


# Q3 FY2013 earnings investor/analyst call

May 2, 2013

CardinalHealth
Essential to care™

© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

# Forward-looking statements and GAAP reconciliation

This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include competitive pressures in Cardinal Health's various lines of business; uncertainties relating to the ability of Cardinal Health to successfully mitigate the impact of the expiration of the pharmaceutical distribution contract with Walgreen Co. at the end of August 2013; the ability to achieve the expected benefits from the AssuraMed acquisition, including the expected accretion in non-GAAP earnings; the timing of generic and branded pharmaceutical introductions and the frequency or rate of pharmaceutical price appreciation or deflation; the non-renewal, early termination or a default under one or more key customer or supplier arrangements or changes to the terms of or level of purchases under those arrangements; uncertainties due to government health care reform including federal health care reform legislation; changes in the distribution patterns or reimbursement rates for health care products and services; and the effects of any investigation or action by any regulatory authority; changes in the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of May 2, 2013. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. Cardinal Health provides definitions and reconciling information at the end of this presentation and on its Investors page at www.cardinalhealth.com. An audio replay of the conference call will be available on the Investors page at www.cardinalhealth.com.



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 financial summary

| | GAAP Basis ($M) | | Non-GAAP Basis ($M) | |
|---|---|---|---|---|
| | Q3 FY13 | Q3 FY12 | Q3 FY13 | Q3 FY12 |
| Revenue | $24,552 | $26,918 | | |
| *% change* | *(9)%* | *3%* | | |
| Operating earnings | $475 | $527 | $579 | $524 |
| *% change* | *(10)%* | *18%* | *11%* | *6%* |
| *Ratio to revenue* | *1.94%* | *1.96%* | *2.36%* | *1.95%* |
| Earnings from continuing ops | $346 | $332 | $412 | $327 |
| *% change* | *4%* | *33%* | *26%* | *14%* |
| *Ratio to revenue* | *1.41%* | *1.24%* | *1.68%* | *1.21%* |
| Diluted EPS from continuing ops | $1.00 | $0.95 | $1.20 | $0.94 |
| *% change* | *5%* | *34%* | *28%* | *16%* |

| | Q3 FY13 | Q3 FY12 |
|---|---|---|
| Operating cash flow | $989 | $893 |
| Days sales outstanding [1] | 23.5 | 21.7 |
| Days inventory on hand | 27.5 | 25.0 |
| Days payable outstanding | 39.8 | 38.3 |
| Net working capital days [2] | 11.2 | 8.5 |

[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.*



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 Pharmaceutical segment business analysis

| | Q3 FY13 ($M) | Q3 FY12 ($M) | % Change |
|---|---|---|---|
| Revenue | $22,070 | $24,508 | (10)% |
| Segment profit | $498 | $446 | 12% |
| Segment profit margin | 2.26% | 1.82% | |

Highlights:

- Revenue decreased vs. last year primarily due to the previously announced non-renewal of the Express Scripts contract as well as expected brand-to-generic conversions, partially positively offset by revenues from new customers
- Segment profit increased 12% as we continued to benefit from a focus on product and customer mix and reflected strong performance from generics programs.
- Expanded segment profit margin by 44bps



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 Medical segment business analysis

| | Q3 FY13 ($M) | Q3 FY12 ($M) | % Change |
|---|---|---|---|
| Revenue | $2,484 | $2,414 | 3% |
| Segment profit | $100 | $89 | 12% |
| Segment profit margin | 4.01% | 3.70% | |

Highlights:

- Revenue increased due to acquisitions, partially offset by one fewer sales day year-on-year
- Segment profit up 12%, driven by
  - Favorable impact of commodities and performance of the preferred product portfolio
  - Partially offset by rate compression, driven in part by customer mix
- Results were moderated by softness in procedural-based utilization



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 GAAP to non-GAAP reconciliation

| | Q3 FY 2013 | | | Q3 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** | **$475** | **$346** | **$1.00** | **$527** | **$332** | **$0.95** |
| Restructuring and employee severance | $33 | $21 | $0.06 | $7 | $4 | $0.01 |
| Acquisition-related costs[1] | $53 | $33 | $0.10 | ($27) | ($20) | ($0.06) |
| Impairments and loss on disposal of assets | $21 | $15 | $0.04 | $17 | $10 | $0.03 |
| Litigation (recoveries)/charges, net | ($3) | ($2) | - | - | - | - |
| Other Spin-Off Costs | - | - | - | $1 | $1 | - |
| **Non-GAAP** | **$579** | **$412** | **$1.20** | **$524** | **$327** | **$0.94** |

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Amortization of acqusition-related intangible assets | $26 | $16 | $0.05 | $20 | $13 | $0.04 |

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



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# FY2013 outlook



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# CAH FY2013 financial expectations

***May 2, 2013***

| | FY13 outlook | FY12 actual |
|---|---|---|
| **Revenue** | Down ~7% vs. FY12 | $107.6B |
| **Non-GAAP EPS from continuing operations** | $3.67 - $3.71[1] | $3.21 |

[1] *Includes $0.18 related to the tax settlement in Q3 FY13.*



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# FY13 corporate assumptions

***May 2, 2013***

| | FY13 outlook | FY12 actual |
|---|---|---|
| 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 | ~$120M or ~$0.22[1] | $78M or $0.14 |

| | |
|---|---|
| Q4 FY13 Non-GAAP effective tax rate | ~37% |

[1] *Includes only acquisitions closed as of March 31, 2013 and assumes a 37% tax rate*



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™



CardinalHealth

*Essential to care™*



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 trailing five quarters and GAAP to Non-GAAP reconciliation statements



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

# Q3 FY2013 segment analysis

## Pharmaceutical segment

| | Q3 FY12 | Q4 FY12 | Q1 FY13 | Q2 FY13 | Q3 FY13 |
|---|---|---|---|---|---|
| Revenue ($M) | 24,508 | 24,335 | 23,498 | 22,747 | 22,070 |
| Segment Profit ($M) | 446 | 354 | 400 | 441 | 498 |

## Medical segment

| | Q3 FY12 | Q4 FY12 | Q1 FY13 | Q2 FY13 | Q3 FY13 |
|---|---|---|---|---|---|
| Revenue ($M) | 2,414 | 2,432 | 2,393 | 2,487 | 2,484 |
| Segment Profit ($M) | 89 | 79 | 74 | 94 | 100 |



© Copyright 2013, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health. **All other marks are the property of their respective owners.**

CardinalHealth
Essential to care™

**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 |
|---|---|---|---|---|---|---|---|---|
| | | | **Third Quarter 2013** | | | | | |
| **GAAP** | **$ 475** | **(10)%** | **$ 447** | **$ 101** | **$ 346** | **4 %** | **$ 1.00** | **5 %** |
| Restructuring and employee severance | **33** | | **33** | **12** | **21** | | **0.06** | |
| Acquisition-related costs | **53** | | **53** | **20** | **33** | | **0.10** | |
| Impairments and loss on disposal of assets | **21** | | **21** | **6** | **15** | | **0.04** | |
| Litigation (recoveries)/charges, net | **(3)** | | **(3)** | **(1)** | **(2)** | | **-** | |
| Other Spin-Off Costs | **-** | | **-** | **-** | **-** | | **-** | |
| **Non-GAAP** | **$ 579** | **11 %** | **$ 551** | **$ 138** | **$ 412** | **26 %** | **$ 1.20** | **28 %** |
| | | | Third Quarter 2012 | | | | | |
| GAAP | $ 527 | 18 % | $ 510 | $ 178 | $ 332 | 33 % | $ 0.95 | 34 % |
| Restructuring and employee severance | 7 | | 7 | 3 | 4 | | 0.01 | |
| Acquisition-related costs | (27) | | (27) | (7) | (20) | | (0.06) | |
| Impairments and loss on disposal of assets | 17 | | 17 | 7 | 10 | | 0.03 | |
| Litigation (recoveries)/charges, net | - | | - | - | - | | - | |
| Other Spin-Off Costs | 1 | | 1 | - | 1 | | - | |
| Non-GAAP | $ 524 | 6 % | $ 508 | $ 181 | $ 327 | 14 % | $ 0.94 | 16 % |

| (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 |
|---|---|---|---|---|---|---|---|---|
| | | | **Year-to-Date 2013** | | | | | |
| **GAAP** | **$ 1,439** | **4 %** | **$ 1,369** | **$ 448** | **$ 921** | **10 %** | **$ 2.68** | **12 %** |
| Restructuring and employee severance | **39** | | **39** | **15** | **24** | | **0.07** | |
| Acquisition-related costs | **106** | | **106** | **38** | **68** | | **0.20** | |
| Impairments and loss on disposal of assets | **27** | | **27** | **7** | **20** | | **0.06** | |
| Litigation (recoveries)/charges, net | **(37)** | | **(37)** | **(14)** | **(23)** | | **(0.06)** | |
| Other Spin-Off Costs | **-** | | **-** | **-** | **-** | | **-** | |
| **Non-GAAP** | **$ 1,574** | **9 %** | **$ 1,504** | **$ 494** | **$ 1,010** | **17 %** | **$ 2.94** | **19 %** |
| | | | Year-to-Date 2012 | | | | | |
| GAAP | $ 1,388 | 20 % | $ 1,321 | $ 487 | $ 834 | 10 % | $ 2.39 | 11 % |
| Restructuring and employee severance | 12 | | 12 | 4 | 8 | | 0.02 | |
| Acquisition-related costs | 23 | | 23 | 11 | 12 | | 0.03 | |
| Impairments and loss on disposal of assets | 19 | | 19 | 7 | 12 | | 0.03 | |
| Litigation (recoveries)/charges, net | (3) | | (3) | (1) | (2) | | (0.01) | |
| Other Spin-Off Costs | 2 | | 2 | 1 | 1 | | - | |
| Non-GAAP | $ 1,441 | 14 % | $ 1,374 | $ 509 | $ 864 | 12 % | $ 2.47 | 12 % |

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) | Third Quarter 2013 | 2012 |
|---|---|---|
| **GAAP return on equity** | **20.7 %** | 21.9 % |
| | | |
| **Non-GAAP return on equity** | | |
| Net earnings | **$ 345** | $ 333 |
| Restructuring and employee severance, net of tax, in continuing operations | **21** | 4 |
| Acquisition-related costs, net of tax, in continuing operations | **33** | (20) |
| Impairments and loss on disposal of assets, net of tax, in continuing operations | **15** | 10 |
| Litigation (recoveries)/charges, net, net of tax, in continuing operations | **(2)** | - |
| Other Spin-Off Costs, net of tax, in continuing operations | **-** | 1 |
| Adjusted net earnings | **$ 412** | $ 328 |
| Annualized | **$ 1,648** | $ 1,312 |

| | Third Quarter 2013 | Second Quarter 2013 | Third Quarter 2012 | Second Quarter 2012 |
|---|---|---|---|---|
| Total shareholders' equity | **$ 6,830** | **$ 6,542** | $ 6,240 | $ 5,928 |
| Divided by average shareholders' equity | **$ 6,686** | | $ 6,084 | |
| **Non-GAAP return on equity** | **24.7 %** | | 21.6 % | |

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**

| | Year-to-Date | |
|---|---|---|
| (in millions) | **2013** | 2012 |
| **GAAP return on equity** | **18.9 %** | 18.7 % |
| | | |
| **Non-GAAP return on equity** | | |
| Net earnings | **$ 920** | $ 832 |
| Restructuring and employee severance, net of tax, in continuing operatic | **24** | 8 |
| Acquisition-related costs, net of tax, in continuing operations | **68** | 12 |
| Impairments and loss on disposal of assets, net of tax, in continuing ope | **20** | 12 |
| Litigation (recoveries)/charges, net, net of tax, in continuing operations | **(23)** | (2) |
| Other Spin-Off Costs, net of tax, in continuing operations | **-** | 1 |
| Adjusted net earnings | **$ 1,009** | $ 863 |
| Annualized | **$ 1,345** | $ 1,151 |

| | **Third Quarter** | **Second Quarter** | **First Quarter** | **Fourth Quarter** | Third Quarter | Second Quarter | First Quarter | Fourth Quarter |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2013** | **2013** | **2012** | 2012 | 2012 | 2012 | 2011 |
| Total shareholders' equity | **$ 6,830** | **$ 6,542** | **$ 6,281** | **$ 6,244** | $ 6,240 | $ 5,928 | $ 5,714 | $ 5,849 |
| Divided by average shareholders' equity | **$ 6,474** | | | | $ 5,933 | | | |
| **Non-GAAP return on equity** | **20.8 %** | | | | 19.4 % | | | |

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) | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **GAAP effective tax rate from continuing operations** | **22.7 %** | 34.9 % | **32.7 %** | 36.9 % |
| | | | | |
| **Non-GAAP effective tax rate from continuing operations** | | | | |
| Earnings before income taxes and discontinued operations | **$ 447** | $ 510 | **$ 1,369** | $ 1,321 |
| Restructuring and employee severance | **33** | 7 | **39** | 12 |
| Acquisition-related costs | **53** | (27) | **106** | 23 |
| Impairments and loss on disposal of assets | **21** | 17 | **27** | 19 |
| Litigation (recoveries)/charges, net | **(3)** | - | **(37)** | (3) |
| Other Spin-Off Costs | **-** | 1 | **-** | 2 |
| Adjusted earnings before income taxes and discontinued operations | **$ 551** | $ 508 | **$ 1,504** | $ 1,374 |
| | | | | |
| Provision for income taxes | **$ 101** | $ 178 | **$ 448** | $ 487 |
| Restructuring and employee severance tax benefit | **12** | 3 | **15** | 4 |
| Acquisition-related costs tax benefit/(expense) | **20** | (7) | **38** | 11 |
| Impairments and loss on disposal of assets tax benefit | **6** | 7 | **7** | 7 |
| Litigation (recoveries)/charges, net tax expense | **(1)** | - | **(14)** | (1) |
| Other Spin-Off Costs tax benefit | **-** | - | **-** | 1 |
| Adjusted provision for income taxes | **$ 138** | $ 181 | **$ 494** | $ 509 |
| | | | | |
| **Non-GAAP effective tax rate from continuing operations** | **25.1 %** | 35.6 % | **32.8 %** | 37.1 % |

| | Third Quarter | |
|---|---|---|
| | **2013** | 2012 |
| **Debt to total capital** | **38 %** | 29 % |
| | | |
| **Net debt to capital** | | |
| Current portion of long-term obligations and other short-term borrowings | **$ 446** | $ 345 |
| Long-term obligations, less current portion | **3,714** | 2,208 |
| Debt | **$ 4,160** | $ 2,553 |
| Cash and equivalents | **(2,305)** | (2,410) |
| Net debt | **$ 1,855** | $ 143 |
| Total shareholders' equity | **6,830** | 6,240 |
| Capital | **$ 8,685** | $ 6,383 |
| **Net debt to capital** | **21 %** | 2 % |

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) | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Distribution, selling, general and administrative expenses | **$ 712** | $ 683 | **$ 2,099** | $ 1,966 |
| Restructuring and employee severance | **33** | 7 | **39** | 12 |
| Acquisition-related costs | **53** | (27) | **106** | 23 |
| Impairments and loss on disposal of assets | **21** | 17 | **27** | 19 |
| Litigation (recoveries)/charges, net | **(3)** | - | **(37)** | (3) |
| Total GAAP operating expenses | **$ 816** | $ 680 | **$ 2,234** | $ 2,017 |
| **GAAP operating expense growth rate** | **20.0 %** | | **10.8 %** | |
| Restructuring and employee severance | **(33)** | (7) | **(39)** | (12) |
| Acquisition-related costs | **(53)** | 27 | **(106)** | (23) |
| Impairments and loss on disposal of assets | **(21)** | (17) | **(27)** | (19) |
| Litigation recoveries/(charges), net | **3** | - | **37** | 3 |
| Other Spin-Off Costs | **-** | (1) | **-** | (2) |
| Total Non-GAAP operating expenses | **$ 712** | $ 682 | **$ 2,099** | $ 1,964 |
| **Non-GAAP operating expense growth rate** | **4.4 %** | | **6.9 %** | |

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

| (in millions) | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Revenue | **$ 24,552** | $ 26,918 | **$ 75,673** | $ 80,788 |
| **GAAP operating earnings** | **$ 475** | $ 527 | **$ 1,439** | $ 1,388 |
| Restructuring and employee severance | **33** | 7 | **39** | 12 |
| Acquisition-related costs | **53** | (27) | **106** | 23 |
| Impairments and loss on disposal of assets | **21** | 17 | **27** | 19 |
| Litigation (recoveries)/charges, net | **(3)** | - | **(37)** | (3) |
| Other Spin-Off Costs | **-** | 1 | **-** | 2 |
| **Non-GAAP operating earnings** | **$ 579** | $ 524 | **$ 1,574** | $ 1,441 |
| **GAAP operating earnings margin rate** | **1.94 %** | 1.96 % | **1.90 %** | 1.72 % |
| **Non-GAAP operating earnings margin rate** | **2.36 %** | 1.95 % | **2.08 %** | 1.78 % |
| | **41bp** | | **30bp** | |

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 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 and litigation (recoveries)/charges, net, 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**
**Asset Management Analysis**

| | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Days sales outstanding[1] | **23.5** | 21.7 | | |
| Days inventory on hand | **27.5** | 25.0 | | |
| Days payable outstanding | **39.8** | 38.3 | | |
| Net working capital days[2] | **11.2** | 8.5 | | |
| Debt to total capital | **38 %** | 29 % | | |
| Net debt to capital | **21 %** | 2 % | | |
| Return on equity | **20.7 %** | 21.9 % | **18.9 %** | 18.7 % |
| Non-GAAP return on equity | **24.7 %** | 21.6 % | **20.8 %** | 19.4 % |
| Effective tax rate from continuing operations[3] | **22.7 %** | 34.9 % | **32.7 %** | 36.9 % |
| Non-GAAP effective tax rate from continuing operations[3] | **25.1 %** | 35.6 % | **32.8 %** | 37.1 % |

[1] We changed our method of calculating days sales outstanding and have revised prior-year information to conform, refer to Schedule 14.

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

[3] The revaluation of the deferred tax liability and related interest on unrepatriated foreign earnings as a result of an agreement with tax authorities reduced, for fiscal 2013 third quarter, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 14.2 and 11.6 percentage points, respectively. The fiscal 2013 third quarter non-GAAP effective tax rate from continuing operations, excluding the impact of the tax settlement, would have been 36.7%.

Refer to the GAAP/Non-GAAP reconciliation for definitions and calculations supporting the Non-GAAP balances. Refer to DSO, DIOH and DPO for definitions and calculations.

**Cardinal Health, Inc. and Subsidiaries**
**Schedule of Notable Items**

| (in millions, except per Common Share amounts) | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Restructuring and employee severance | **$ (33)** | $ (7) | **$ (39)** | $ (12) |
| Tax benefit | **12** | 3 | **15** | 4 |
| **Restructuring and employee severance, net of tax** | **$ (21)** | $ (4) | **$ (24)** | $ (8) |
| Decrease to diluted EPS from continuing operations | **$ (0.06)** | $ (0.01) | **$ (0.07)** | $ (0.02) |
| **Acquisition-Related Costs** | | | | |
| Amortization of acquisition-related intangible assets | **$ (26)** | $ (20) | **$ (69)** | $ (58) |
| Tax benefit | **10** | 7 | **25** | 21 |
| **Amortization of acquisition-related intangible assets, net of tax** | **$ (16)** | $ (13) | **$ (44)** | $ (37) |
| Decrease to diluted EPS from continuing operations | **$ (0.05)** | $ (0.04) | **$ (0.13)** | $ (0.11) |
| Other acquisition-related costs[1] | **$ (26)** | $ 47 | **$ (37)** | $ 35 |
| Tax benefit/(expense)[1] | **10** | (14) | **13** | (10) |
| **Other acquisition-related costs, net of tax** | **$ (16)** | $ 33 | **$ (24)** | $ 25 |
| Increase/(decrease) to diluted EPS from continuing operations[1] | **$ (0.05)** | $ 0.10 | **$ (0.07)** | $ 0.07 |
| Total acquisition-related costs[2] | **$ (53)** | $ 27 | **$ (106)** | $ (23) |
| Tax benefit/(expense) | **20** | (7) | **38** | 11 |
| **Total acquisition-related costs, net of tax[2]** | **$ (33)** | $ 20 | **$ (68)** | $ (12) |
| Increase/(decrease) to diluted EPS from continuing operations[2] | **$ (0.10)** | $ 0.06 | **$ (0.20)** | $ (0.03) |
| Impairments and loss on disposal of assets | **$ (21)** | $ (17) | **$ (27)** | $ (19) |
| Tax benefit | **6** | 7 | **7** | 7 |
| **Impairments and loss on disposal of assets, net of tax** | **$ (15)** | $ (10) | **$ (20)** | $ (12) |
| Decrease to diluted EPS from continuing operations | **$ (0.04)** | $ (0.03) | **$ (0.06)** | $ (0.03) |
| Litigation recoveries/(charges), net | **$ 3** | $ - | **$ 37** | $ 3 |
| Tax expense | **(1)** | - | **(14)** | (1) |
| **Litigation recoveries/(charges), net, net of tax** | **$ 2** | $ - | **$ 23** | $ 2 |
| Increase to diluted EPS from continuing operations | **$ -** | $ - | **$ 0.06** | $ 0.01 |
| Other Spin-Off Costs | **$ -** | $ (1) | **$ -** | $ (2) |
| Tax benefit | **-** | - | **-** | 1 |
| **Other Spin-Off Costs, net of tax** | **$ -** | $ (1) | **$ -** | $ (1) |
| Decrease to diluted EPS from continuing operations | **$ -** | $ - | **$ -** | $ - |
| Weighted-average number of diluted shares outstanding | **345** | 349 | **344** | 349 |

[1] Includes a $55 million decrease in the fair value of the total contingent consideration obligation related to the P4 Healthcare acquisition for the three months ended March 31, 2012. The related tax expense was $20 million and diluted EPS from continuing operations increased $0.10.

[2] 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**

| (in millions) | Third Quarter 2013 | 2012 |
|---|---|---|
| **Days sales outstanding** | **23.5** | 21.7 |
| | | |
| **Days inventory on hand** | | |
| Inventories | **$ 8,328** | $ 8,220 |
| | | |
| Cost of products sold | **$ 23,261** | $ 25,711 |
| Chargeback billings | **3,974** | 3,842 |
| Adjusted cost of products sold | **$ 27,235** | $ 29,553 |
| Adjusted cost of products sold divided by 90 days | **$ 303** | $ 328 |
| **Days inventory on hand** | **27.5** | 25.0 |
| | | |
| **Days payable outstanding** | | |
| Accounts payable | **$ 12,049** | $ 12,573 |
| | | |
| Cost of products sold | **$ 23,261** | $ 25,711 |
| Chargeback billings | **3,974** | 3,842 |
| Adjusted cost of products sold | **$ 27,235** | $ 29,553 |
| Adjusted cost of products sold divided by 90 days | **$ 303** | $ 328 |
| **Days payable outstanding** | **39.8** | 38.3 |
| | | |
| **Net working capital days[1]** | **11.2** | 8.5 |

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 receivables, 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.

**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**

## 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**: non-GAAP earnings from continuing operations divided by diluted weighted-average shares outstanding.

**Non-GAAP Earnings from Continuing Operations**: earnings from continuing operations excluding (1) restructuring and employee severance[1], (2) acquisition-related costs[2], (3) impairments and loss on disposal of assets[3], (4) litigation (recoveries)/charges, net[4] 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**: 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**: 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] 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).

[2] 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.

[3] 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.

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