Q4 / YE FY2012 earnings and FY2013 preliminary outlook investor/analyst call



August 2, 2012

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Forward-looking statements and GAAP reconciliation

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FY2012 financial accomplishments

- Achieved revenue of $108B
- Expanded gross and non-GAAP operating margin rates 17bp and 13bp, respectively
- Grew non-GAAP operating earnings by 13% to $1.9B and non-GAAP EPS from continuing operations by 15% to $3.21
- Generated $1.2B in operating cash flow
- Effectively deployed capital to drive shareholder return
  - Increased dividend by 10% vs. FY11; annual dividend per share is $0.95
  - Opportunistically repurchased $450M in shares
- Continued to strengthen balance sheet and financial capacity

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Q4 and YE FY2012 results

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Q4 FY2012 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q4 FY12	Q4 FY11	Q4 FY12	Q4 FY11
Revenue	$26,764	$26,764		
% change	*0%*	*9%*		
Operating earnings	$403	$359	$425	$375
% change	*12%*	*7%*	*13%*	*17%*
Ratio to revenue	*1.51%*	*1.34%*	*1.59%*	*1.40%*
Earnings from continuing ops	$236	$207	$255	$214
% change	*14%*	*7%*	*19%*	*17%*
Ratio to revenue	*0.88%*	*0.77%*	*0.95%*	*0.80%*
Diluted EPS from continuing ops	$0.68	$0.58	$0.73	$0.60
% change	*17%*	*7%*	*22%*	*20%*

Asset Management	Q4 FY12	Q4 FY11
Operating cash flow	($107)	$120
Days sales outstanding	22.3	20.3
Days inventory on hand	23.9	22.5
Days payable outstanding	35.6	34.8
Net working capital days	10.5	8.0

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

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Q4 FY2012 Pharmaceutical segment business analysis

	Q4 FY12 ($M)	Q4 FY11 ($M)	% Change
Revenue	$24,335	$24,458	(1)%
Segment profit	$354	$308	15%
Segment profit margin	1.46%	1.26%	

Highlights:

- Revenue decrease primarily due to brand-to-generic conversions, mostly offset by revenue from new customers
- Segment profit increased 15%
  - Overall strong performance of generics programs
  - Benefits of expanded business with new and existing customers, including strong contributions from retail independent customers
  - Additional benefit from performance under branded agreements

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Q4 FY2012 Medical segment business analysis

	Q4 FY12 ($M)	Q4 FY11 ($M)	% Change
Revenue	$2,432	$2,312	5%
Segment profit	$79	$78	2%
Segment profit margin	3.27%	3.38%	

Highlights:

- Revenue increased 5%, including impact of Futuremed acquisition and strong growth in ambulatory
- Segment profit increase primarily driven by preferred products, offset by the expenses related to systems and process investments
- Negative impact of commodities and foreign exchange moderated to $8M in the quarter vs. prior year

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Q4 FY2012 GAAP to non-GAAP reconciliation

	Q4 FY 2012			Q4 FY 2011		
	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations
GAAP	**$403**	**$236**	**$0.68**	**$359**	**$207**	**$0.58**
Restructuring and Employee Severance	$9	$6	$0.02	$5	$3	$0.01
Acquisition-Related Costs[1]	$11	$13	$0.04	$15	$9	$0.03
Impairments and Loss on Disposal of Assets	$1	-	-	-	-	-
Litigation (Recoveries)/Charges, Net	-	-	-	($6)	($3)	($0.01)
Other Spin-Off Costs	-	-	-	$3	$2	-
Gain on Sale of CareFusion Stock	-	-	-	-	($4)	($0.01)
Non-GAAP	**$425**	**$255**	**$0.73**	**$375**	**$214**	**$0.60**

[1] Amortization of acquisition-related intangible assets included in Acquisition-Related Costs are as follows:

Amortization of acqusition-related intangible assets	$20	$12	$0.03	$14	$6	$0.02

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FY2012 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	FY12	FY11	FY12	FY11
Revenue	$107,552	$102,644		
% change	*5%*	*4%*		
Operating earnings	$1,792	$1,514	$1,866	$1,644
% change	*18%*	*16%*	*13%*	*18%*
Ratio to revenue	*1.67%*	*1.47%*	*1.73%*	*1.60%*
Earnings from continuing ops	$1,070	$966	$1,119	$988
% change	*11%*	*65%*	*13%*	*22%*
Ratio to revenue	*0.99%*	*0.94%*	*1.04%*	*0.96%*
Diluted EPS from continuing ops	$3.06	$2.74	$3.21	$2.80
% change	*12%*	*69%*	*15%*	*25%*

Asset Management	FY12	FY11
Operating cash flow	$1,176	$1,395
Days sales outstanding	22.3	20.3
Days inventory on hand	23.9	22.5
Days payable outstanding	35.6	34.8
Net working capital days	10.5	8.0

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FY2012 GAAP to non-GAAP reconciliation

	FY 2012			FY 2011		
	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations
GAAP	**$1,792**	**$1,070**	**$3.06**	**$1,514**	**$966**	**$2.74**
Restructuring and Employee Severance	$21	$13	$0.04	$15	$10	$0.03
Acquisition-Related Costs[1]	$33	$24	$0.07	$90	$68	$0.19
Impairments and Loss on Disposal of Assets	$21	$13	$0.04	$9	$6	$0.02
Litigation (Recoveries)/Charges, Net	($3)	($2)	($0.01)	$6	$7	$0.02
Other Spin-Off Costs	$2	$1	-	$10	$6	$0.02
Gain on Sale of CareFusion Stock	-	-	-	-	($75)	($0.21)
Non-GAAP	**$1,866**	**$1,119**	**$3.21**	**$1,644**	**$988**	**$2.80**

[1] Amortization of acquisition-related intangible assets included in Acquisition-Related Costs are as follows:

Amortization of acquisition-related intangible assets	$78	$49	$0.14	$67	$46	$0.13

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FY2013 outlook

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CAH FY2013 Financial Expectations

August 2, 2012

	FY13 outlook	FY12 actual
Revenue	Down ~7% vs. FY12	$107.6B
Non-GAAP EPS	$3.35 - $3.50	$3.21

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FY13 Corporate Assumptions

August 2, 2012

	FY13 outlook	FY12 actual
Non-GAAP effective tax rate	36.5% - 37.5%[1]	36.8%
Diluted weighted average shares outstanding	~347M	349.2M
Interest and other, net	$105M - $115M	$94M
Capital expenditures	$210M - $225M	$263M
Amortization of acquisition-related intangible assets	~$77M or ~$0.14[2]	$78M or $0.14

[1]May fluctuate quarterly due to unique items affecting periods.

[2]Includes only acquisitions closed as of June 30, 2012.

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Pharmaceutical Segment FY13 Assumptions
August 2, 2012

- Decrease in revenue vs. prior year reflects non-renewal of Express Scripts contract and the continued effect of brand-to-generic conversions
- Brand inflation similar to FY12
- Positive Y-on-Y contribution from generics programs
  - Including expectation of lower Y-on-Y contribution from generic launches

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Medical Segment FY13 Assumptions
August 2, 2012

- Mid-single digit revenue growth vs. prior year
- Double-digit segment profit growth vs. prior year
- Medical device tax impact H2FY13: $13M - $23M
- Impact of commodity and foreign exchange neutral to slightly positive vs. prior year

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Q4 FY2012 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q4 FY2012 segment analysis

Pharmaceutical segment

	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12
Revenue ($M)	24,458	24,418	24,665	24,508	24,335
Segment Profit ($M)	308	363	394	446	354

Medical segment

	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12
Revenue ($M)	2,312	2,380	2,416	2,414	2,432
Segment Profit ($M)	78	79	85	89	79

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

(in millions, except per Common Share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings from Continuing Operations	Earnings from Continuing Operations Growth Rate	Diluted EPS from Continuing Operations	Diluted EPS from Continuing Operations Growth Rate
	Fourth Quarter 2012							
GAAP	**$ 403**	**12 %**	**$ 377**	**$ 141**	**$ 236**	**14 %**	**$ 0.68**	**17 %**
Restructuring and employee severance	9		9	3	6		0.02	
Acquisition-related costs	11		11	(2)	13		0.04	
Impairments and loss on disposal of assets	1		1	1	-		-	
Litigation (recoveries)/charges, net	-		-	-	-		-	
Other Spin-Off costs	-		-	-	-		-	
Gain on sale of CareFusion stock	-		-	-	-		-	
Non-GAAP	**$ 425**	**13 %**	**$ 398**	**$ 143**	**$ 255**	**19 %**	**$ 0.73**	**22 %**
	Fourth Quarter 2011							
GAAP	$ 359	7 %	$ 341	$ 134	$ 207	7 %	$ 0.58	7 %
Restructuring and employee severance	5		5	2	3		0.01	
Acquisition-related costs	15		15	6	9		0.03	
Impairments and loss on disposal of assets	-		-	-	-		-	
Litigation (recoveries)/charges, net	(6)		(6)	(3)	(3)		(0.01)	
Other Spin-Off costs	3		3	1	2		-	
Gain on sale of CareFusion stock	-		(4)	-	(4)		(0.01)	
Non-GAAP	$ 375	17 %	$ 354	$ 140	$ 214	17 %	$ 0.60	20 %

(in millions, except per Common Share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings from Continuing Operations	Earnings from Continuing Operations Growth Rate	Diluted EPS from Continuing Operations	Diluted EPS from Continuing Operations Growth Rate
	Fiscal Year 2012							
GAAP	**$ 1,792**	**18 %**	**$ 1,698**	**$ 628**	**$ 1,070**	**11 %**	**$ 3.06**	**12 %**
Restructuring and employee severance	21		21	8	13		0.04	
Acquisition-related costs	33		33	9	24		0.07	
Impairments and loss on disposal of assets	21		21	8	13		0.04	
Litigation (recoveries)/charges, net	(3)		(3)	(1)	(2)		(0.01)	
Other Spin-Off costs	2		2	1	1		-	
Gain on sale of CareFusion stock	-		-	-	-		-	
Non-GAAP	**$ 1,866**	**13 %**	**$ 1,772**	**$ 653**	**$ 1,119**	**13 %**	**$ 3.21**	**15 %**
	Fiscal Year 2011							
GAAP	$ 1,514	16 %	$ 1,518	$ 552	$ 966	65 %	$ 2.74	69 %
Restructuring and employee severance	15		15	5	10		0.03	
Acquisition-related costs	90		90	22	68		0.19	
Impairments and loss on disposal of assets	9		9	3	6		0.02	
Litigation (recoveries)/charges, net	6		6	(1)	7		0.02	
Other Spin-Off costs	10		10	4	6		0.02	
Gain on sale of CareFusion stock	-		(75)	-	(75)		(0.21)	
Non-GAAP	$ 1,644	18 %	$ 1,573	$ 585	$ 988	22 %	$ 2.80	25 %

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

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

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

(in millions)	Fourth Quarter 2012	Fourth Quarter 2011
GAAP return on equity	**15.1 %**	14.1 %
Non-GAAP return on equity		
Net earnings	**$ 236**	$ 203
Restructuring and employee severance, net of tax, in continuing operations	**6**	3
Acquisition-related costs, net of tax, in continuing operations	**13**	9
Impairments and loss on disposal of assets, net of tax, in continuing operations	**-**	-
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**-**	(3)
Other spin-off costs, net of tax, in continuing operations	**-**	2
Gain on sale of CareFusion stock, net of tax	**-**	(4)
CareFusion net loss in discontinued operations [1]	**-**	4
Adjusted net earnings	**$ 255**	$ 214
Annualized	**$ 1,020**	$ 856

	Fourth Quarter 2012	Third Quarter 2012	**Fourth Quarter 2011**	Third Quarter 2011
Total shareholders' equity	**$ 6,244**	$ 6,240	**$ 5,849**	$ 5,657
Divided by average shareholders' equity	**$ 6,242**		**$ 5,753**	
Non-GAAP return on equity	**16.3 %**		**14.9 %**	

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

[1] To properly reflect the impact of the spin-off, on a non-GAAP basis, CareFusion net earnings included in discontinued operations are excluded from adjusted net earnings for all periods presented.

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

(in millions)	Fiscal Year 2012	Fiscal Year 2011
GAAP return on equity	**17.8 %**	17.5 %
Non-GAAP return on equity		
Net earnings	**$ 1,069**	$ 959
Restructuring and employee severance, net of tax, in continuing operations	**13**	10
Acquisition-related costs, net of tax, in continuing operations	**24**	68
Impairments and loss on disposal of assets, net of tax, in continuing operations	**13**	6
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(2)**	7
Other spin-off costs, net of tax, in continuing operations	**1**	6
Gain on sale of CareFusion stock, net of tax	**-**	(75)
CareFusion net loss in discontinued operations [1]	**-**	7
Adjusted net earnings	**$ 1,118**	$ 988

	Fourth Quarter 2012	Third Quarter 2012	Second Quarter 2012	First Quarter 2012	Fourth Quarter 2011	Fourth Quarter 2011	Third Quarter 2011	Second Quarter 2011	First Quarter 2011	Fourth Quarter 2010
Total shareholders' equity	**$ 6,244**	**$ 6,240**	**$ 5,928**	**$ 5,714**	**$ 5,849**	$ 5,849	$ 5,657	$ 5,421	$ 5,239	$ 5,276
Divided by average shareholders' equity	**$ 5,995**					$ 5,488				
Non-GAAP return on equity	**18.6 %**					18.0 %				

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

[1] To properly reflect the impact of the spin-off, on a non-GAAP basis, CareFusion net earnings included in discontinued operations are excluded from adjusted net earnings for all periods presented.

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

(in millions)	Fourth Quarter 2012	Fourth Quarter 2011	Fiscal Year 2012	Fiscal Year 2011
GAAP effective tax rate from continuing operations	**37.4 %**	39.3 %	**37.0 %**	36.4 %
Non-GAAP effective tax rate from continuing operations				
Earnings before income taxes and discontinued operations	**$ 377**	$ 341	**$ 1,698**	$ 1,518
Restructuring and employee severance	**9**	5	**21**	15
Acquisition-related costs	**11**	15	**33**	90
Impairments and loss on disposal of assets	**1**	-	**21**	9
Litigation (recoveries)/charges, net	**-**	(6)	**(3)**	6
Other Spin-Off costs	**-**	3	**2**	10
Gain on sale of CareFusion stock	**-**	(4)	**-**	(75)
Adjusted earnings before income taxes and discontinued operations	**$ 398**	$ 354	**$ 1,772**	$ 1,573
Provision for income taxes	**$ 141**	$ 134	**$ 628**	$ 552
Restructuring and employee severance tax benefit	**3**	2	**8**	5
Acquisition-related costs tax benefit/(expense)	**(2)**	6	**9**	22
Impairments and loss on disposal of assets tax benefit	**1**	-	**8**	3
Litigation (recoveries)/charges, net tax expense	**-**	(3)	**(1)**	(1)
Other spin-off costs tax benefit	**-**	1	**1**	4
Gain on sale of CareFusion stock tax benefit	**-**	-	**-**	-
Adjusted provision for income taxes	**$ 143**	$ 140	**$ 653**	$ 585
Non-GAAP effective tax rate from continuing operations	**36.0 %**	39.6 %	**36.8 %**	37.2 %

	Fourth Quarter 2012	Fourth Quarter 2011
Debt to total capital	**32 %**	30 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 476**	$ 327
Long-term obligations, less current portion	**2,418**	2,175
Debt	**$ 2,894**	$ 2,502
Cash and equivalents	**(2,274)**	(1,929)
Net Debt	**$ 620**	$ 573
Total shareholders' equity	**6,244**	5,849
Capital	**$ 6,864**	$ 6,422
Net debt to capital	**9 %**	9 %

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

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

(in millions)	Fourth Quarter		Fiscal Year	
	2012	2011	**2012**	2011
Distribution, selling, general and administrative expenses	**$ 712**	$ 671	**$ 2,677**	$ 2,528
Restructuring and employee severance	**9**	5	**21**	15
Acquisition-related costs	**11**	15	**33**	90
Impairments and loss on disposal of assets	**1**	-	**21**	9
Litigation (recoveries)/charges, net	**-**	(6)	**(3)**	6
Total GAAP operating expenses	**$ 733**	$ 685	**$ 2,749**	$ 2,648
GAAP operating expense growth rate	**7.0 %**		**3.8 %**	
Restructuring and employee severance	**(9)**	(5)	**(21)**	(15)
Acquisition-related costs	**(11)**	(15)	**(33)**	(90)
Impairments and loss on disposal of assets	**(1)**	-	**(21)**	(9)
Litigation recoveries/(charges), net	**-**	6	**3**	(6)
Other spin-off costs	**-**	(3)	**(2)**	(10)
Total Non-GAAP operating expenses	**$ 712**	$ 668	**$ 2,675**	$ 2,518
Non-GAAP Operating Expense Growth Rate	**6.5 %**		**6.3 %**	

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

(in millions)	Fourth Quarter		Fiscal Year	
	2012	**2011**	**2012**	**2011**
Revenue	**$ 26,764**	$ 26,764	**$ 107,552**	$ 102,644
GAAP operating earnings	**$ 403**	$ 359	**$ 1,792**	$ 1,514
Restructuring and employee severance	**9**	5	**21**	15
Acquisition-related costs	**11**	15	**33**	90
Impairments and loss on disposal of assets	**1**	-	**21**	9
Litigation (recoveries)/charges, net	**-**	(6)	**(3)**	6
Other spin-off costs	**-**	3	**2**	10
Non-GAAP operating earnings	**$ 424**	$ 376	**$ 1,866**	$ 1,644
GAAP operating earnings margin rate	**1.51 %**	1.34 %	**1.67 %**	1.48 %
Non-GAAP operating earnings margin rate	**1.58 %**	1.40 %	**1.73 %**	1.60 %
	18bp		**13bp**	

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP earnings from continuing operations and non-GAAP effective tax rate from continuing operations (and presentations derived from these financial measures, including per share calculations) on a forward-looking basis. The most directly comparable forward-looking GAAP measures are earnings from continuing operations and effective tax rate from continuing operations. We are unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measures because we cannot reliably forecast restructuring and employee severance, acquisition-related costs, impairments and loss on disposal of assets, litigation (recoveries)/charges, net, and other spin-off costs, which are difficult to predict and estimate and are primarily dependent on future events. Please note that the unavailable reconciling items could significantly impact our future financial results.

Cardinal Health, Inc. and Subsidiaries

(in millions)	Fourth Quarter 2012	2011
Days Sales Outstanding	**22.3**	20.3
Days Inventory on Hand		
Inventories	**$ 7,864**	$ 7,334
Cost of products sold	**$ 25,628**	$ 25,720
Chargeback billings	**3,984**	3,556
Adjusted cost of products sold	**$ 29,612**	$ 29,276
Adjusted cost of products sold divided by 90 days	**$ 329**	$ 325
Days Inventory on Hand	**23.9**	22.5
Days Payable Outstanding		
Accounts payable	**$ 11,726**	$ 11,332
Cost of products sold	**$ 25,628**	$ 25,720
Chargeback billings	**3,984**	3,556
Adjusted cost of products sold	**$ 29,612**	$ 29,276
Adjusted cost of products sold divided by 90 days	**$ 329**	$ 325
Days Payable Outstanding	**35.6**	34.8
Net Working Capital Days[1]	**10.5**	8.0

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

Days Sales Outstanding: trade receivables, net divided by (monthly revenue divided by 30 days).

Days Inventory on Hand: inventory divided by ((quarterly cost of products sold plus chargeback billings) divided by 90 days). Chargeback billings are the difference between a product's wholesale acquisition cost and the contract price established between pharmaceutical manufacturers and the end customer.

Days Payable Outstanding: accounts payable divided by ((quarterly cost of products sold plus chargeback billings) divided by 90 days).

Net Working Capital Days: days sales outstanding plus days inventory on hand less days payable outstanding.

Cardinal Health, Inc. and Subsidiaries
Schedule of Notable Items

(in millions, except per Common Share amounts)	Fourth Quarter		Fiscal Year	
	2012	2011	**2012**	2011
Restructuring and employee severance				
Restructuring and employee severance	**$ (9)**	$ (5)	**$ (21)**	$ (15)
Tax benefit	**3**	2	**8**	5
Restructuring and employee severance, net of tax	**$ (6)**	$ (3)	**$ (13)**	$ (10)
Decrease to diluted EPS from continuing operations	**$ (0.02)**	$ (0.01)	**$ (0.04)**	$ (0.03)
Acquisition-related costs				
Amortization of acquisition-related intangible assets	**$ (20)**	$ (14)	**$ (78)**	$ (67)
Tax benefit	**8**	8	**29**	21
Amortization of acquisition-related intangible assets, net of tax	**$ (12)**	$ (6)	**$ (49)**	$ (46)
Decrease to diluted EPS from continuing operations	**$ (0.03)**	$ (0.02)	**$ (0.14)**	$ (0.13)
Other acquisition-related costs [1]	**$ 9**	$ (1)	**$ 45**	$ (23)
Tax benefit/(expense) [1]	**(10)**	(2)	**(20)**	1
Other acquisition-related costs, net of tax	**$ (1)**	$ (3)	**$ 25**	$ (22)
Increase/(decrease) to diluted EPS from continuing operations [1]	**$ -**	$ (0.01)	**$ 0.07**	$ (0.06)
Total acquisition-related costs	**$ (11)**	$ (15)	**$ (33)**	$ (90)
Tax benefit/(expense)	**(2)**	6	**9**	22
Total acquisition-related costs, net of tax	**$ (13)**	$ (9)	**$ (24)**	$ (68)
Decrease to diluted EPS from continuing operations [2]	**$ (0.04)**	$ (0.03)	**$ (0.07)**	$ (0.19)
Impairments and loss on disposal of assets				
Impairments and loss on disposal of assets	**$ (1)**	$ -	**$ (21)**	$ (9)
Tax benefit	**1**	-	**8**	3
Impairments and loss on disposal of assets, net of tax	**$ -**	$ -	**$ (13)**	$ (6)
Decrease to diluted EPS from continuing operations	**$ -**	$ -	**$ (0.04)**	$ (0.02)
Litigation recoveries/(charges), net				
Litigation recoveries/(charges), net	**$ -**	$ 6	**$ 3**	$ (6)
Tax expense	**-**	(3)	**(1)**	(1)
Litigation recoveries/(charges), net, net of tax	**$ -**	$ 3	**$ 2**	$ (7)
Increase/(decrease) to diluted EPS from continuing operations	**$ -**	$ 0.01	**$ 0.01**	$ (0.02)
Other Spin-Off costs				
Other spin-off costs	**$ -**	$ (3)	**$ (2)**	$ (10)
Tax benefit	**-**	1	**1**	4
Other spin-off costs, net of tax	**$ -**	$ (2)	**$ (1)**	$ (6)
Decrease to diluted EPS from continuing operations	**$ -**	$ -	**$ -**	$ (0.02)
Gain on sale of CareFusion stock				
Gain on sale of CareFusion stock	**$ -**	$ 4	**$ -**	$ 75
Tax benefit	**-**	-	**-**	-
Gain on sale of CareFusion stock, net of tax	**$ -**	$ 4	**$ -**	$ 75
Increase to diluted EPS from continuing operations	**$ -**	$ 0.01	**$ -**	$ 0.21
Weighted average number of diluted shares outstanding	**349**	355	**349**	353

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

[1] Includes a $71 million decrease in the fair value of the total contingent consideration obligation related to the P4 Healthcare acquisition for the fiscal year. The related tax expense was $29 million and diluted EPS from continuing operations increased $0.13.

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

Cardinal Health, Inc. and Subsidiaries

Definitions

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

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

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

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

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

Non-GAAP Diluted EPS from Continuing Operations and growth rate calculation [1]: non-GAAP earnings from continuing operations divided by diluted weighted average shares outstanding.

Non-GAAP Earnings from Continuing Operations and growth rate calculation: earnings from continuing operations excluding (1) restructuring and employee severance [2], (2) acquisition-related costs [3], (3) impairments and loss on disposal of assets [4], (4) litigation (recoveries)/charges, net [5], (5) Other Spin-Off Costs and (6) gain on sale of CareFusion stock, each net of tax.

Non-GAAP Effective Tax Rate from Continuing Operations: (provision for income taxes adjusted for (1) restructuring and employee severance, (2) acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) Other Spin-Off Costs and (6) gain on sale of CareFusion stock) divided by (earnings before income taxes and discontinued operations adjusted for the same six items).

Non-GAAP Operating Earnings and growth rate calculation: operating earnings excluding (1) restructuring and employee severance, (2) acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) Other Spin-Off Costs.

Non-GAAP Operating Expenses and growth rate calculation: operating expenses excluding (1) restructuring and employee severance, (2) acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) Other Spin-Off Costs.

Non-GAAP Operating Earnings Margin Rate: current period non-GAAP operating earnings divided by revenue.

Non-GAAP Return on Equity: (annualized current period net earnings excluding (1) restructuring and employee severance, (2) acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) Other Spin-Off Costs, (6) gain on sale of CareFusion stock and (7) CareFusion net loss in discontinued operations, each net of tax) and divided by average shareholders' equity.

Other Spin-Off Costs: costs incurred in connection with our Spin-Off of CareFusion which are included in distribution, selling, general and administrative expenses.

Return on Equity: annualized current period net earnings divided by average shareholders' equity.

Revenue Mix: segment revenue divided by total segment revenue for all segments.

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

Segment Profit Margin: segment profit divided by segment revenue.

Segment Profit Mix: segment profit divided by total segment profit for all segments.

[1] In this earnings release growth rates are determined by dividing the difference between current period results and prior period results by prior period results.

[2] Programs whereby Cardinal Health fundamentally changes its operations such as closing and consolidating certain manufacturing and distribution facilities, moving manufacturing of a product to another location, outsourcing the production of a product, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including substantial realignment of the management structure of a business unit in response to changing market conditions).

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

[4] Asset impairments and losses from the disposal of assets not eligible to be classified as discontinued operations are classified within impairments and loss on disposal of assets within the consolidated statements of earnings.

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