend to vigorously defend ourselves.

*Active Pharmaceutical Ingredient Impurity Litigation*

Many participants in the pharmaceutical supply chain, including active pharmaceutical ingredient ("API") manufacturers, finished dose manufacturers, repackagers, distributors, and retailers have been named as defendants in lawsuits arising out of recalls of certain medications due to alleged impurities in the active pharmaceutical ingredients or finished product.

In February 2019, a Multidistrict Litigation was created in the U.S. District Court for the District of New Jersey (the "Sartan MDL") alleging API impurities in certain generic blood pressure medications. We have been named as a defendant in the Sartan MDL. We are vigorously defending ourselves in this matter.

## 7. Income Taxes

Fluctuations in our benefit from income taxes as a percentage of pretax earnings/(loss) ("effective tax rate") are due to changes in international and U.S. state effective tax rates resulting from our business mix and discrete items.

**Tax Effects of Goodwill Impairment Charge**

During the six months ended December 31, 2021, we recognized a $1.3 billion pre-tax charge for goodwill impairment related to the Medical Unit. The net tax benefit related to this charge is $92 million for fiscal 2022.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our benefit from income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

The tax effect of the goodwill impairment charge during the three months ended December 31, 2021 was included in our estimated annual effective tax rate because it was not considered unusual or infrequent, given that we recorded goodwill impairment in prior fiscal years. The impact of the non-deductible goodwill significantly increased the estimated annual effective tax rate for fiscal 2022. Applying the higher tax rate to the current quarter loss resulted in recognizing an interim tax benefit of approximately $1.0 billion, which impacted the benefit from income taxes in the condensed consolidated statements of earnings during the three months and six months ended December 31, 2021 and prepaid expenses and other assets in the condensed consolidated balance sheets at December 31, 2021. This interim tax benefit will reverse in future quarters of fiscal 2022.

**Cordis Divestiture**

During the six months ended December 31, 2021, we completed the divestiture of the Cordis business. In connection with the closing, we recorded net tax expense of $10 million and $19 million during the three and six months ended December 31, 2021, respectively. The tax effects of these matters during the six months ended December 31, 2021 were included in our full year effective tax rate forecast. We currently estimate the tax expense associated with this matter for the full fiscal 2022 will be $38 million.

**Tax Effects of Self-Insurance Pre-tax Loss**

During the three months ended December 31, 2020, our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, is currently deductible on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss is being carried back and applied to adjust our taxable income for fiscal 2015, 2016, 2017, and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted by the United States Congress in March 2020.

Accordingly, our provision for income taxes during the three months ended December 31, 2020 included a $420 million benefit from the net operating loss carryback primarily to reflect the difference between the federal statutory income tax rate during the fiscal years from 2015 to 2018 (35 percent for fiscal 2015, 2016, and 2017 and 28 percent for fiscal 2018) and the current federal statutory income tax rate of 21 percent.

We have filed for a U.S. federal income tax refund of $974 million as a result of the net operating loss carryback under the CARES Act, which we expect to receive within 12 months, and accordingly have a current asset on our condensed consolidated balance sheets at December 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the six months ended December 31, 2020 related to this matter.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of tax law; however, it is possible that the tax authorities could challenge these tax benefits. The actual amount of the tax benefit may differ materially from these estimates.

**Tax Effects of Opioid Litigation Charges**

In connection with the $1.02 billion pre-tax charges for the opioid litigation recorded during the six months ended December 31, 2020, the net tax benefits were approximately $300 million for the six months ended December 31, 2020 and $228 million for fiscal 2021. Our tax benefits are estimates, which reflect our current assessment of the estimated future deductibility of the amount that may be paid under the accrual taken in connection with the opioid litigation and are net of unrecognized tax benefits of $34 million during the six months ended December 31, 2020, and $219 million for fiscal 2021. We have recognized no tax benefit associated with Opioid accruals made in fiscal 2022.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the U.S. Tax Cuts and Jobs Act ("Tax Act"); however, these estimates require significant judgment since the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible Congress or the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit may differ materially from these estimates.

**Effective Tax Rate**

During the three months ended December 31, 2021 and 2020, the effective tax rate was 105.0 percent and (47.6) percent, respectively. The effective tax rate for the three months ended December 31, 2021 reflects the impact of the tax effect of the goodwill impairment charge being included in our estimated annual

effective tax rate. The estimated annual effective tax rate for the three months ended December 31, 2020 included the benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss, partially offset by the treatment of the tax impacts of the opioid litigation accrual recorded in the prior year.

During the six months ended December 31, 2021 and 2020, the effective tax rate was 153.1 percent and 259.7 percent. The effective tax rate for the six months ended December 31, 2021 reflects the impact of the tax effect of the goodwill impairment charge being included in our estimated annual effective tax rate. The effective tax rate for the six months ended December 31, 2020 included the benefit from a net operating loss carryback primarily related to a self-insurance pre-tax loss and net tax benefit related to the treatment of the tax impacts of opioid litigation charges.

**Unrecognized Tax Benefits**

We had $937 million and $932 million of unrecognized tax benefits, at December 31, 2021 and June 30, 2021 respectively. The December 31, 2021 and June 30, 2021 balances include $854 million and $849 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At December 31, 2021 and June 30, 2021, we had $45 million and $49 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the provision for/(benefit from) income taxes in the condensed consolidated statements of earnings. 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, possible settlement of IRS and other audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is between zero and a net decrease of up to $20 million, exclusive of penalties and interest.

**Other Tax Matters**

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through 2020.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), a subsidiary of Becton, Dickinson and Company. Under the tax matters agreement, 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 $72 million at both December 31, 2021 and June 30, 2021, and is included in other assets in the condensed consolidated balance sheets.

As a result of the acquisition of the Patient Recovery Business, Medtronic plc is obligated to indemnify us for certain tax exposures and transaction taxes related to periods prior to the acquisition under the purchase agreement. The indemnification receivable was $3 million at December 31, 2021 and $12 million at June 30, 2021, respectively, and is included in other assets in the condensed consolidated balance sheets.

## 8. Fair Value Measurements

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Cash equivalents | **$ 1,077** | **$ —** | **$ —** | **$ 1,077** |
| Other investments (1) | **125** | **—** | **—** | **125** |
| Forward contracts (2) | **—** | **62** | **—** | **62** |

| | June 30, 2021 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Cash equivalents | $ 1,883 | $ — | $ — | $ 1,883 |
| Other investments (1) | 126 | — | — | 126 |
| Forward contracts (2) | — | 42 | — | 42 |

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

(2) The fair value of interest rate swaps, foreign currency contracts, and net investment hedges is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in prepaid expenses and other, other assets, other accrued liabilities, and deferred income taxes and other liabilities within the condensed consolidated balance sheets.

## 9. 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. We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into derivative instruments with major financial institutions that are rated

investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

## Interest Rate Risk Management

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

## Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

## Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

## Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the condensed consolidated statements of earnings. For the three and six months ended December 31, 2021 and 2020, there was no gain or loss recorded to interest expense as changes in the market value of our derivative instruments offset changes in the market value of the underlying debt.

During the six months ended December 31, 2021, we entered into pay-floating interest rate swaps with notional amounts of $100 million and $200 million. These swaps have been designated as fair value hedges of our fixed rate debt and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

## Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

Pre-tax gains recognized in other comprehensive income/(loss) were $1 million and $8 million for the three months ended December 31, 2021 and 2020, respectively, and $3 million and $7 million for the six months ended December 31, 2021 and 2020, respectively. Gains and losses recognized in accumulated other comprehensive loss and reclassified into earnings were immaterial for the three and six months ended December 31, 2021 and 2020. All gains and losses currently included within accumulated other comprehensive loss associated with our cash flow hedges to be reclassified into net earnings within the next 12 months are immaterial.

## Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment positions in foreign subsidiaries. To accomplish this, we enter into cross-currency swaps that are designated as hedges of net investments.

Cross-currency swaps designated as net investment hedges are marked to market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive loss until the sale or substantial liquidation of the underlying net investments. To the extent the cross-currency swaps designated as net investment hedges are not highly effective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

Pre-tax gain and loss from net investment hedges recorded in the foreign currency translation component of accumulated other comprehensive loss was a $17 million gain and a $27 million loss during the three months ended December 31, 2021 and 2020, respectively, and a $22 million gain and a $52 million loss during the six months ended December 31, 2021 and 2020, respectively. Gains recognized in interest expense, net in the condensed consolidated statements of earnings for the portion of the net investment hedges excluded from the assessment of hedge effectiveness were $5 million during both the three months ended December 31, 2021 and 2020 and $11 million and $10 million during the six months ended December 31, 2021 and 2020, respectively.

## Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to sales transactions, intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge

accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/expense, net. We recorded a $2 million gain and a $4 million loss during the three months ended December 31, 2021 and 2020, respectively, and a $4 million gain and $5 million loss during the six months ended December 31, 2021 and 2020, respectively. The principal currencies managed through foreign currency contracts are Euro, Chinese renminbi, Canadian dollar.

### Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, accounts payable, and other accrued liabilities at December 31, 2021 and June 30, 2021 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) | **December 31, 2021** | June 30, 2021 |
|---|---|---|
| Estimated fair value | **$ 6,074** | $ 6,751 |
| Carrying amount | **5,643** | 6,236 |

The 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.

## 10. Shareholders' Equity

We repurchased $800 million of our common shares, in the aggregate, through share repurchase programs during the six months ended December 31, 2021. We funded the repurchases with available cash. The common shares repurchased are held in treasury to be used for general corporate purposes.

During the three months ended December 31, 2021, we entered into an accelerated share repurchase ("ASR") program to repurchase common shares for an aggregate purchase price of $300 million. We received an initial delivery of 4.8 million common shares using a reference price of $50.30. The program concluded on January 31, 2022 at a volume weighted average price per common share of $49.39 resulting in a final delivery of 1.3 million common shares.

During the three months ended September 30, 2021, we entered into an ASR program to repurchase common shares for an aggregate purchase price of $500 million. We received an initial delivery of 7.8 million common shares using a reference price of $51.53. The program concluded on October 4, 2021 at a volume weighted average price per common share of $51.10 resulting in a final delivery of 2.0 million common shares.

### Accumulated Other Comprehensive Loss

The following table summarizes the changes in the balance of accumulated other comprehensive loss by component and in total:

| (in millions) | Foreign Currency Translation Adjustments | Unrealized Gain/(Loss) on Derivatives, net of tax | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| Balance at June 30, 2021 | $ (46) | $ 12 | **$ (34)** |
| Other comprehensive loss, before reclassifications | (43) | (5) | **(48)** |
| Amounts reclassified to earnings | — | (3) | **(3)** |
| Total other comprehensive loss attributable to Cardinal Health, Inc. net of tax | (43) | (8) | **(51)** |
| **Balance at December 31, 2021** | **$ (89)** | **$ 4** | **$ (85)** |

## 11. Earnings Per Share Attributable to Cardinal Health, Inc.

The following table reconciles the number of common shares used to compute basic and diluted earnings per share attributable to Cardinal Health, Inc.:

| | **Three Months Ended December 31,** | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Weighted-average common shares–basic | **279** | 294 |
| **Effect of dilutive securities:** | | |
| Employee stock options, restricted share units and performance share units | **2** | 1 |
| **Weighted-average common shares–diluted** | **281** | 295 |

| | **Six Months Ended December 31,** | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Weighted-average common shares–basic | **283** | 293 |
| **Effect of dilutive securities:** | | |
| Employee stock options, restricted share units and performance share units | **2** | 2 |
| **Weighted-average common shares–diluted** | **285** | 295 |

The potentially dilutive employee stock options, restricted share units, and performance share units that were antidilutive were 5 million during both the three and six months ended December 31, 2021 and 4 million during both the three months and the six months ended December 31, 2020.

## 12. Segment Information

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 performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers for specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

### Revenue

The following tables present revenue for each reportable segment and disaggregated revenue within our two reportable segments and Corporate:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Pharmaceutical Distribution and Specialty Solutions (1) (2) | **$ 41,164** | $ 37,040 |
| Nuclear and Precision Health Solutions | **211** | 196 |
| Pharmaceutical segment revenue | **41,375** | 37,236 |
| Medical distribution and products (3) | **3,446** | 3,729 |
| Cardinal Health at-Home Solutions | **639** | 581 |
| Medical segment revenue | **4,085** | 4,310 |
| Total segment revenue | **45,460** | 41,546 |
| Corporate (4) | **(3)** | (5) |
| **Total revenue** | **$ 45,457** | $ 41,541 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Pharmaceutical Distribution and Specialty Solutions (1) (2) | **$ 80,778** | $ 71,956 |
| Nuclear and Precision Health Solutions | **419** | 392 |
| Pharmaceutical segment revenue | **81,197** | 72,348 |
| Medical distribution and products (3) | **7,013** | 7,167 |
| Cardinal Health at-Home Solutions | **1,221** | 1,100 |
| Medical segment revenue | **8,234** | 8,267 |
| Total segment revenue | **89,431** | 80,615 |
| Corporate (4) | **(6)** | (9) |
| **Total revenue** | **$ 89,425** | $ 80,606 |

(1) Products and services offered by our Specialty Solutions division are referred to as “specialty pharmaceutical products and services."

(2) Comprised of all Pharmaceutical segment businesses except for Nuclear and Precision Health Solutions division.

(3) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division.

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

The following tables present revenue by geographic area:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| United States | **$ 44,382** | $ 40,360 |
| International | **1,078** | 1,186 |
| Total segment revenue | **45,460** | 41,546 |
| Corporate (1) | **(3)** | (5) |
| **Total revenue** | **$ 45,457** | $ 41,541 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| United States | **$ 87,223** | $ 78,336 |
| International | **2,208** | 2,279 |
| Total segment revenue | **89,431** | 80,615 |
| Corporate (1) | **(6)** | (9) |
| **Total revenue** | **$ 89,425** | $ 80,606 |

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

### Segment Profit

We evaluate segment performance based on 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 and compliance, including certain litigation defense costs. Corporate expenses are allocated to the segments based on headcount, level of benefit provided and other ratable allocation

methodologies. The results attributable to noncontrolling interests are recorded within segment profit.

We do not allocate the following items to our segments:

- last-in first-out, or ("LIFO"), inventory charges/(credits);
- surgical gown recall costs/(income);
- restructuring and employee severance;
- amortization and other acquisition-related costs;
- impairments and (gain)/loss on disposal of assets;
- litigation (recoveries)/charges, net;
- state opioid assessment related to prior fiscal years;
- other (income)/expense, net;
- interest expense, net;
- loss on early extinguishment of debt;
- (gain)/loss on sale of equity interest in naviHealth; or
- provision for income taxes

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation 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. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $11 million and $6 million for the three months ended December 31, 2021 and 2020, and $18 million and $11 million for the six months ended December 31, 2021 and 2020, respectively.

In connection with the interim goodwill impairment testing for the Medical Unit as discussed further in Note 4, we recognized a $1.3 billion goodwill impairment charge during the three and six months ended December 31, 2021 which was retained at Corporate.

In connection with the opioid litigation as discussed further in Note 6, we recognized a pre-tax charge of $1.02 billion during the six months ended December 31, 2020 which was retained at Corporate.

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

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Pharmaceutical (1) | **$ 426** | $ 413 |
| Medical | **50** | 236 |
| Total segment profit | **476** | 649 |
| Corporate | **(1,426)** | (188) |
| **Total operating earnings/(loss)** | **$ (950)** | $ 461 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Pharmaceutical (1) | **$ 832** | $ 815 |
| Medical | **173** | 466 |
| Total segment profit | **1,005** | 1,281 |
| Corporate | **(1,540)** | (1,444) |
| **Total operating loss** | **$ (535)** | $ (163) |

(1) Pharmaceutical segment profit during the three and six months ended December 31, 2021 was positively impacted by a $16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

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

| (in millions) | **December 31, 2021** | June 30, 2021 |
|---|---|---|
| Pharmaceutical | **$ 24,427** | $ 23,624 |
| Medical (1) (2) | **12,737** | 15,408 |
| Corporate | **6,516** | 5,421 |
| **Total assets** | **$ 43,680** | $ 44,453 |

(1) Assets of $1.1 billion classified as held for sale related to the Cordis divestiture were included within Medical at June 30, 2021.

(2) Medical reflects a $1.3 billion goodwill impairment charge recorded in connection with the interim goodwill impairment testing for the Medical Unit at December 31, 2021.

## 13. Share-Based Compensation

We maintain stock incentive plans (collectively, the “Plans”) for the benefit of certain of our officers, directors and employees.

The following table provides total share-based compensation expense by type of award:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Restricted share unit expense | **$ 17** | $ 17 |
| Performance share unit expense | **1** | 6 |
| **Total share-based compensation** | **$ 18** | $ 23 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2021** | 2020 |
| Restricted share unit expense | **$ 35** | $ 36 |
| Performance share unit expense | **7** | 15 |
| **Total share-based compensation** | **$ 42** | $ 51 |

The total tax benefit related to share-based compensation was $2 million and $3 million for the three months ended December 31, 2021 and 2020, and $6 million and $7 million for the six months ended December 31, 2021 and 2020, respectively.

Restricted share units granted under the Plans generally vest in equal annual installments over three years. 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, 2021 | 3 | $ 49.05 |
| Granted | 2 | 51.62 |
| Vested | (2) | 49.47 |
| Canceled and forfeited | — | — |
| **Nonvested at December 31, 2021** | **3** | **$ 45.66** |

At December 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $103 million, which is expected to be recognized over a weighted-average period of two years.

## Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for 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.

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, 2021 | 4 | $ 68.46 |
| Granted | — | — |
| Exercised | — | — |
| Canceled and forfeited | — | — |
| **Outstanding at December 31, 2021** | **4** | **$ 69.24** |
| **Exercisable at December 31, 2021** | **4** | **$ 69.41** |

At December 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was $0.2 million, which is expected to be recognized over a weighted-average period of two years.

The following tables provide additional detail related to stock options:

| (in millions) | December 31, 2021 | June 30, 2021 |
|---|---|---|
| Aggregate intrinsic value of outstanding options at period end | **$ 3** | $ 11 |
| Aggregate intrinsic value of exercisable options at period end | **3** | 11 |

| (in years) | December 31, 2021 | June 30, 2021 |
|---|---|---|
| Weighted-average remaining contractual life of outstanding options | **4** | 4 |
| Weighted-average remaining contractual life of exercisable options | **4** | 4 |

## Performance Share Units

Performance share units vest over a 3-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 240 percent of the target award amount for the fiscal 2020 and 2021 grants and zero to 234 percent for the fiscal 2022 grant. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

| (in millions, except per share amounts) | Performance Share Units | Weighted-Average Grant Date Fair Value per Share |
|---|---|---|
| Nonvested at June 30, 2021 | 1.2 | $ 54.89 |
| Granted | 0.4 | 51.91 |
| Vested | (0.3) | 52.36 |
| Canceled and forfeited | (0.1) | 52.84 |
| **Nonvested at December 31, 2021** | **1.2** | **$ 52.99** |

At December 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was $28 million, which is expected to be recognized over a weighted-average period of two years if performance goals are achieved.

# Exhibits

| Exhibit Number | Exhibit Description |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to 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, as amended (incorporated by reference to Exhibit 3.2 to Cardinal Health's Quarterly Report on Form 10-Q filed on November 9, 2021, File No. 1-11373) |
| 10.1 | Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.2.1 | Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.2.2 | Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan |
| 10.3.1 | Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.3.2 | Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan |
| 10.4.1 | Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.4.2 | Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan |
| 10.5 | Form of Directors' Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan ( incorporated by reference to Exhibit 10.5 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.6 | Cardinal Health, Inc. Management Incentive Plan (incorporated by reference to Exhibit 10.6 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373) |
| 10.7 | Aircraft Time Sharing Agreement, effective as of January 1, 2022, by and between Cardinal Health, Inc. and Michael C. Kaufmann |
| 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 | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101) |

## Cardinal Health Website

Cardinal Health uses its website as a channel of distribution for material company information. Important information, including news releases, financial information, earnings and analyst presentations and information about upcoming presentations and events is routinely posted and accessible at ir.cardinalhealth.com. In addition, the website allows investors and other interested persons to sign up automatically to receive e-mail alerts when we post news releases, SEC filings and certain other information on its website.

# Form 10-Q Cross Reference Index



**N/A** Not applicable

# Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cardinal Health, Inc.

Date: February 3, 2022

/s/ MICHAEL C. KAUFMANN

**Michael C. Kaufmann**
**Chief Executive Officer**

/s/ JASON M. HOLLAR

**Jason M. Hollar**
**Chief Financial Officer**

**CARDINAL HEALTH, INC.**
**AIRCRAFT TIME SHARING AGREEMENT**

This 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 Michael C. Kaufmann (“User”), whose address is 7000 Cardinal Place, Dublin, Ohio 43017 (collectively the "Parties"), is effective January 1, 2022, and shall terminate on December 31, 2024, unless terminated sooner by either party pursuant to Article I below.

WHEREAS, Operator has the right of possession of the aircraft (“Aircraft”) described in the Leased Aircraft Subject to the 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 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 Section 91.501(c)(1).

**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 Section 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 and any applicable state and local taxes associated with such flight(s) required by law to be collected and remitted by Operator ("Transportation Taxes").

**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 operation and maintenance 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 Transportation Taxes), 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 subject to reconciliation as provided in this Paragraph 5. 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 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 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.**

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 at a time when a flight has been scheduled for User, 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. 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 (a)(7) and (a)(8) thereof, are subject to the Transportation Taxes. User shall pay to Operator (for payment to the appropriate governmental agency) any Transportation Taxes applicable to flights of the Aircraft conducted hereunder. Operator shall indemnify User for any claims related to the Transportation 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 (AFS-750), 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 FAA Flight Standards Office nearest to the originating point of the first flight under this Agreement at least forty-eight (48) hours prior to such flight.

(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 AND 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 OPERATIONAL CONTROL CAN BE OBTAINED FROM THE RESPONSIBLE FAA FLIGHT STANDARDS 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 November __, 2021.

OPERATOR:

Cardinal Health, Inc.

_____
By: Carrie S. Cox
Its: Chairman of the Human Resources and Compensation Committee of the Board of Directors

USER:

Michael C. Kaufmann

_____

**EXHIBIT A**
Cardinal Health, Inc.
Leased Aircraft Subject to Aircraft Time Sharing Agreement

Each of the undersigned is a party to the Aircraft Time Sharing Agreement dated November __, 2021, by and between Cardinal Health, Inc. ("Operator") and Michael C. Kaufmann ("User") (together the "Parties"), and agrees that from and after January 1, 2022, until this Exhibit A shall be superseded and replaced through agreement of the Parties or the 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 Aircraft Time Sharing Agreement.

N600CH 2019 EMB-550 Serial#054

N200CH 2016 Falcon 2000LXS Serial#319

OPERATOR:

Cardinal Health, Inc.

_____
By: Carrie S. Cox
Its: Chairman of the Human Resources and Compensation Committee of the Board of Directors

USER:

Michael C. Kaufmann

_____

**CARDINAL HEALTH, INC.**
**RESTRICTED SHARE UNITS AGREEMENT**

This Restricted Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [# of shares] Stock Units (the "Restricted Share Units" or "Award"), representing an unfunded unsecured promise of the Company to deliver common shares, without par value, of the Company (the "Shares") to Awardee as set forth in this Agreement. The Restricted Share Units have been granted pursuant to the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, all of which are incorporated in this Agreement by reference and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to such terms in the Plan.

1. Vesting of Restricted Share Units.

    a. General. [CLIFF ALTERNATIVE: The Restricted Share Units vest on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: The Restricted Share Units vest in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Restricted Share Units scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").]
    b. Change of Control. In the event of a Change of Control prior to a Termination of Employment, the Restricted Share Units (to the extent not previously vested or forfeited) vest in full, except to the extent that a Replacement Award is provided to Awardee in accordance with Section 16(b) of the Plan. Any Replacement Award must vest in full upon (i) a Termination for Good Reason by Awardee, (ii) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (iii) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control. In addition, if a Replacement Award is provided, any Restricted Share Units that would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if Awardee's Termination of Employment occurred on the date of the Change of Control will for purposes of this Agreement vest at the time of the Change of Control.

2. Transferability. The Restricted Share Units are not transferable other than by beneficiary designation, will, or by the laws of descent or distribution.

3. Termination of Employment.

    a. General. Except as set forth in Paragraphs 1(b) and 3(b), (c) and (d), if a Termination of Employment occurs, then any unvested Restricted Share Units are forfeited by Awardee immediately upon such Termination of Employment.

    b. Death or Disability. If a Termination of Employment by reason of Awardee's death occurs after the Grant Date or a Termination of Employment by reason of Awardee's Disability occurs at least 6 months after the Grant Date, then any outstanding unvested Restricted Share Units immediately vest in full and are not forfeited.

    c. Retirement. If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then a Ratable Portion of each unvested installment of the outstanding Restricted Share Units immediately vests and is not forfeited. Such "Ratable Portion," with respect to the applicable installment, is an amount (rounded down to the nearest whole Share) equal to such installment of the Restricted Share Units scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date.[1]

[1] This provision is an alternative that may not be included in every award agreement.

d. Involuntary Termination with Separation Agreement. If (i) Paragraph 3(c) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Restricted Share Units immediately vests and is not forfeited.

4. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

   a. Misconduct. During employment with the Cardinal Group and with respect to clauses (A), (D), (E), (F) and (G), for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

      i. Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and
      ii. Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, "**Misconduct**" means

A. disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

B. violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

C. fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

D. directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

E. directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

F. any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

G. breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

b. Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

i. Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and

ii. Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time since the earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

c. General.

i. Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

ii. Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

iii. Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Restricted Share Units. Awardee further acknowledges that the Company would not provide the Restricted Share Units to Awardee without Awardee's promise to

abide by the terms of this Paragraph 4. The parties also acknowledge that the provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

iv. Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Payment.

a. General. Subject to the provisions of Paragraph 4 and Paragraphs 5(b), (c), (d) and (e), Awardee is entitled to receive from the Company (without any payment by or on behalf of Awardee other than as described in Paragraph 9) the Shares represented by the vested Restricted Share Units on the Vesting Date.

b. Death. To the extent that Restricted Share Units are vested on the date of Awardee's Termination of Employment due to death, Awardee's estate or designated beneficiary is entitled to receive the corresponding Shares from the Company on the date of death.

c. Disability, Retirement and Other Separations from Service. To the extent that Restricted Share Units are vested as the result of Disability, Retirement or otherwise on the date of Awardee's "separation from service" (determined in accordance with Section 409A of the Code), Awardee is entitled to receive the corresponding Shares from the Company on the date that is not later than 60 days after Awardee's "separation from service"; provided, however, that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), to the extent necessary to avoid the imposition of tax under Section 409A of the Code, Awardee is entitled to receive the corresponding Shares from the Company six months after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

d. Change of Control. To the extent that Restricted Share Units are vested on the date of a Change of Control, Awardee is entitled to receive the corresponding Shares from the Company on the date of the Change of Control; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 5(a), (b) or (c).

e. Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the date of payment provided in this Agreement may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code.

6. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Restricted Share Units but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Restricted Share Units if it had been outstanding between the Grant Date and the payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt if permitted under Paragraph 5(e), the Company shall pay dividend equivalent payments in cash as soon as reasonably practicable after the payment date of the Restricted Share Units to which such dividend equivalents relate.

7. Right of Set-Off. By accepting the Restricted Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

8. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Restricted Share Units, including no right to vote the Shares represented by the Restricted Share Units, until such Shares vest and are paid to Awardee.

9. Withholding Tax.

a. Generally. Awardee is liable and responsible for all taxes owed in connection with the Restricted Share Units (including taxes owed with respect to the cash payments described in Paragraph 6), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Restricted Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the grant, vesting or payment of the Restricted Share Units or the subsequent sale of Shares issuable pursuant to the Restricted Share Units. The Company does not commit and is under no obligation to structure the Restricted Share Units to reduce or eliminate Awardee's tax liability.

b. Payment of Withholding Taxes. Prior to any event in connection with the Restricted Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 6 the amount of any taxes which the Company is required to withhold with respect to such payments.

10. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Restricted Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. If it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

11. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

12. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator regarding the interpretation of this Agreement and regarding any and all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including whether conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

13. Prompt Acceptance of Agreement. The Restricted Share Unit grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

14. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Share Unit grant under and participation in the Plan or future Restricted Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of restricted share unit grants and the execution of restricted share unit agreements through electronic signature.

15. Notices. All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Corporate Secretary

All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

16. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

17. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 17 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 17 will not apply after a Change of Control.

18. Amendment. Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Restricted Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Restricted Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided

under the Restricted Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

19. Adjustments. The number of Shares issuable for each Restricted Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

20. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

21. No Right to Future Awards or Employment. The grant of the Restricted Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Restricted Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

22. Review. The Awardee agrees and represent that the Awardee has been advised to consult with an attorney prior to executing this Agreement and fully understands the Awardee's right to discuss all aspects of this Agreement with an attorney of the Awardee's choice. The Awardee's execution of this Agreement establishes that, if the Awardee wishes the advice of an attorney, the Awardee has done so by the date the Awardee signed the Agreement, and that the Awardee was given at least 14 days to consider whether to sign. The Awardee may sign this Agreement before the end of the 14-day period and the Awardee agrees that if the Awardee decides to shorten this time period for signing, the Awardee's decision was knowing and voluntary. The parties agree that a change, whether material or immaterial, does not restart the running of said period.

23. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By:
Its:

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Restricted Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 17; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; (d) agrees that no transfer of the Shares delivered in respect of the Restricted Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration; and (e) acknowledges that any Awards granted to Awardee under the Cardinal Health, Inc. Management Incentive Plan ("MIP") are subject to the recoupment and special forfeiture and repayment rules set forth in Section 7 of the MIP and agrees to be bound by these provisions with respect to such Awards.

[
Awardee's Signature

Date]

**CARDINAL HEALTH, INC.**
**PERFORMANCE SHARE UNITS AGREEMENT**

This Performance Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [target # of units] performance-based Stock Units (the "Performance Share Units" or "Award"). The Performance Share Units have been granted pursuant to the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, all of which are incorporated in this Agreement by reference and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to them in the Plan.

1. Vesting of Performance Share Units. Subject to the provisions of this Agreement, zero to [maximum percentage] of the Performance Share Units vest when the Administrator certifies the payout level ("Payout Level") as a result of achievement of specific performance criteria (the "Performance Goals") for a performance period ("Performance Period") set forth in the Statement of Performance Goals provided to the Awardee with respect to the Award and approved by the Committee (the "Statement of Performance Goals").
2. Transferability. The Performance Share Units are not transferable other than by beneficiary designation, will, or by the laws of descent or distribution.

3. Termination of Employment.

    a. General. Except to the extent that vesting occurs pursuant to Paragraphs 3(b), (c), (d) or (e) or Paragraph 5, if a Termination of Employment occurs prior to the [applicable payment date in Paragraph 6(a) (the "Payment Date")][1] / [First Payment Date (as defined in Paragraph 6(a))][2] associated with a Performance Period, any Performance Share Units allocated to that Performance Period, whether vested or unvested, are forfeited by Awardee.

    b. Death or Disability. If a Termination of Employment by reason of Awardee's death occurs after the Grant Date or a Termination of Employment by reason of Awardee's Disability occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will vest (or in the case of an ongoing Performance Period, be eligible to vest) as if Awardee had remained employed through the [First][2] Payment Date.

    c. [Retirement. If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will be eligible to vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the [First][2] Payment Date multiplied by a fraction, the numerator of which is the number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period.][3]

    d. Involuntary Termination with Separation Agreement. If (i) neither Paragraph 3(c) nor Paragraph 3(e) is applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Company and its Affiliates (collectively, the "Cardinal Group"), or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then the outstanding unvested Performance Share Units for a Performance Period will be eligible to vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the [First][2] Payment Date multiplied by a fraction, the numerator of which is the

[1] For awards without deferred settlement.

[2] For awards with deferred settlement.

[3] This provision is an alternative that may not be included in every award agreement.

number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period.

e. Involuntary Termination After Completion of a Performance Period. If a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs after the completion of a Performance Period but prior to the [First][2] Payment Date, then the Performance Share Units for the applicable Performance Period will vest as if Awardee had remained employed through the [First][2] Payment Date.

4. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

a. Misconduct. During employment with the Cardinal Group and with respect to clauses (A), (D), (E), (F) and (G), for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

i. Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

ii. Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to: (A) the gross gain to Awardee resulting from the payment of the Performance Share Units pursuant to Paragraph 6 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the [Payment Date][1] / [applicable payment date][2].

As used in this Agreement, "**Misconduct**" means

A. disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

B. violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

C. fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

D. directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

E. directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

F. any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

G. breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

b. Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

i. Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

ii. Awardee shall, within 30 days following written notice from the Company, pay the Company an amount equal to: (A) the gross gain to Awardee resulting from the payment of Performance Share Units pursuant to Paragraph 6 that had vested at any time since the earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the **[**Payment Date][1] / [applicable payment date]**]**[2].

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct is limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

c. General.

i. Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

ii. Awardee agrees to provide the Company with at least 10 days written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

iii. Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Performance Share Units. Awardee further acknowledges that the Company would not provide the Performance Share Units to Awardee without Awardee's promise to abide by the terms of this Paragraph 4. The parties also acknowledge that the

provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

iv. Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Change of Control.

a. Valuation. In the event of a Change of Control prior to [a Payment Date][2] / [the First Payment Date][3], the Administrator, as constituted immediately before such Change of Control, shall determine and certify the Payout Level (the "Change of Control Payout Level") based on (i) actual performance through the most recent date prior to the Change of Control for which achievement of the Performance Goals can reasonably be determined; and (ii) the expected performance for the remainder of the Performance Period based on information reasonably available.

b. Vesting and Substitute Awards.

i. In the event of a Change of Control prior to [a Payment Date][1] / [the First Payment Date][2], the percentage of the Performance Share Units determined in accordance with the Statement of Performance Goals at the Change of Control Payout Level vests unless an award meeting the requirements of Paragraph 5(b)(ii) (a "Substitute Award") is provided to Awardee to replace or adjust the Award. If a Substitute Award is provided, any Performance Share Units that (A) except to the extent that clause (B) applies, would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if Awardee's Termination of Employment occurred on the date of the Change of Control or (B) are eligible to vest in accordance with Paragraph 3(d) as a result of Awardee's Termination of Employment that actually occurs prior to the Change of Control, vest at the time of the Change of Control. No Substitute Award will be provided in the event of Awardee's Termination of Employment by reason of death, Disability, Retirement, or the circumstances described in Paragraph 3(d) prior to a Change of Control.

ii. An award meets the conditions of this Paragraph 5(b)(ii) (and hence qualifies as a Substitute Award) if, as determined by the Administrator as constituted immediately before the Change of Control, (A) it has a value at the time of grant or adjustment at least equal to the value of the Performance Share Units that would vest under Paragraph 5(b)(i) if there were no Substitute Award; (B) it is paid in publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control; (C) it is a restricted stock unit award with vesting and payment not conditioned on the achievement of any performance criteria or conditions; (D) it vests in full upon (1) a Termination for Good Reason by Awardee, (2) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (3) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control; (E) if Awardee is subject to U.S. federal income tax under the Code, the tax consequences to Awardee under the Code of the Substitute Award are not less favorable to Awardee than the tax consequences of the Award; and (F) its other terms and conditions are not less favorable to Awardee than the terms and conditions of the Award (including the provisions that would apply in the event of a subsequent Change of Control). Without limiting the generality of the foregoing, the Substitute Award may take the form of a continuation of the Award if the requirements of the preceding sentence are satisfied.

6. Payment.

a. General. [The Company shall pay Performance Share Units in Shares. Subject to the provisions of Paragraph 4 and Paragraphs 6(b) and (c), Awardee is entitled to receive from the Company (without any payment on behalf of Awardee other than as described in Paragraph 10) one Share for each vested Performance Share Unit not later than the 60th day after the end of a Performance Period, except that if Awardee's Termination of Employment occurs due to death after the end of the Performance Period, Awardee is entitled to receive, with respect to any Performance Shares Units which are not subject to a

"substantial risk of forfeiture" as determined for purposes of Section 409A of the Code on the date of Awardee's death, the corresponding Shares from the Company on the date of death.][1] / [The Company shall pay Performance Share Units in Shares. Subject to the provisions of Paragraph 4, Awardee is entitled to receive from the Company (without any payment on behalf of Awardee other than as described in Paragraph 10) one Share for each vested Performance Share Unit. Subject to the provisions of Paragraph 6(b) and (c), payment with respect to any vested Performance Share Units shall be made in three installments. The first installment, which shall be with respect to [percentage] of the total number of vested Performance Share Units, shall be paid no later than the 60th day after the end of the Performance Period (the "First Payment Date"). The second installment, which shall be with respect to [percentage] of the total number of vested Performance Share Units, shall be paid on the first anniversary of the last day of the Performance Period. [The third installment, which shall be with respect to [percentage] of the total number of vested Performance Share Units, shall be paid on the second anniversary of the last day of the Performance Period.] Notwithstanding the above, in the event of an Awardee's death after the end of the Performance Period, Awardee is entitled to receive, with respect to any Performance Shares Units which are not subject to a "substantial risk of forfeiture" as determined for purposes of Section 409A of the Code on the date of Awardee's death, corresponding Shares from the Company on account of any vested Performance Share Units which have not yet been paid as soon as practical following the date of death. Payment shall be made at each of the times specified above unless the Administrator makes a finding that the number of vested Performance Share Units shall be reduced pursuant to Paragraph 4 due to Misconduct or Competitor Conduct.][2]

b. Change of Control. Notwithstanding Paragraph 6(a) but subject to the provisions of Paragraph 4, to the extent that the Performance Share Units are not subject to a "substantial risk of forfeiture" as determined for purposes of Section 409A of the Code on the dates set forth below, payment with respect to such Performance Share Units will be made as follows:

   i. On the date of a Change of Control, Awardee is entitled to receive one Share for each such Performance Share Unit, subject to any adjustments made pursuant to Section 16(a) of the Plan, from the Company; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 6(a), 6(b)(i), 6(b)(ii), or 6(b)(iii).

   ii. If Awardee's separation from service occurs during the period of two years following a Change of Control (and such Change of Control constitutes a change of control event as defined in accordance with Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder), Awardee is entitled to receive one Share for each such Performance Share Unit from the Company on the date of Awardee's separation from service; provided, in such event that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), Awardee is entitled to receive the corresponding Shares from the Company on the first day of the seventh month after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

   iii. On the date of Awardee's Termination of Employment due to death following a Change of Control, Awardee is entitled to receive one Share for each such Performance Share Unit from the Company on the date of death.

c. Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the [Payment Date][1] / [applicable payment date][2] applicable payment date may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code. [Any election to defer will be valid only if the elected payment date is a date that is later than the date payment would have otherwise occurred.][2]

7. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Performance Share Units but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Performance Share Units if it had been outstanding between the Grant Date and

the [applicable][2] payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt as permitted under Paragraph 6(c), the Company shall pay dividend equivalent payments in cash (without interest) as soon as reasonably practicable after the [applicable][2] payment date of (and to the same extent as) the Performance Share Units to which such dividend equivalents relate.

8. Right of Set-Off. By accepting the Performance Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

9. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Performance Share Units, including no right to vote any Shares represented by the Performance Share Units, until such Shares are paid to Awardee.

10. Withholding Tax.

    a. Generally. Awardee is liable and responsible for all taxes owed in connection with the Performance Share Units (including taxes owed with respect to the cash payments described in Paragraph 7), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Performance Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the grant, vesting or payment of the Performance Share Units or the subsequent sale of Shares issuable pursuant to vested Performance Share Units. The Company does not commit and is under no obligation to structure the Performance Share Units to reduce or eliminate Awardee's tax liability.

    b. Payment of Withholding Taxes. Prior to any event in connection with the Performance Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 7 the amount of any taxes which the Company is required to withhold with respect to such payments.

11. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Performance Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. If it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

12. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

13. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator regarding the interpretation of this Agreement and regarding all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including whether conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

14. Prompt Acceptance of Agreement. The Performance Share Units grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

15. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Share Unit grant under and participation in the Plan or future Performance Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of performance share unit grants and the execution of performance share unit agreements through electronic signature.

16. Notices. All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

    Cardinal Health, Inc.
    7000 Cardinal Place
    Dublin, Ohio 43017
    Attention: Corporate Secretary

    All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

17. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

18. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the

Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 18 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 18 will not apply after a Change of Control.

19. Amendment. Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Performance Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Performance Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Performance Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

20. Adjustments. The number of Shares issuable for each Performance Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

21. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

22. Review. The Awardee agrees and represent that the Awardee has been advised to consult with an attorney prior to executing this Agreement and fully understands the Awardee's right to discuss all aspects of this Agreement with an attorney of the Awardee's choice. The Awardee's execution of this Agreement establishes that, if the Awardee wishes the advice of an attorney, the Awardee has done so by the date the Awardee signed the Agreement, and that the Awardee was given at least 14 days to consider whether to sign. The Awardee may sign this Agreement before the end of the 14-day period and the Awardee agrees that if the Awardee decides to shorten this time period for signing, the Awardee's decision was knowing and voluntary. The parties agree that a change, whether material or immaterial, does not restart the running of said period.

23. No Right to Future Awards or Employment. The grant of the Performance Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Performance Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

24. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By:
Its:

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Performance Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in this Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 18; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Performance Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[
Awardee's Signature

Date]

**CARDINAL HEALTH, INC.**
**NONQUALIFIED STOCK OPTION AGREEMENT**

This Nonqualified Stock Option Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [date of grant] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee"), a Nonqualified Stock Option (the "Option") to purchase [# of shares] common shares, without par value, of the Company (the "Shares") for an exercise price of [$X.XX] per share. The Option has been granted under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (the "Plan") and will include and be subject to all provisions of the Plan, all of which are incorporated in this Agreement by reference, and will be subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined will have the meanings ascribed to such terms in the Plan. [CLIFF ALTERNATIVE: This Option vests and becomes exercisable on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: This Option vests and becomes exercisable in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Option scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] This Option will expire on [date of expiration] (the "Grant Expiration Date"), subject to Section 3 hereof.

1. Method of Exercise and Payment of Price.

    a. Method of Exercise. At any time when all or a portion of the Option is exercisable under the Plan and this Agreement, some or all of the exercisable portion of the Option may be exercised from time to time by written notice to the Company, or such other method of exercise as may be specified by the Company, including without limitation, exercise by electronic means on the web site of the Company's third-party equity plan administrator, which will:

        i. state the number of whole Shares with respect to which the Option is being exercised; and

        ii. if the Option is being exercised by anyone other than Awardee, if not already provided, be accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise the Option under the Plan and all applicable laws and regulations.

    b. Payment of Price. The full exercise price for the portion of the Option being exercised shall be paid to the Company as provided below:

        i. in cash;

        ii. by check acceptable to the Company or wire transfer (denominated in U.S. Dollars);

        iii. subject to any conditions or limitations established by the Administrator, other Shares owned by Awardee that have a Fair Market Value on the date of surrender equal to or greater than the aggregate exercise price of the Shares as to which said Option is exercised (it being agreed that the excess of the Fair Market Value over the aggregate exercise price will be refunded to Awardee);

        iv. if permitted by the Administrator, consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator;

        v. if permitted by the Administrator, and subject to any conditions or limitations established by the Administrator, the Company's withholding Shares otherwise issuable upon exercise of the Option pursuant to a "net exercise" arrangement; or

        vi. any combination of the foregoing methods of payment.

2. Transferability. The Option is transferable (a) at Awardee's death, by Awardee by will or pursuant to the laws of descent and distribution, and (b) by Awardee during Awardee's lifetime, without payment of consideration, to (i) the spouse, former spouse, parents, stepparents, grandparents, parents-in-law, siblings, siblings-in-law, children,

stepchildren, children-in-law, grandchildren, nieces or nephews of Awardee, or any other persons sharing Awardee's household (other than tenants or employees) (collectively, "Family Members") or (ii) a trust, partnership or other entity controlled by Awardee or Awardee's Family Members and in which Awardee or Awardee's Family Members have 100% of the pecuniary interest; provided, however, that subsequent transfers of the transferred Option are prohibited, except (X) if the transferee is an individual, at the transferee's death by the transferee by will or pursuant to the laws of descent and distribution, and (Y) without payment of consideration to the individuals or entities listed in Paragraphs (b)(i) or (ii) above, with respect to the original Awardee. The Administrator may, in its discretion, permit transfers to other persons and entities as permitted by the Plan. Neither a transfer under a domestic relations order in settlement of marital property rights nor a transfer to an entity in which more than 50% of the voting interests are owned by Awardee or Family Members in exchange for an interest in that entity will be a transfer for consideration. Within 10 days of any transfer, Awardee shall notify the Company in writing of the transfer. Following transfer, the Option continues to be subject to the same terms and conditions as were applicable immediately prior to transfer and, except as otherwise provided in the Plan or this Agreement, references to the original Awardee are deemed to refer to the transferee. The events of a Termination of Employment of Awardee provided in Paragraph 3 continue to be applied with respect to the original Awardee, following which the Option is exercisable by the transferee only to the extent, and for the periods, specified in Paragraph 3. The Company has no obligation to notify any transferee of Awardee's Termination of Employment with the Cardinal Group for any reason. The conduct prohibited of Awardee in Paragraph 5 continues to be prohibited of Awardee following transfer to the same extent as immediately prior to transfer and the Option (or its economic value, as applicable) is subject to forfeiture by the transferee and recoupment from Awardee to the same extent as would have been the case of Awardee had the Option not been transferred. Awardee remains subject to the recoupment provisions of Paragraphs 5 and 15 of this Agreement and tax withholding provisions of Section 31 of the Plan following transfer of the Option.

3. Termination of Employment.

   a. Termination of Employment by Reason of Death or Disability. If a Termination of Employment by reason of death occurs after the Grant Date or a Termination of Employment by reason of Disability occurs at least six months after the Grant Date, then any outstanding unvested portion of the Option vests upon and becomes exercisable in full from and after such Termination of Employment. The entire Option (including previously vested but unexercised portions) may thereafter be exercised by Awardee, any transferee of Awardee, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from the date of such Termination of Employment until the Grant Expiration Date.

   b. Termination of Employment by Reason of Retirement. If a Termination of Employment by reason of Retirement occurs at least six months after the Grant Date, then a Ratable Portion of each unvested installment of the outstanding Option immediately vests and becomes exercisable. Such "Ratable Portion," with respect to the applicable installment, is an amount (rounded down to the nearest whole Share) equal to such installment of the Option scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after Retirement, but before the Grant Expiration Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date.[1]

   c. Involuntary Termination of Employment with Separation Agreement. If (i) Paragraph 3(b) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group, or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least six months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Cardinal Group) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Option immediately vests and becomes exercisable. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after such Termination of Employment, but before the Grant Expiration

Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date.

d. Change of Control. In the event of a Change of Control prior to the Participant's Termination of Employment, any outstanding unvested portion of the Option vests in full, except to the extent a Replacement Award is provided to the Participant in accordance with Section 16(b) of the Plan.

e. Other Termination of Employment. Except as set forth in Paragraphs 3(a), (b) and (c) , if a Termination of Employment occurs, any unexercised portion of the Option that has not vested on such date of Termination of Employment is automatically immediately forfeited. Unless a longer period is applicable as specified in Section 16(b)(iv) of the Plan or Paragraphs 3(a) through (c), Awardee (or any transferee, if applicable) has 90 days from the date of Termination of Employment or until the Grant Expiration Date, whichever period is shorter, to exercise any portion of the Option that is vested and exercisable on the date of Termination of Employment; provided, however, that if the Termination of Employment was a Termination for Cause, as determined by the Administrator, the Option may be immediately canceled by the Administrator (whether then held by Awardee or any transferee).

4. Restrictions on Exercise. The Option is subject to all restrictions in this Agreement and in the Plan. As a condition of any exercise of the Option, the Company may require Awardee or his or her transferee or successor to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters (including Awardee's compliance with the terms of Paragraph 5 or any employment or severance agreement between the Cardinal Group and Awardee) reasonably requested by the Company. The Option is not exercisable if such exercise would involve a violation of any Applicable Law.

5. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

a. Misconduct. During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or with respect to clauses (A), (D), (E), (F) and (G), within three years after the Termination of Employment for any reason, then

i. Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

ii. Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, "**Misconduct**" means

A. disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

B. violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

C. fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

D. directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

E. directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

F. any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

G. breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

b. Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

i. Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

ii. Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time since the earlier of one year prior to the date the Competitor Conduct first occurred and one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

c. General.

i. Nothing in this Paragraph 5 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 5 do not prevent, nor are they

intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

ii. Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor prior to one year after Termination of Employment.

iii. Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 5, including Awardee's receipt of the Option. Awardee further acknowledges that the Company would not provide the Option to Awardee without Awardee's promise to abide by the terms of this Paragraph 5. The parties also acknowledge that the provisions contained in this Paragraph 5 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

iv. Awardee may be released from the obligations of this Paragraph 5 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

6. Right of Set-Off. By accepting the Option, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

7. Withholding Tax.
   a. Generally. Awardee is liable and responsible for all taxes owed in connection with the exercise of the Option, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Option. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the exercise of the Option. The Company does not commit and is under no obligation to structure the Option or the exercise of the Option to reduce or eliminate Awardee's tax liability.

   b. Payment of Withholding Taxes. Concurrently with the payment of the exercise price pursuant to Paragraph 1, Awardee is required to arrange for the satisfaction of the minimum amount of any domestic or foreign tax withholding obligation, whether national, federal, state, or local, including any employment tax obligation (the "Tax Withholding Obligation") in a manner acceptable to the Company. Any manner provided for in Paragraph 1(b) is an acceptable manner to satisfy the Tax Withholding Obligation unless otherwise determined by the Administrator.

8. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Option and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 5 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. If it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

9. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

10. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator regarding the interpretation of this Agreement and regarding all matters set forth in this Agreement. In fulfilling its responsibilities, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including without limitation whether conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

11. Prompt Acceptance of Agreement. The Option grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

12. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Option grant under and participation in the Plan or future options that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of option grants and the execution of option agreements through electronic signature.

13. Notices. All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

    Cardinal Health, Inc.
    7000 Cardinal Place
    Dublin, Ohio 43017
    Attention: Corporate Secretary

    All notices, requests, consents, and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

14. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to (a) vesting of the Option on Termination of Employment by reason of specified events or (b) exercisability of the Option following Termination of Employment, than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Option on Termination of Employment by reason of such specified events or exercisability of the Option following Termination of Employment supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

15. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities

exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 15 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 15 will not apply after a Change of Control.

16. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment will impair the rights of Awardee with respect to an outstanding Award unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Option to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Option, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

17. Adjustments. The number of Shares issuable subject to the Option and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

18. Review. The Awardee agrees and represent that the Awardee has been advised to consult with an attorney prior to executing this Agreement and fully understands the Awardee's right to discuss all aspects of this Agreement with an attorney of the Awardee's choice. The Awardee's execution of this Agreement establishes that, if the Awardee wishes the advice of an attorney, the Awardee has done so by the date the Awardee signed the Agreement, and that the Awardee was given at least 14 days to consider whether to sign. The Awardee may sign this Agreement before the end of the 14-day period and the Awardee agrees that if the Awardee decides to shorten this time period for signing, the Awardee's decision was knowing and voluntary. The parties agree that a change, whether material or immaterial, does not restart the running of said period.

19. No Right to Future Awards or Employment. The grant of the Option under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Option and any related payments made to Awardee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by Applicable Law. Nothing contained in this Agreement confers upon Awardee any right with respect to continuance of employment or other service with the Company or any Affiliate, nor interferes in any way with any right the Company or any Affiliate would otherwise have to terminate Awardee's employment or other service at any time.

20. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By:
Its:

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Option granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 5 and "Recoupment" set forth in Paragraph 15; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Option may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[
Awardee's Signature

Date]

**Exhibit 31.1**

I, Michael C. Kaufmann, 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: February 3, 2022

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

**Exhibit 31.2**

I, Jason M. Hollar, 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: February 3, 2022

/s/ JASON M. HOLLAR

Jason M. Hollar

Chief Financial Officer

**Exhibit 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

Michael C. Kaufmann, Chief Executive Officer of Cardinal Health, Inc. (the "Company") and Jason M. Hollar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Periodic Report on Form 10-Q for the quarter ended December 31, 2021 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: February 3, 2022

/s/ MICHAEL C. KAUFMANN
Michael C. Kaufmann
Chief Executive Officer

/s/ JASON M. HOLLAR
Jason M. Hollar
Chief Financial Officer

## Statement Regarding Forward-Looking Information

As used in this exhibit, “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, 2021 (the “2021 Form 10-K”), and our quarterly reports on Form 10-Q, including this one, and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, including materials posted on our website, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about 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:

- risks arising from the COVID-19 pandemic, including the possibility that we will experience additional inventory reserves as a result of future decreases in demand or selling price; the risk that we may not be able to offset significant cost increases for certain personal protective equipment (PPE) products or inflationary pressures impacting our Medical segment; the possibility that sustained reduced demand for generic pharmaceutical product may continue to adversely impact our pharmaceutical generics program; and the possibility that we could experience employee attrition as a result of our COVID-19 vaccine mandate or the expected governmental mandates;
- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of and demand for generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches or other components of our pharmaceutical generics program;
- changes in manufacturer approaches to pricing branded pharmaceutical products and risks related to our compensation under contractual arrangements with manufacturers being set as a percentage of the wholesale acquisition cost of branded pharmaceuticals and where a part of our compensation is based on branded pharmaceutical price appreciation, changes in the magnitude of such price appreciation;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- risks associated with the resolution and defense of the lawsuits and investigations in which we have been or will be named relating to the distribution of prescription opioid pain medication, including risks associated with the proposed settlement agreement and process designed to resolve lawsuits and claims brought by states and local governmental entities, including the risk that we could fail to reach a final resolution and that any injunctive or non-monetary relief that we may agree to could have unintended consequences; and the risk that the outcome of other opioid-related lawsuits and investigations could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity or the operations of our business;
- potential damage to our reputation, adverse operational impacts or other effects that may result from the national opioid epidemic, the allegations that have been made about our role in such epidemic and the ongoing unfavorable publicity surrounding the lawsuits and investigations against us;
- risks associated with the tax benefit from our self-insurance loss claims, including risks associated with the letter certain industry participants, including us, received from the U.S. House of Representatives' Committee on Oversight and Reform questioning, among other things, our plans to take tax deductions for opioid-related losses, including the net operating loss carryback provisions under the CARES Act and deductibility under the Tax Act; the possibility that we may receive additional negative or unfavorable publicity or that the IRS may not agree with our underlying assumptions and judgments;
- potential adverse impact to our financial results from enacted and proposed state taxes or other assessments on the sale or distribution of opioid medications;
- our high sales concentration with certain key customers, including CVS Health Corporation and OptumRx;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- costs or claims resulting from quality issues, whether related to the manufacture of some of our sterile surgical gowns or pre-filled syringes, or other potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from recalls, remediation efforts, and related product liability claims and lawsuits, including class action lawsuits;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of company or customer information, disruption of access and ancillary risks associated with our ability to effectively manage any issues arising from any such compromise or disruption;

- significantly increased costs for commodities and other materials used in the Medical segment manufacturing, including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities and the possibility that we may not successfully offset or mitigate these increases;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- uncertainties related to our Medical segment's Cardinal Health Brand products, including our ability to manage cost, infrastructure and to retain margin or improve its performance;
- risks associated with the realignment of our Medical segment's supply chain and other businesses, including our ability to achieve the expected benefits from such realignment;
- uncertainties with respect to our cost-savings initiatives or IT infrastructure activities, including the ability to achieve the expected benefits from such initiatives, the risk that we could incur unexpected charges, and the risk that we may fail to retain key personnel;
- 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 or maintaining requisite regulatory consents, whether our own or third parties', or approvals associated with those activities;
- manufacturing disruptions, whether due to regulatory action, including regulatory action to reduce Ethylene Oxide emissions, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks associated with industry reliance on ethylene oxide ("EtO") to sterilize certain medical products that we manufacture or distribute, including the possibility that regulatory actions to reduce EtO emissions could become more widespread, which may result in increased costs or supply shortages; and risks that the lawsuits against us alleging personal injury resulting from EtO exposure could become more widespread;
- the possibility that we could be subject to adverse changes in the tax laws or challenges to our tax positions, including the possibility that the corporate tax rate in the U.S. could be increased;
- risks arising from possible violations of healthcare fraud and abuse laws;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, pricing changes, non-renewal, early termination, or delinquencies or defaults under contracts with key customers;
- unfavorable changes to the terms or with our ability to meet contractual obligations of key customer or supplier relationships, or changes in customer mix;
- risks arising from changes in U.S. or foreign tax laws and unfavorable challenges to our tax positions and payments to settle these challenges, which may adversely affect our effective tax rate or tax payments;
- uncertainties due to possible government healthcare reform, including proposals related to Medicare drug rebate arrangements, possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act, proposals related to prescription drug pricing transparency and the possible adoption of Medicare-For-All;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;
- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;

- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- continuing 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 or result in the loss of customers;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- risks to our business and information and controls systems in the event that business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions, government investigations, shareholder lawsuits or other legal proceedings;
- possible losses relating to product liability lawsuits and claims regarding products for which we cannot obtain product liability insurance or for which such insurance may not be adequate to cover our losses, including the product liability lawsuits we are currently defending relating to alleged personal injuries associated with the use of Cordis inferior vena cava filter products;
- our ability to maintain adequate intellectual property protections;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- risks associated with the divestiture of the Cordis business, including the risk that the costs associated with exit or disposal activities could ultimately be greater than we currently expect or that we could incur greater stranded costs than expected;
- our ability to manage and complete divestitures or other strategic business combination transactions, including our ability to find buyers or other strategic exit opportunities and risks associated with the possibility that we could experience greater dis-synergies than anticipated or otherwise fail to achieve our strategic objectives;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- 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;
- uncertainties with respect to U.S. or international trade policies, tariffs, excise or border taxes and their impact on our ability to source products or materials that we need to conduct our business;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the “Risk Factors” section of the 2021 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.