

Q1 FY2013 earnings investor/analyst call

October 30, 2012

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Forward-looking statements and GAAP reconciliation

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Q1 FY2013 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q1 FY13	Q1 FY12	Q1 FY13	Q1 FY12
Revenue	$25,889	$26,792		
% change	*(3%)*	*10%*		
Operating earnings	$457	$412	$469	$442
% change	*11%*	*13%*	*6%*	*16%*
Ratio to revenue	*1.76%*	*1.54%*	*1.81%*	*1.65%*
Earnings from continuing ops	$272	$237	$281	$256
% change	*15%*	*(19%)*	*9%*	*11%*
Ratio to revenue	*1.05%*	*0.88%*	*1.08%*	*0.96%*
Diluted EPS from continuing ops	$0.79	$0.68	$0.81	$0.73
% change	*16%*	*(19%)*	*11%*	*11%*

Asset Management	Q1 FY13	Q1 FY12
Operating cash flow	$568	$504
Days sales outstanding [1]	22.4	20.9
Days inventory on hand	25.4	23.0
Days payable outstanding	38.3	36.1
Net working capital days [2]	9.5	7.9

[1] We changed our method of calculating days sales outstanding and have revised prior year information to conform.

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

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Q1 FY2013 Pharmaceutical segment business analysis

	Q1 FY13 ($M)	Q1 FY12 ($M)	% Change
Revenue	$23,498	$24,418	(4%)
Segment profit	$400	$363	10%
Segment profit margin	1.70%	1.49%	

Highlights:

- Revenue decreased primarily due to brand-to-generic conversions, partially offset by sales to new pharmaceutical distribution customers and higher volume from specialty solutions
- Segment profit increased 10%
  - Overall strong performance of generics programs
  - Partially offset by softness in nuclear and specialty solutions
- Expanded segment profit margin by 21bps

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Q1 FY2013 Medical segment business analysis

	Q1 FY13 ($M)	Q1 FY12 ($M)	% Change
Revenue	$2,393	$2,380	1%
Segment profit	$74	$79	(6%)
Segment profit margin	3.11%	3.32%	

Highlights:

- Revenue was slightly positive, primarily due to the Futuremed acquisition and growth in our preferred products, partially offset by one fewer sales day year-on-year and lower volumes from our existing customers
- Segment profit decline driven by volume softness and the net impact of items related to our major systems and process transformation

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Q1 FY2013 GAAP to non-GAAP reconciliation

	Q1 FY 2013			Q1 FY 2012		
	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	**$457**	**$272**	**$0.79**	**$412**	**$237**	**$0.68**
Restructuring and employee severance	$5	$3	$0.01	$3	$2	$0.01
Acquisition-related costs[1]	$28	$18	$0.05	$27	$18	$0.05
Impairments and loss on disposal of assets	$1	$1	-	$1	$1	-
Litigation (recoveries)/charges, net	($22)	($13)	($0.04)	($3)	($2)	($0.01)
Other Spin-Off Costs	-	-	-	$1	-	-
Non-GAAP	**$469**	**$281**	**$0.81**	**$442**	**$256**	**$0.73**

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

Amortization of acqusition-related intangible assets	$21	$13	$0.04	$19	$13	$0.04

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

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FY2013 outlook

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CAH FY2013 financial expectations

October 30, 2012

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

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FY13 corporate assumptions

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	FY13 outlook	FY12 actual
Non-GAAP effective tax rate	36.5% - 37.5%[1]	36.8%
Diluted weighted average shares outstanding	~345M	349.2M
Interest and other, net	$105M - $115M	$94M
Capital expenditures	$210M - $225M	$263M
Amortization of acquisition-related intangible assets	~$86M or ~$0.16[2]	$78M or $0.14

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

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

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Q1 FY2013 trailing five quarters and GAAP to Non-GAAP reconciliation statements



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Q1 FY2013 segment analysis

Pharmaceutical segment

	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13
Revenue ($M)	24,418	24,665	24,508	24,335	23,498
Segment Profit ($M)	363	394	446	354	400

Medical segment

	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13
Revenue ($M)	2,380	2,416	2,414	2,432	2,393
Segment Profit ($M)	79	85	89	79	74

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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
	First Quarter 2013							
GAAP	**$ 457**	**11 %**	**$ 439**	**$ 167**	**$ 272**	**15 %**	**$ 0.79**	**16 %**
Restructuring and employee severance	**5**		**5**	**2**	**3**		**0.01**	
Acquisition-related costs	**28**		**28**	**10**	**18**		**0.05**	
Impairments and loss on disposal of assets	**1**		**1**	**-**	**1**		**-**	
Litigation (recoveries)/charges, net	**(22)**		**(22)**	**(9)**	**(13)**		**(0.04)**	
Other Spin-Off Costs	**-**		**-**	**-**	**-**		**-**	
Non-GAAP	**$ 469**	**6 %**	**$ 451**	**$ 170**	**$ 281**	**9 %**	**$ 0.81**	**11 %**
	First Quarter 2012							
GAAP	$ 412	13 %	$ 385	$ 148	$ 237	(19)%	$ 0.68	(19)%
Restructuring and employee severance	3		3	1	2		0.01	
Acquisition-related costs	27		27	9	18		0.05	
Impairments and loss on disposal of assets	1		1	-	1		-	
Litigation (recoveries)/charges, net	(3)		(3)	(1)	(2)		(0.01)	
Other Spin-Off Costs	1		1	1	-		-	
Non-GAAP	$ 442	16 %	$ 414	$ 158	$ 256	11 %	$ 0.73	11 %

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)	First Quarter 2013	First Quarter 2012
GAAP return on equity	**17.3 %**	16.4 %
Non-GAAP return on equity		
Net earnings	**$ 271**	$ 237
Restructuring and employee severance, net of tax, in continuing operations	**3**	2
Acquisition-related costs, net of tax, in continuing operations	**18**	18
Impairments and loss on disposal of assets, net of tax, in continuing operations	**1**	1
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(13)**	(2)
Other Spin-Off Costs, net of tax, in continuing operations	**-**	-
Adjusted net earnings	**$ 280**	$ 256
Annualized	**$ 1,120**	$ 1,024

	First Quarter 2013	Fourth Quarter 2012	First Quarter 2012	Fourth Quarter 2011
Total shareholders' equity	**$ 6,281**	**$ 6,244**	$ 5,714	$ 5,849
Divided by average shareholders' equity	**$ 6,263**		$ 5,781	
Non-GAAP return on equity	**17.9 %**		17.7 %	

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

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

(in millions)	First Quarter 2013	2012
GAAP effective tax rate from continuing operations	**38.1 %**	38.4 %
Non-GAAP effective tax rate from continuing operations		
Earnings before income taxes and discontinued operations	**$ 439**	$ 385
Restructuring and employee severance	**5**	3
Acquisition-related costs	**28**	27
Impairments and loss on disposal of assets	**1**	1
Litigation (recoveries)/charges, net	**(22)**	(3)
Other Spin-Off Costs	**-**	1
Adjusted earnings before income taxes and discontinued operations	**$ 451**	$ 414
Provision for income taxes	**$ 167**	$ 148
Restructuring and employee severance tax benefit	**2**	1
Acquisition-related costs tax benefit	**10**	9
Impairments and loss on disposal of assets tax benefit	**-**	-
Litigation (recoveries)/charges, net tax expense	**(9)**	(1)
Other Spin-Off Costs tax benefit	**-**	1
Adjusted provision for income taxes	**$ 170**	$ 158
Non-GAAP effective tax rate from continuing operations	**37.8 %**	38.1 %

	First Quarter 2013	2012
Debt to total capital	**31 %**	31 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 471**	$ 333
Long-term obligations, less current portion	**2,408**	2,195
Debt	**$ 2,879**	$ 2,528
Cash and equivalents	**(2,440)**	(2,011)
Net debt	**$ 439**	$ 517
Total shareholders' equity	**6,281**	5,714
Capital	**$ 6,720**	$ 6,231
Net debt to capital	**7 %**	8 %

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)	First Quarter	
	2013	2012
Distribution, selling, general and administrative expenses	**$ 690**	$ 644
Restructuring and employee severance	**5**	3
Acquisition-related costs	**28**	27
Impairments and loss on disposal of assets	**1**	1
Litigation (recoveries)/charges, net	**(22)**	(3)
Total GAAP operating expenses	**$ 702**	$ 672
GAAP operating expense growth rate	**4.5 %**	
Restructuring and employee severance	**(5)**	(3)
Acquisition-related costs	**(28)**	(27)
Impairments and loss on disposal of assets	**(1)**	(1)
Litigation recoveries/(charges), net	**22**	3
Other Spin-Off Costs	**-**	(1)
Total Non-GAAP operating expenses	**$ 690**	$ 643
Non-GAAP operating expense growth rate	**7.3 %**	

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

(in millions)	First Quarter 2013	2012
Revenue	**$ 25,889**	$ 26,792
GAAP operating earnings	**$ 457**	$ 412
Restructuring and employee severance	**5**	3
Acquisition-related costs	**28**	27
Impairments and loss on disposal of assets	**1**	1
Litigation (recoveries)/charges, net	**(22)**	(3)
Other Spin-Off Costs	**-**	1
Non-GAAP operating earnings	**$ 469**	$ 442
GAAP operating earnings margin rate	**1.76 %**	1.54 %
Non-GAAP operating earnings margin rate	**1.81 %**	1.65 %
	16bp	

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

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP earnings from continuing opeartions and non-GAAP effective tax rate from continuing opeartions (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)	First Quarter 2013	2012
Days sales outstanding	**22.4**	20.9
Days inventory on hand		
Inventories	**$ 8,105**	$ 7,497
Cost of products sold	**$ 24,730**	$ 25,708
Chargeback billings	**3,976**	3,610
Adjusted cost of products sold	**$ 28,706**	$ 29,318
Adjusted cost of products sold divided by 90 days	**$ 319**	$ 326
Days inventory on hand	**25.4**	23.0
Days payable outstanding		
Accounts payable	**$ 12,215**	$ 11,749
Cost of products sold	**$ 24,730**	$ 25,708
Chargeback billings	**3,976**	3,610
Adjusted cost of products sold	**$ 28,706**	$ 29,318
Adjusted cost of products sold divided by 90 days	**$ 319**	$ 326
Days payable outstanding	**38.3**	36.1
Net working capital days[1]	**9.5**	7.9

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

Days Sales Outstanding (DSO): trade receivables, net divided by (quarterly revenue divided by 90 days). Beginning in the first quarter of fiscal 2013, we changed our method of calculating DSO in order to align it with the 90-day convention that we use in the calculation of Days Inventory on Hand and Days Payable Outstanding. Prior to this change we calculated DSO by dividing trade receivable, net by (monthly revenue divided by 30 days). In connection with this change, we have revised prior year information to conform to the new method of calculating DSO.

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. To conform to the new method of calculating DSO, we have revised prior year information.

Cardinal Health, Inc. and Subsidiaries
Schedule of Notable Items

(in millions, except per Common Share amounts)	First Quarter 2013	2012
Restructuring and employee severance	**$ (5)**	$ (3)
Tax benefit	**2**	1
Restructuring and employee severance, net of tax	**$ (3)**	$ (2)
Decrease to diluted EPS from continuing operations	**$ (0.01)**	$ (0.01)
Acquisition-Related Costs		
Amortization of acquisition-related intangible assets	**$ (21)**	$ (19)
Tax benefit	**8**	6
Amortization of acquisition-related intangible assets, net of tax	**$ (13)**	$ (13)
Decrease to diluted EPS from continuing operations	**$ (0.04)**	$ (0.04)
Other acquisition-related costs	**$ (7)**	$ (9)
Tax benefit	**2**	3
Other acquisition-related costs, net of tax	**$ (5)**	$ (6)
Decrease to diluted EPS from continuing operations	**$ (0.01)**	$ (0.02)
Total acquisition-related costs[1]	**$ (28)**	$ (27)
Tax benefit	**10**	9
Total acquisition-related costs, net of tax[1]	**$ (18)**	$ (18)
Decrease to diluted EPS from continuing operations[1]	**$ (0.05)**	$ (0.05)
Impairments and loss on disposal of assets	**$ (1)**	$ (1)
Tax benefit	**-**	-
Impairments and loss on disposal of assets, net of tax	**$ (1)**	$ (1)
Decrease to diluted EPS from continuing operations	**$ -**	$ -
Litigation recoveries/(charges), net	**$ 22**	$ 3
Tax expense	**(9)**	(1)
Litigation recoveries/(charges), net, net of tax	**$ 13**	$ 2
Increase to diluted EPS from continuing operations	**$ 0.04**	$ 0.01
Other Spin-Off Costs	**$ -**	$ (1)
Tax benefit	**-**	1
Other Spin-Off Costs, net of tax	**$ -**	$ -
Decrease to diluted EPS from continuing operations	**$ -**	$ -
Weighted-average number of diluted shares outstanding	**344**	349

[1] 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

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] and (5) Other Spin-Off Costs, 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 and (5) Other Spin-Off Costs) divided by (earnings before income taxes and discontinued operations adjusted for the same five 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 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 and (5) Other Spin-Off Costs, 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 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 facilities, moving manufacturing of a product to another location, production or business process sourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including 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 condensed consolidated statements of earnings.

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