

Q4 FY2013 earnings investor/analyst call

August 1, 2013

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Forward-looking statements and GAAP reconciliation

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FY2013 financial accomplishments

- Expanded gross and non-GAAP operating margin rates 65bps and 29bps, respectively
- Grew non-GAAP operating earnings by 10% to $2.0B and non-GAAP EPS from continuing operations by 16%[1] to $3.73[1]
- Generated $1.7B in operating cash flow
- Effectively deployed capital to drive shareholder return
  - Announced multiple dividend increases, up 27% to an annual dividend per share rate of $1.21
  - Deployed $2.07B to acquire AssuraMed ($770M cash and $1.3B debt issuance)
  - Opportunistically repurchased $450M in shares
- Generated market Total Shareholder Return of 15%

[1] Includes $0.18 related to the favorable tax settlement in Q3 FY13. Excluding the tax settlement, adjusted Non-GAAP EPS from continuing operations was $3.55 in FY13

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Q4 and FY2013 results

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Q4 FY2013 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q4 FY13	Q4 FY12	Q4 FY13	Q4 FY12
Revenue	$25,420	$26,764		
% change	*(5)%*	*0%*		
Operating earnings/(loss)	($442)	$403	$472	$425
% change	*N.M.*	*12%*	*11%*	*13%*
Ratio to revenue	*(1.74)%*	*1.51%*	*1.86%*	*1.59%*
Earnings/(loss) from continuing ops	($586)	$236	$274	$255
% change	*N.M.*	*14%*	*7%*	*19%*
Ratio to revenue	*(2.30)%*	*0.88%*	*1.08%*	*0.95%*
Diluted EPS from continuing ops	($1.72)	$0.68	$0.79	$0.73
% change	*N.M.*	*17%*	*8%*	*22%*

	Q4 FY13	Q4 FY12
Operating cash flow	$300	($107)
Days sales outstanding [1]	22.3	21.4
Days inventory on hand	26.5	23.9
Days payable outstanding	38.9	35.6
Net working capital days [2]	9.9	9.6

[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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Q4 FY2013 Pharmaceutical segment business analysis

	Q4 FY13 ($M)	Q4 FY12 ($M)	% Change
Revenue	$22,783	$24,335	(6)%
Segment profit	$395	$354	11%
Segment profit margin	1.73%	1.46%	

Highlights:

- Revenue decreased vs. last year primarily due to the Q2 FY13 expiration of the Express Scripts contract, partially offset by revenues from expanded customer relationships
- Segment profit increased 11%, driven by:
  - Strong performance of generic programs
  - Performance under branded manufacturer agreements
  - Partially offset by decline in nuclear pharmacy services division
- Expanded segment profit margin by 28bps

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Q4 FY2013 Medical segment business analysis

	Q4 FY13 ($M)	Q4 FY12 ($M)	% Change
Revenue	$2,697	$2,432	11%
Segment profit	$104	$79	31%
Segment profit margin	3.86%	3.27%	

Highlights:

- Revenue increased primarily due to the recent AssuraMed acquisition
- Segment profit up 31%, driven by:
  - AssuraMed acquisition
  - Performance of the preferred products portfolio
  - Partially offset by continued procedural volume softness and year-over-year increase in incentive compensation
- Expanded segment profit margin by 60bps

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Q4 FY2013 GAAP to non-GAAP reconciliation

	Q4 FY 2013			Q4 FY 2012		
	Operating Earnings / (Loss) ($M)	Earnings / (Loss) from Continuing Operations ($M)	Diluted EPS from Continuing Operations	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations
GAAP	**($442)**	**($586)**	**($1.72)**	**$403**	**$236**	**$0.68**
Restructuring and employee severance	$32	$20	$0.06	$9	$6	$0.02
Acquisition-related costs[1]	$52	$39	$0.11	$11	$13	$0.04
Impairments and loss on disposal of assets	$832	$802	$2.32	$1	-	-
Litigation (recoveries)/charges, net	($2)	($1)	-	-	-	-
Other Spin-Off Costs	-	-	-	-	-	-
Non-GAAP	**$472**	**$274**	**$0.79**	**$425**	**$255**	**$0.73**

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

Amortization of acquisition-related intangible assets	$48	$30	$0.09	$20	$12	$0.03

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

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FY2013 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	FY13	FY12	FY13	FY12
Revenue	$101,093	$107,552		
% change	*(6)%*	*5%*		
Operating earnings	$996	$1,792	$2,046	$1,866
% change	*(44)%*	*18%*	*10%*	*13%*
Ratio to revenue	*0.99%*	*1.67%*	*2.02%*	*1.73%*
Earnings from continuing ops	$335	$1,070	$1,284	$1,119
% change	*(69)%*	*11%*	*15%*	*13%*
Ratio to revenue	*0.33%*	*0.99%*	*1.27%*	*1.04%*
Diluted EPS from continuing ops	$0.97	$3.06	$3.73	$3.21
% change	*(68)%*	*12%*	*16%*	*15%*

	FY13	FY12
Operating cash flow	$1,727	$1,176
Days sales outstanding [1]	22.3	21.4
Days inventory on hand	26.5	23.9
Days payable outstanding	38.9	35.6
Net working capital days [2]	9.9	9.6

[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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FY2013 GAAP to non-GAAP reconciliation

	FY2013			FY2012		
	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	**$996**	**$335**	**$0.97**	**$1,792**	**$1,070**	**$3.06**
Restructuring and employee severance	$71	$44	$0.13	$21	$13	$0.04
Acquisition-related costs[1]	$158	$106	$0.31	$33	$24	$0.07
Impairments and loss on disposal of assets	$859	$822	$2.39	$21	$13	$0.04
Litigation (recoveries)/charges, net	($38)	($23)	($0.07)	($3)	($2)	($0.01)
Other Spin-Off Costs	-	-	-	$2	$1	-
Non-GAAP	**$2,046**	**$1,284**	**$3.73**	**$1,866**	**$1,119**	**$3.21**

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

Amortization of acquisition-related intangible assets	$118	$75	$0.22	$78	$49	$0.14

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FY2014 outlook

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CAH FY2014 financial expectations

August 1, 2013

FY2014 Non-GAAP EPS from continuing operations:

$3.45 - $3.60[1]

[1] *Non-GAAP EPS in FY13 was $3.73, which included $0.18 related to the favorable tax settlement in Q3 FY13. Excluding the tax settlement, adjusted Non-GAAP EPS from continuing operations was $3.55 in FY13*

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FY14 corporate assumptions

August 1, 2013

	FY14 outlook	FY13 actual
Diluted weighted average shares outstanding	~343M	344.5M
Interest and other, net	$145M - $155M	$108M
Capital expenditures	$245M - $265M	$195M
Amortization of acquisition-related intangible assets	~$180M or ~$0.33[1]	$118M or $0.22
Non-GAAP effective tax rate	34.5-36%[2]	33.7%[3]

1 *Includes only acquisitions closed as of June 30, 2013*

2 *Represents annual rate. Will fluctuate quarterly due to unique items affecting periods.*

3 *Includes $64M related to a favorable settlement in Q3 FY13, which contributed $0.18 to Non-GAAP EPS. Excluding the tax settlement, the adjusted non-GAAP effective tax rate was 37.0% in FY13.*

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Pharmaceutical Segment FY14 assumptions
August 1, 2013

- Decrease in revenue vs. prior year reflects expiration of Walgreens and Express Scripts contracts[1]
- Brand inflation rate similar to FY13
- Positive Y-on-Y contribution from generics programs
  - Including expectation of lower Y-on-Y contribution from new generic launches
- Growth in Specialty
- Continued softness in Nuclear
- No LIFO impact anticipated

[1] *Walgreens contract expires on 8/31/13 and the Express Scripts contract expired 9/30/12*

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Medical Segment FY14 assumptions
August 1, 2013

- Reflects full year impact of AssuraMed acquisition
- Continued investment in preferred products portfolio
- Focus on continued margin expansion
- Benefits from cost initiatives
- Anticipates a flat utilization environment

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Q4 FY2013 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q4 FY2013 segment analysis

Pharmaceutical segment

	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Revenue ($M)	24,335	23,498	22,747	22,070	22,783
Segment Profit ($M)	354	400	441	498	395

Medical segment

	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Revenue ($M)	2,432	2,393	2,487	2,484	2,697
Segment Profit ($M)	79	74	94	100	104

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

(in millions, except per common share amounts)	Operating Earnings / (Loss)	Operating Earnings Growth Rate	Earnings / (Loss) Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings / (Loss) from Continuing Operations	Earnings from Continuing Operations Growth Rate	Diluted EPS from Continuing Operations[1]	Diluted EPS from Continuing Operations Growth Rate
				Fourth Quarter 2013				
GAAP	**$ (442)**	**N.M.**	**$ (480)**	**$ 106**	**$ (586)**	**N.M.**	**$ (1.72)**	**N.M.**
Restructuring and employee severance	**32**		**32**	**12**	**20**		**$ 0.06**	
Acquisition-related costs	**52**		**52**	**13**	**39**		**$ 0.11**	
Impairments and loss on disposal of assets	**832**		**832**	**30**	**802**		**$ 2.32**	
Litigation (recoveries)/charges, net	**(2)**		**(2)**	**(1)**	**(1)**		**$ -**	
Other Spin-Off Costs	**-**		**-**	**-**	**-**		**$ -**	
Non-GAAP	**$ 472**	**11 %**	**$ 434**	**$ 160**	**$ 274**	**7 %**	**$ 0.79**	**8 %**
				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	-		-	-	-		-	
Non-GAAP	$ 425	13 %	$ 398	$ 143	$ 255	19 %	$ 0.73	22 %

(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 2013				
GAAP	**$ 996**	**(44)%**	**$ 888**	**$ 553**	**$ 335**	**(69)%**	**$ 0.97**	**(68)%**
Restructuring and employee severance	**71**		**71**	**27**	**44**		**$ 0.13**	
Acquisition-related costs	**158**		**158**	**52**	**106**		**$ 0.31**	
Impairments and loss on disposal of assets	**859**		**859**	**37**	**822**		**$ 2.39**	
Litigation (recoveries)/charges, net	**(38)**		**(38)**	**(15)**	**(23)**		**$ (0.07)**	
Other Spin-Off Costs	**-**		**-**	**-**	**-**		**$ -**	
Non-GAAP	**$ 2,046**	**10 %**	**$ 1,938**	**$ 654**	**$ 1,284**	**15 %**	**$ 3.73**	**16 %**
				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		-	
Non-GAAP	$ 1,866	13 %	$ 1,772	$ 653	$ 1,119	13 %	$ 3.21	15 %

[1] The weighted-average number of shares used in the non-GAAP calculation includes the dilutive potential common shares as there is income from continuing operations on a non-GAAP basis.

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 2013	2012
GAAP return on equity	**(36.6)%**	15.1 %
Non-GAAP return on equity		
Net earnings/(loss)	**$ (586)**	$ 236
Restructuring and employee severance, net of tax, in continuing operations	**20**	6
Acquisition-related costs, net of tax, in continuing operations	**39**	13
Impairments and loss on disposal of assets, net of tax, in continuing operations	**802**	-
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(1)**	-
Other Spin-Off Costs, net of tax, in continuing operations	**-**	-
Adjusted net earnings	**$ 274**	$ 255
Annualized	**$ 1,096**	$ 1,020

	Fourth Quarter 2013	Third Quarter 2013	Fourth Quarter 2012	Third Quarter 2012
Total shareholders' equity	**$ 5,975**	**$ 6,830**	$ 6,244	$ 6,240
Divided by average shareholders' equity	**$ 6,403**		$ 6,242	
Non-GAAP return on equity	**17.1 %**		16.3 %	

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

	Fiscal Year	
(in millions)	**2013**	2012
GAAP return on equity	**5.2 %**	17.8 %
Non-GAAP return on equity		
Net earnings	**$ 334**	$ 1,069
Restructuring and employee severance, net of tax, in continuing operations	**44**	13
Acquisition-related costs, net of tax, in continuing operations	**106**	24
Impairments and loss on disposal of assets, net of tax, in continuing operations	**822**	13
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	**$ 1,283**	$ 1,118

	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	**Fourth Quarter**	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	2013	**2013**	**2013**	**2013**	**2012**	2012	2012	2012	2012	2011
Total shareholders' equity	**$ 5,975**	**$ 6,830**	**$ 6,542**	**$ 6,281**	**$ 6,244**	$ 6,244	$ 6,240	$ 5,928	$ 5,714	$ 5,849
Divided by average shareholders' equity	**$ 6,374**					$ 5,995				
Non-GAAP return on equity	**20.1 %**					18.6 %				

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

(in millions)	Fourth Quarter 2013	Fourth Quarter 2012	Fiscal Year 2013	Fiscal Year 2012
GAAP effective tax rate from continuing operations	**(21.9)%**	37.4 %	**62.3 %**	37.0 %
Non-GAAP effective tax rate from continuing operations				
Earnings/(loss) before income taxes and discontinued operations	**$ (480)**	$ 377	**$ 888**	$ 1,698
Restructuring and employee severance	**32**	9	**71**	21
Acquisition-related costs	**52**	11	**158**	33
Impairments and loss on disposal of assets	**832**	1	**859**	21
Litigation (recoveries)/charges, net	**(2)**	-	**(38)**	(3)
Other Spin-Off Costs	**-**	-	**-**	2
Adjusted earnings before income taxes and discontinued operations	**$ 434**	$ 398	**$ 1,938**	$ 1,772
Provision for income taxes	**$ 106**	$ 141	**$ 553**	$ 628
Restructuring and employee severance tax benefit	**12**	3	**27**	8
Acquisition-related costs tax benefit/(expense)	**13**	(2)	**52**	9
Impairments and loss on disposal of assets tax benefit3	**30**	1	**37**	8
Litigation (recoveries)/charges, net tax expense	**(1)**	-	**(15)**	(1)
Other Spin-Off Costs tax benefit	**-**	-	**-**	1
Adjusted provision for income taxes	**$ 160**	$ 143	**$ 654**	$ 653
Non-GAAP effective tax rate from continuing operations	**36.9 %**	36.0 %	**33.7 %**	36.8 %

	Fourth Quarter 2013	Fourth Quarter 2012
Debt to total capital	**39 %**	32 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 168**	$ 476
Long-term obligations, less current portion	**3,686**	2,418
Debt	**$ 3,854**	$ 2,894
Cash and equivalents	**(1,901)**	(2,274)
Net debt	**$ 1,953**	$ 620
Total shareholders' equity	**5,975**	6,244
Capital	**$ 7,928**	$ 6,864
Net debt to capital	**25 %**	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	
	2013	2012	**2013**	2012
Distribution, selling, general and administrative expenses	**$ 775**	$ 712	**$ 2,875**	$ 2,677
Restructuring and employee severance	**32**	9	**71**	21
Acquisition-related costs	**52**	11	**158**	33
Impairments and loss on disposal of assets	**832**	1	**859**	21
Litigation (recoveries)/charges, net	**(2)**	-	**(38)**	(3)
Total GAAP operating expenses	**$ 1,689**	$ 733	**$ 3,925**	$ 2,749
GAAP operating expense growth rate	**N.M.**		**42.8 %**	
Restructuring and employee severance	**(32)**	(9)	**(71)**	(21)
Acquisition-related costs	**(52)**	(11)	**(158)**	(33)
Impairments and loss on disposal of assets	**(832)**	(1)	**(859)**	(21)
Litigation recoveries/(charges), net	**2**	-	**38**	3
Other Spin-Off Costs	**-**	-	**-**	(2)
Total Non-GAAP operating expenses	**$ 775**	$ 712	**$ 2,875**	$ 2,675
Non-GAAP operating expense growth rate	**8.8 %**		**7.5 %**	

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

(in millions)	Fourth Quarter		Fiscal Year	
	2013	**2012**	**2013**	**2012**
Revenue	**$ 25,420**	$ 26,764	**$ 101,093**	$ 107,552
GAAP operating earnings	**$ (442)**	$ 403	**$ 996**	$ 1,792
Restructuring and employee severance	**32**	9	**71**	21
Acquisition-related costs	**52**	11	**158**	33
Impairments and loss on disposal of assets	**832**	1	**859**	21
Litigation (recoveries)/charges, net	**(2)**	-	**(38)**	(3)
Other Spin-Off Costs	**-**	-	**-**	2
Non-GAAP operating earnings	**$ 472**	$ 425	**$ 2,046**	$ 1,866
GAAP operating earnings margin rate	**(1.74)%**	1.51 %	**0.99 %**	1.67 %
Non-GAAP operating earnings margin rate	**1.86 %**	1.59 %	**2.02 %**	1.73 %
	27bp		**29bp**	

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 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 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
Schedule of Notable Items

(in millions, except per common share amounts)	Fourth Quarter 2013	Fourth Quarter 2012	Fiscal Year 2013	Fiscal Year 2012
Restructuring and employee severance	**$ (32)**	$ (9)	**$ (71)**	$ (21)
Tax benefit	**12**	3	**27**	8
Restructuring and employee severance, net of tax	**$ (20)**	$ (6)	**$ (44)**	$ (13)
Decrease to diluted EPS from continuing operations	**$ (0.06)**	$ (0.02)	**$ (0.13)**	$ (0.04)
Acquisition-Related Costs				
Amortization of acquisition-related intangible assets	**$ (48)**	$ (20)	**$ (118)**	$ (78)
Tax benefit	**18**	8	**43**	29
Amortization of acquisition-related intangible assets, net of tax	**$ (30)**	$ (12)	**$ (75)**	$ (49)
Decrease to diluted EPS from continuing operations	**$ (0.09)**	$ (0.03)	**$ (0.22)**	$ (0.14)
Other acquisition-related costs[1]	**$ (4)**	$ 9	**$ (41)**	$ 45
Tax benefit/(expense)[1]	**(4)**	(10)	**9**	(20)
Other acquisition-related costs, net of tax	**$ (8)**	$ (1)	**$ (32)**	$ 25
Increase/(decrease) to diluted EPS from continuing operations[1]	**$ (0.02)**	$ -	**$ (0.09)**	$ 0.07
Total acquisition-related costs[2]	**$ (52)**	$ (11)	**$ (158)**	$ (33)
Tax benefit/(expense)[2]	**13**	(2)	**52**	9
Total acquisition-related costs, net of tax[2]	**$ (39)**	$ (13)	**$ (106)**	$ (24)
Decrease to diluted EPS from continuing operations[2]	**$ (0.11)**	$ (0.04)	**$ (0.31)**	$ (0.07)
Impairments and loss on disposal of assets[3]	**$ (832)**	$ (1)	**$ (859)**	$ (21)
Tax benefit[3]	**30**	1	**37**	8
Impairments and loss on disposal of assets, net of tax	**$ (802)**	$ -	**$ (822)**	$ (13)
Decrease to diluted EPS from continuing operations[3]	**$ (2.32)**	$ -	**$ (2.39)**	$ (0.04)
Litigation recoveries/(charges), net	**$ 2**	$ -	**$ 38**	$ 3
Tax expense	**(1)**	-	**(15)**	(1)
Litigation recoveries/(charges), net, net of tax	**$ 1**	$ -	**$ 23**	$ 2
Increase to diluted EPS from continuing operations	**$ -**	$ -	**$ 0.07**	$ 0.01
Other Spin-Off Costs	**$ -**	$ -	**$ -**	$ (2)
Tax benefit	**-**	-	**-**	1
Other Spin-Off Costs, net of tax	**$ -**	$ -	**$ -**	$ (1)
Decrease to diluted EPS from continuing operations	**$ -**	$ -	**$ -**	$ -
Weighted-average number of common shares outstanding:				
Weighted-average number of diluted shares outstanding	**341**	349	**344**	349
Antidilutive effect due to loss from continuing operations	**4**	**-**	**-**	**-**
Weighted-average number of diluted shares outstanding for non-GAAP calculations	**345**	349	**344**	349

[1] Fiscal 2012 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.

[3] Fourth quarter and fiscal 2013 include an $829 million goodwill impairment charge related to our Nuclear Pharmacy Services division. The related tax benefit was $30 million and diluted EPS from continuing operations decreased $2.32.

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

Cardinal Health, Inc. and Subsidiaries
Asset Management Analysis

	Fourth Quarter		Fiscal Year	
	2013	2012	**2013**	2012
Days sales outstanding[1]	**22.3**	21.4		
Days inventory on hand	**26.5**	23.9		
Days payable outstanding	**38.9**	35.6		
Net working capital days[2]	**9.9**	9.6		
Debt to total capital	**39 %**	32 %		
Net debt to capital	**25 %**	9 %		
Return on equity	**(36.6)%**	15.1 %	**5.2 %**	17.8 %
Non-GAAP return on equity	**17.1 %**	16.3 %	**20.1 %**	18.6 %
Effective tax rate from continuing operations[3,4,5]	**(21.9)%**	37.4 %	**62.3 %**	37.0 %
Non-GAAP effective tax rate from continuing operations[4,5]	**36.9 %**	36.0 %	**33.7 %**	36.8 %

[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] For the fourth quarter of fiscal 2013, the goodwill impairment charge related to our Nuclear Pharmacy Services division decreased the effective tax rate from continuing operations by 60.6 percentage points.

[4] For fiscal 2013, the goodwill impairment charge related to our Nuclear Pharmacy Services division increased the effective tax rate from continuing operations by 28.3 percentage points. In addition, 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, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 7.2 and 3.3 percentage points, respectively. The fiscal 2013 non-GAAP effective tax rate from continuing operations, excluding the impact of the tax settlement, would have been 37.0%.

[5] Fiscal 2013 includes an out-of-period increase in income tax expense of $14 million recorded during the fourth quarter, related to uncertain tax benefits.

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

(in millions)	Fourth Quarter 2013	2012
Days sales outstanding	**22.3**	21.4
Days inventory on hand		
Inventories, net	**$ 8,373**	$ 7,864
Cost of products sold	**$ 24,173**	$ 25,628
Chargeback billings	**4,263**	3,984
Adjusted cost of products sold	**$ 28,436**	$ 29,612
Adjusted cost of products sold divided by 90 days	**$ 316**	$ 329
Days inventory on hand	**26.5**	23.9
Days payable outstanding		
Accounts payable	**$ 12,295**	$ 11,726
Cost of products sold	**$ 24,173**	$ 25,628
Chargeback billings	**4,263**	3,984
Adjusted cost of products sold	**$ 28,436**	$ 29,612
Adjusted cost of products sold divided by 90 days	**$ 316**	$ 329
Days payable outstanding	**38.9**	35.6
Net working capital days[1]	**9.9**	9.6

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: inventories,net 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/(loss) 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/(loss) before income taxes and discontinued operations adjusted for the same five items).

Non-GAAP Operating Earnings: operating earnings/(loss) 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 current period net earnings/(loss) 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 current period net earnings/(loss) 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 consolidated statements of earnings.

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