

Cardinal Health:
Well-balanced. Well-prepared. Well-focused.

2014 J.P. Morgan Healthcare Conference, January 14, 2014

George Barrett
Chairman & CEO

Jeff Henderson
CFO

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Today's 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; the ability to achieve the expected benefits from the generic sourcing joint venture with CVS Caremark; 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; the effects of any investigation or action by any regulatory authority; and 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. These presentations reflect management's views as of January 14, 2014. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, these presentations contain Non-GAAP financial measures. Cardinal Health provides GAAP numbers, definitions and reconciling information in the Financial Appendix at the end of these presentations and on its Investors page at www.cardinalhealth.com. An audio replay of this presentation will be available on the Investors page at www.cardinalhealth.com.

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Our profile

- ✓ Positioned for future growth in an evolving healthcare landscape
- ✓ Outstanding financial growth based on strong execution and focus on the right strategic priorities
- ✓ Thoughtful deployment of capital and substantial returns for shareholders
- ✓ The talent to make it all happen

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Our proven track record of success

What we told you in Dec. 2010	What we delivered
Long-term non-GAAP EPS[1] growth **at least double digit**	**18.5% CAGR[2]**
Modified TSR ≥ 11% (Non-GAAP EPS[1] growth + dividend yield)	**21.1%[3]**
Gross margin expansion (TTM)	**+113bps**
Non-GAAP operating margin expansion (TTM)	**+64bps**
Dividend payout increase[4]	**+5.1pp**

Unless otherwise noted, the actuals presented above reflect the period of Q1FY11 – Q1FY14

[1] Non-GAAP diluted earnings per share from continuing operations; Please see appendix for definitions and reconciling information.

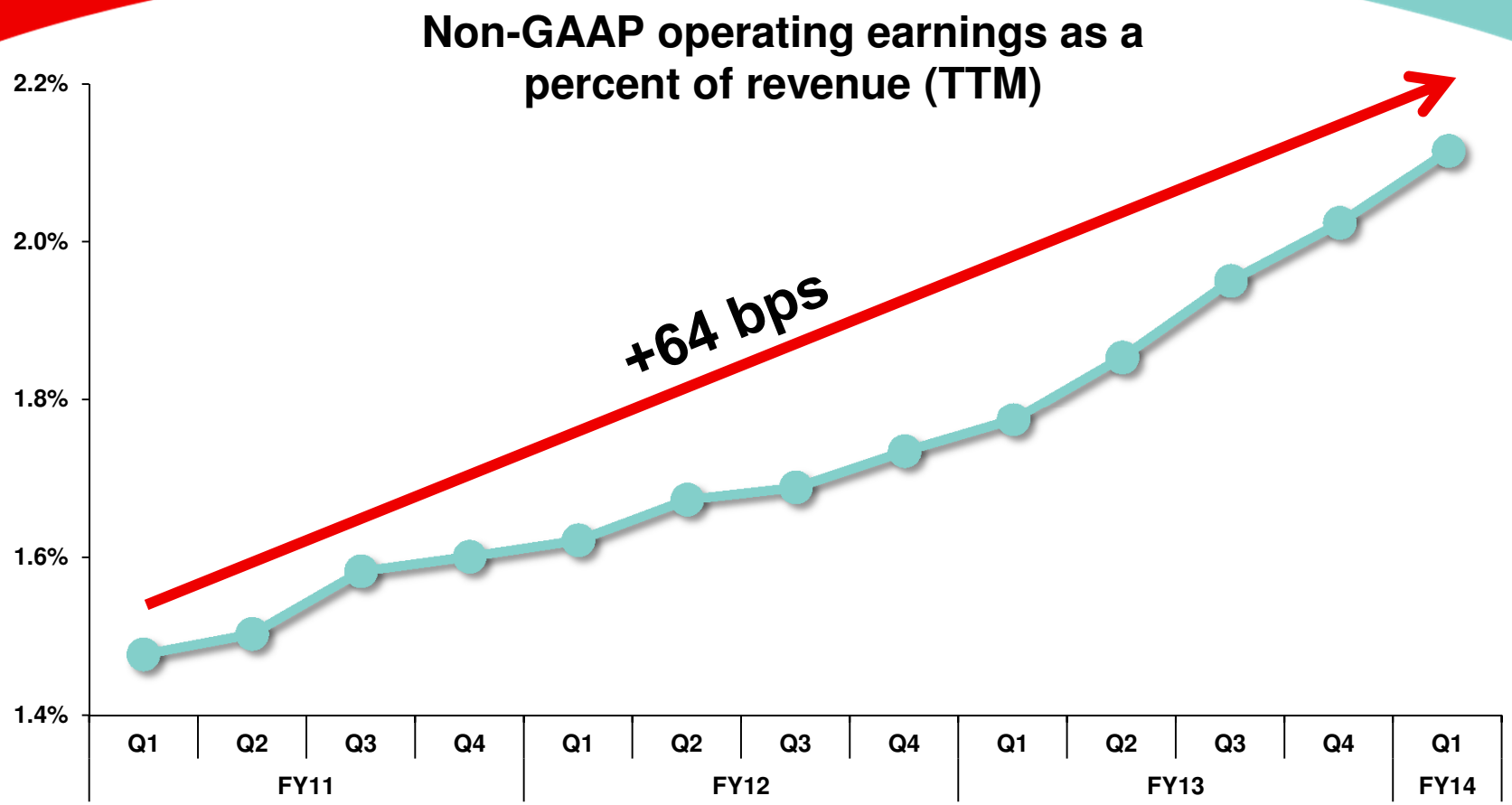
[2] FY10 – FY13

[3] Modified TSR calculated using FY10 – FY13 non-GAAP EPS CAGR plus 2.6% dividend yield on 6/30/2013.

[4] Dividend payout increase from FY11 – FY14, using current dividend rate and midpoint of FY14 non-GAAP EPS guidance range of $3.62 to $3.72.

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Driving consistent operating margin expansion

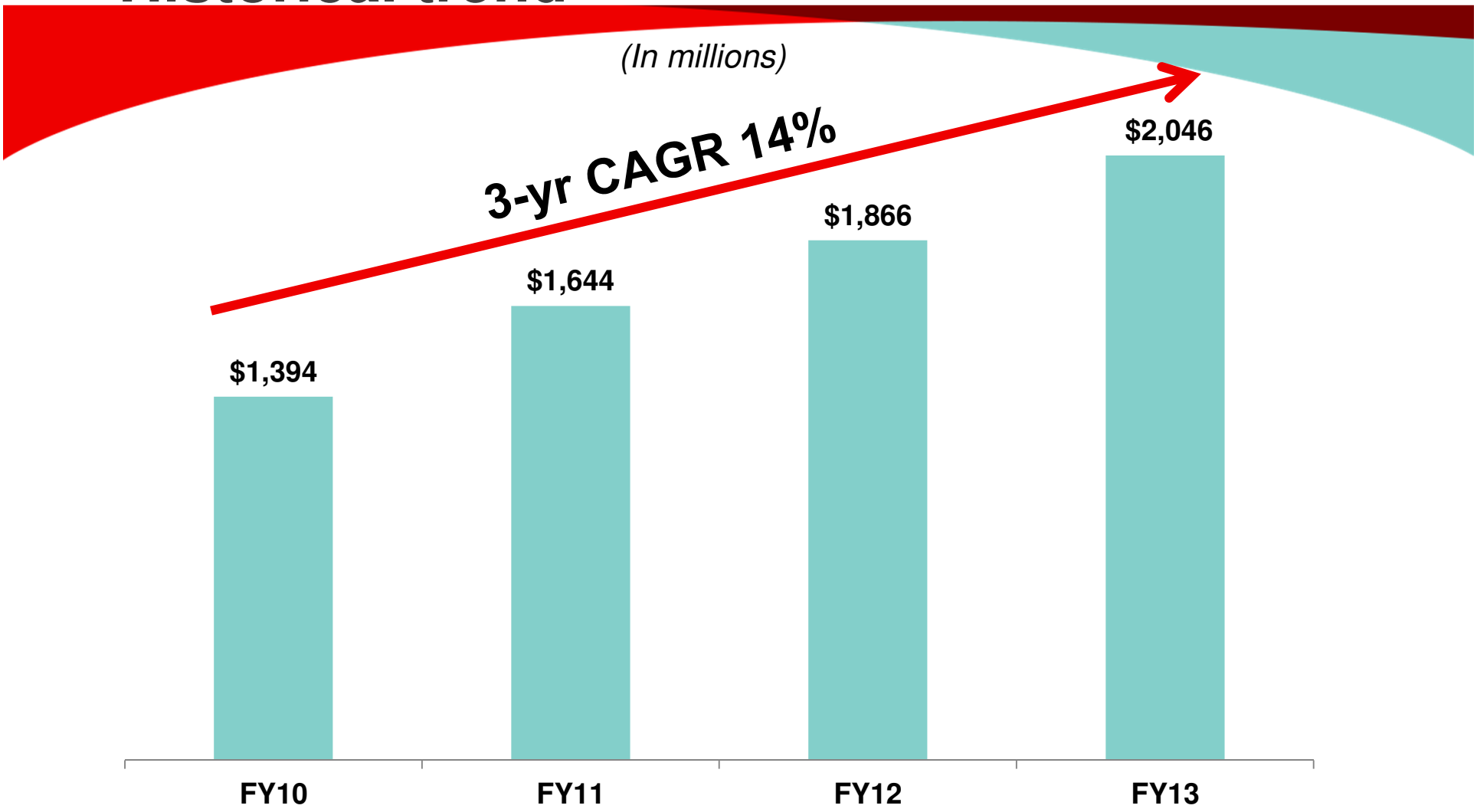


Please see appendix for GAAP/non-GAAP definitions and reconciling information.

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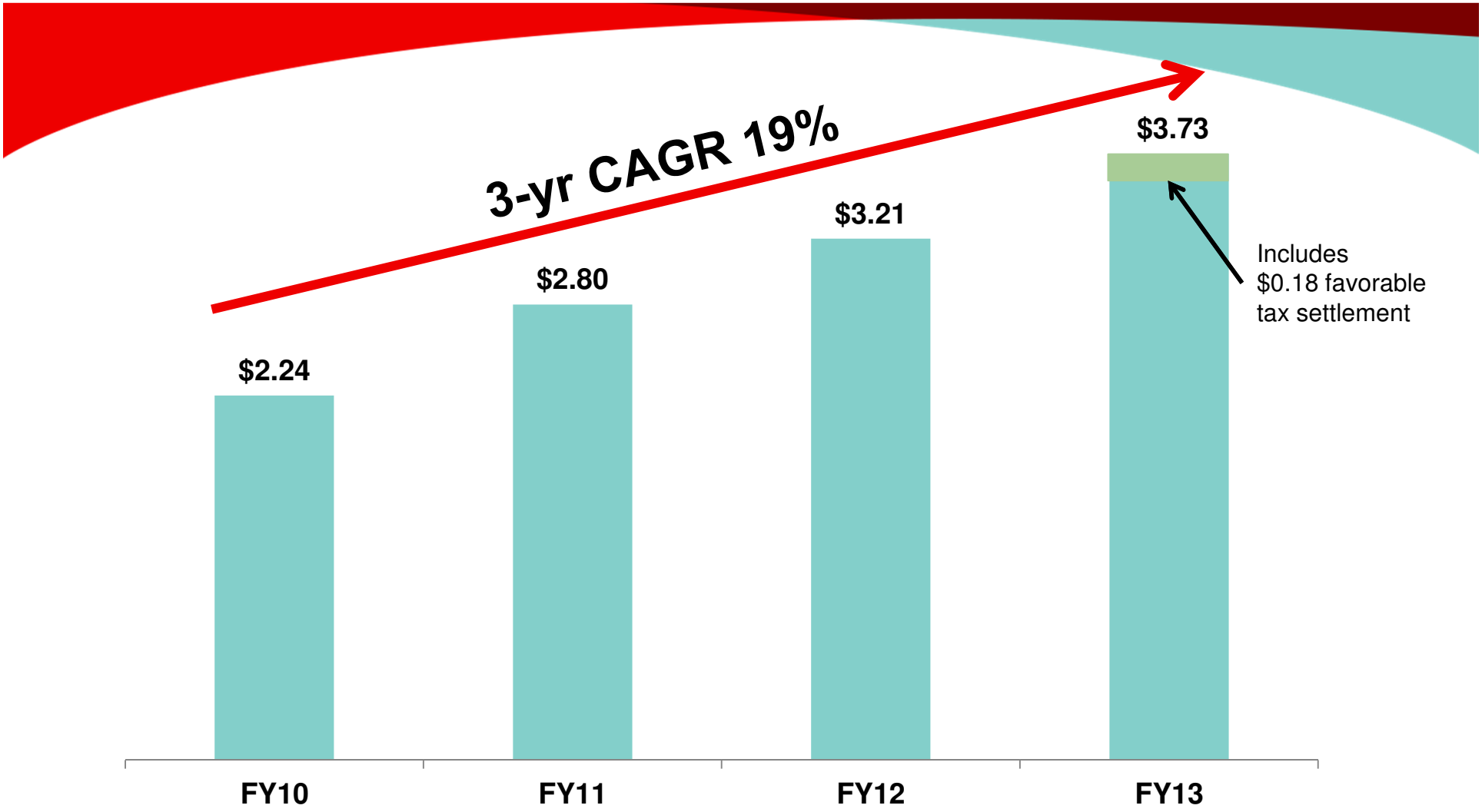
Non-GAAP operating earnings: Historical trend



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Non-GAAP EPS[1]: Historical trend



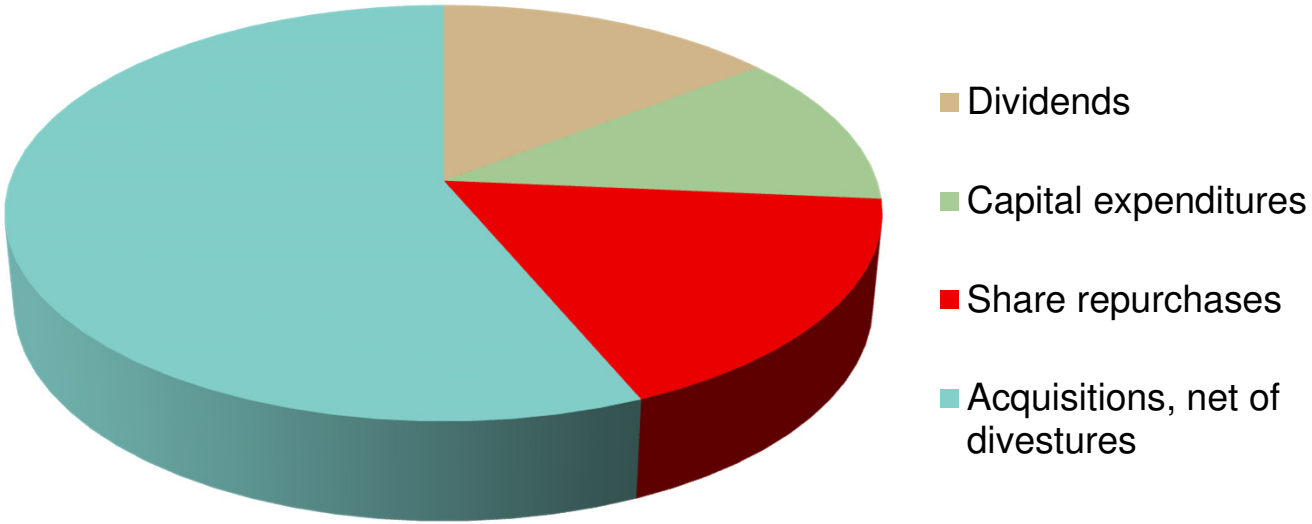
[1] *Non-GAAP diluted earnings per share from continuing operations. Please see appendix for definitions and reconciling information.*

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Thoughtful capital deployment approach

Capital deployment post CareFusion spin[1]

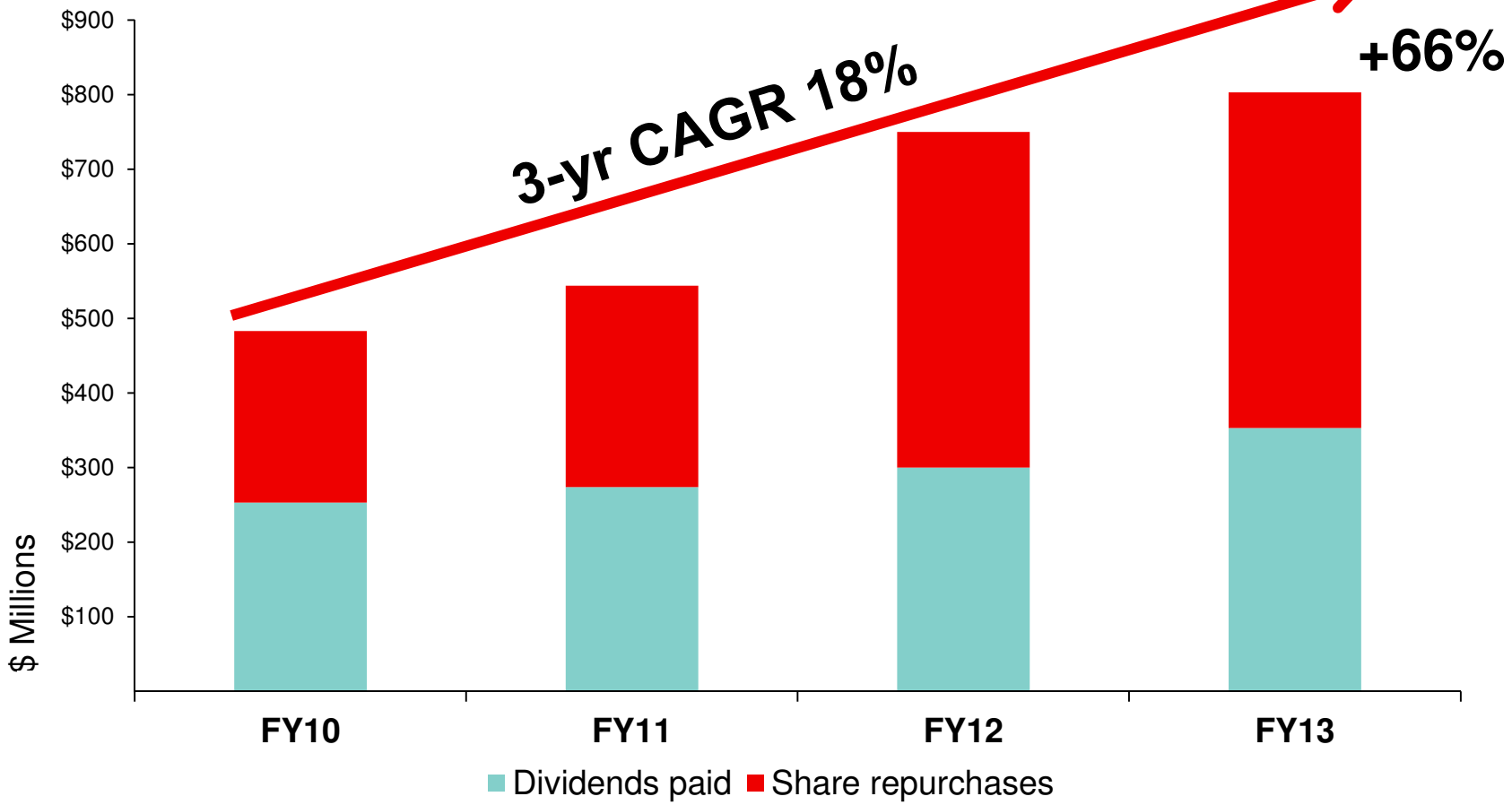


[1] *Capital deployment from Q2 FY10 to Q1 FY14.*

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Returning cash to shareholders through dividends and share repurchases

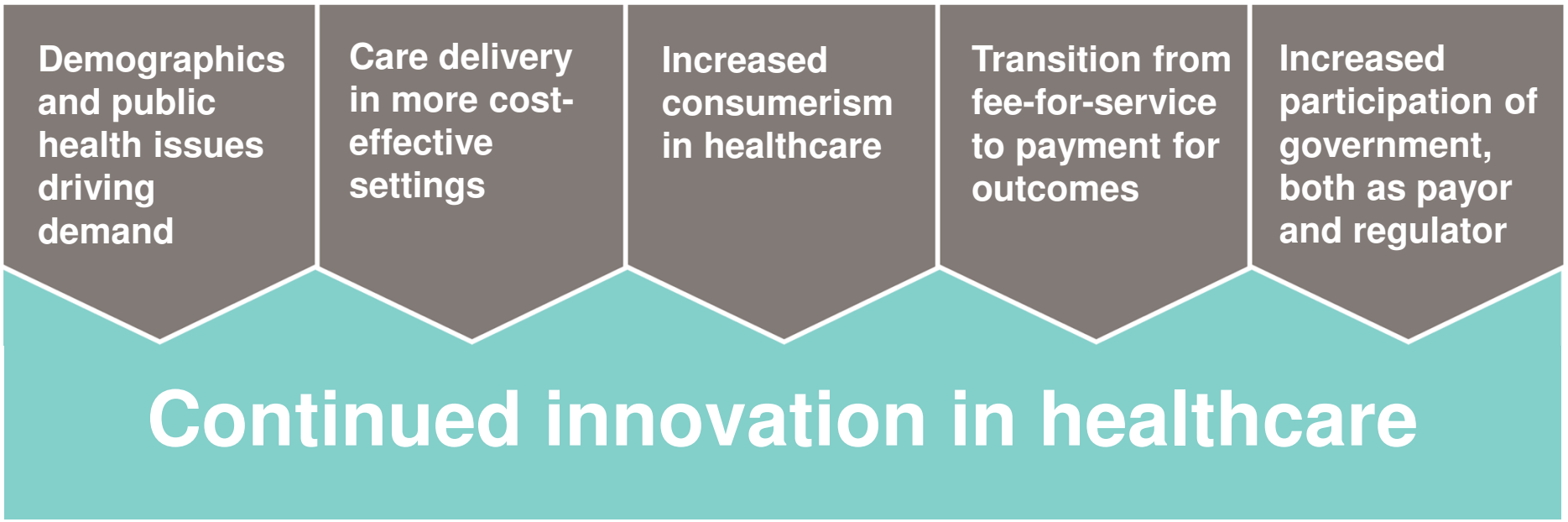


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Healthcare trends

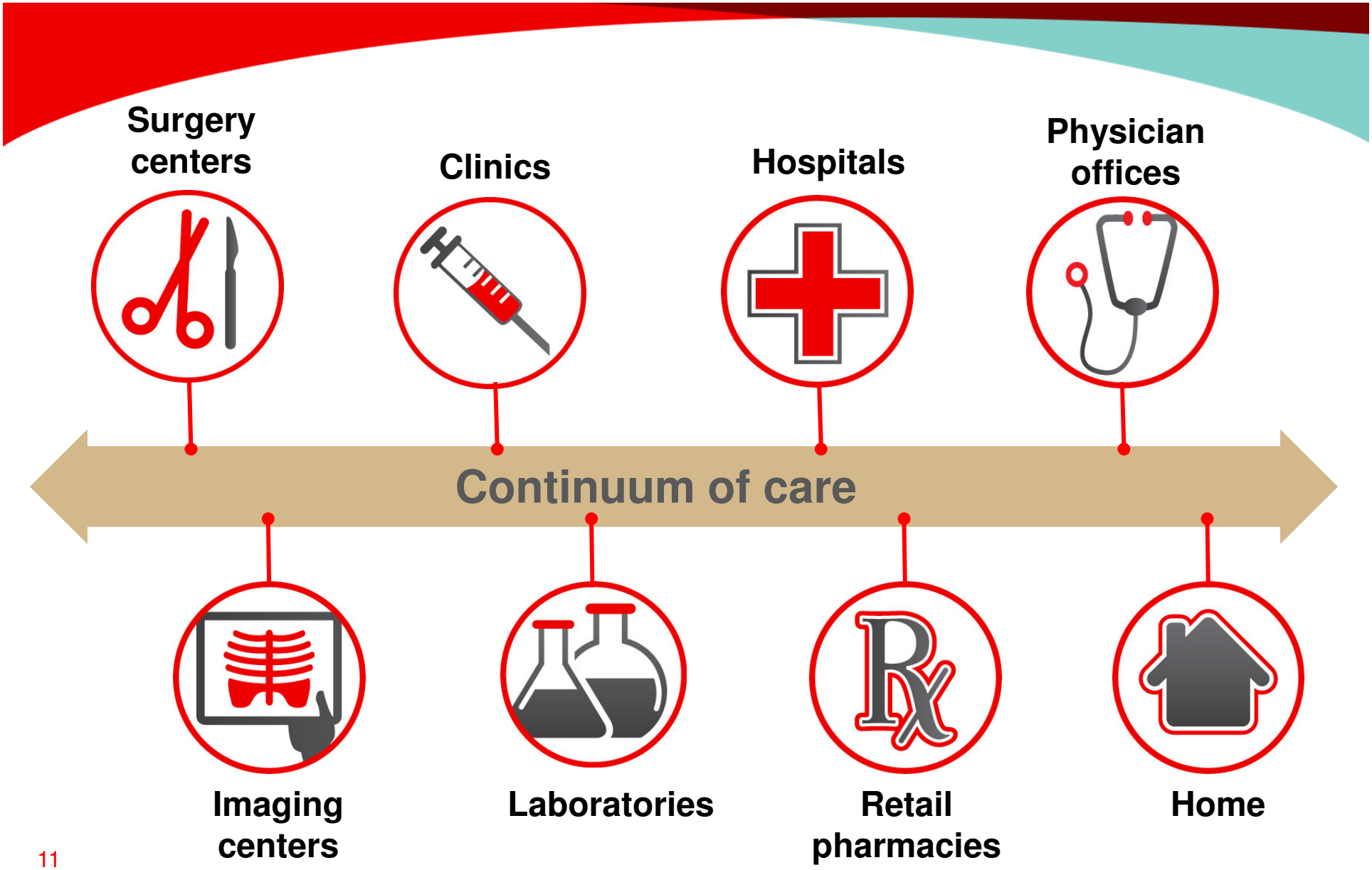
Our priorities are driven by key trends in the healthcare marketplace . . .



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Serving the full continuum of care



Our strategic priorities: Solutions for a system in transition

Generics

- Continue to build scale and capabilities to deliver value in generics
- Tailored programs to a segmented customer base

Specialty and biopharma

- Develop new models to address changing market needs
- Enhance and build programs to create value for providers and biopharma manufacturers

International

- Expand in China, Canada and Puerto Rico
- Continue to evaluate new markets

Health system and hospital solutions

- Reduce IDN pain points with scaled, cost-saving solutions
  - Physician preference products, medical consumables
  - Pharmacy solutions
- Explore additional services

Alternate sites of care

- Expand ability to serve physician offices, ambulatory surgery centers and the home
- Expand product lines and services

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CVS Caremark and Cardinal Health create largest generic sourcing entity in the U.S. – the world's largest generic drug market

- **Largest U.S. pharmacy health care provider with over $120 billion in revenue**
- **Focused on enhancing access to care, lowering overall health care costs, and improving health outcomes**
- **Filled >1 billion prescriptions last year through its retail and mail order pharmacies**

- **Leading health care services company with $101 billion in revenue**
- **Focused on improving the cost-effectiveness and efficiency of health care so providers can focus on their patients**
- **Serve more than 100,000 locations daily**

Sourcing Joint Venture



- 50/50 U.S.-based joint venture; largest generics sourcing entity in the U.S.
- Combines deep sourcing expertise of two leading companies
- Joint venture sources and negotiates generic supply contracts for both companies
- Joint venture will not take ownership of products or hold inventory on behalf of either company
- Will maintain CVS Caremark and Cardinal Health's leadership positions as they drive value for customers, clients and shareholders in a capital-efficient manner

Generic Manufacturers negotiate with Sourcing Joint Venture

- New entity will collaborate with generic manufacturers to develop innovative supply chain and purchasing strategies
- Both CVS Caremark and Cardinal Health will continue to manage their product orders and logistics processes in the same way as they do today

We add value in Specialty by connecting stakeholders to better serve patients

Payors

Integrating clinical pathways with **Specialty Pharmacy** will enable payors and providers to **improve patient care** while reducing the cost of care

Providers

Proven 20+ year **track record** in specialty distribution, increasing **scale** with community specialists through **innovative** offerings



Patient

Biopharma

Investing in assets and capabilities **essential to biopharma's success** in the changing specialty therapeutics market

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International: China, growing into the future

- ✓ **Broaden geographic reach**
  - Expand from 10 to ~25 local wholesaling companies through tuck-in acquisitions
  - Expand from 28 to over 50 DTP specialty pharmacies
- ✓ **Expand direct-to-patient for chronic care**
  - Focus on disease-centric, patient support model
- ✓ **Invest in innovative healthcare solutions**
  - Hospital and retail pharmacy focused
  - High technology and complexity
  - Brand based
- ✓ **Accelerate brand recognition**



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Health systems and hospital solutions

Aligning in support of customer needs



1. **Increasing the breadth of our consumable product portfolio**, more launches in Q1 than all of last year
2. Launching solutions **focused on reducing the cost of physician preference items**
3. **Expanding our service offerings** through new launches and acquisitions
4. Providing a **new platform** for serving patients in the **home**





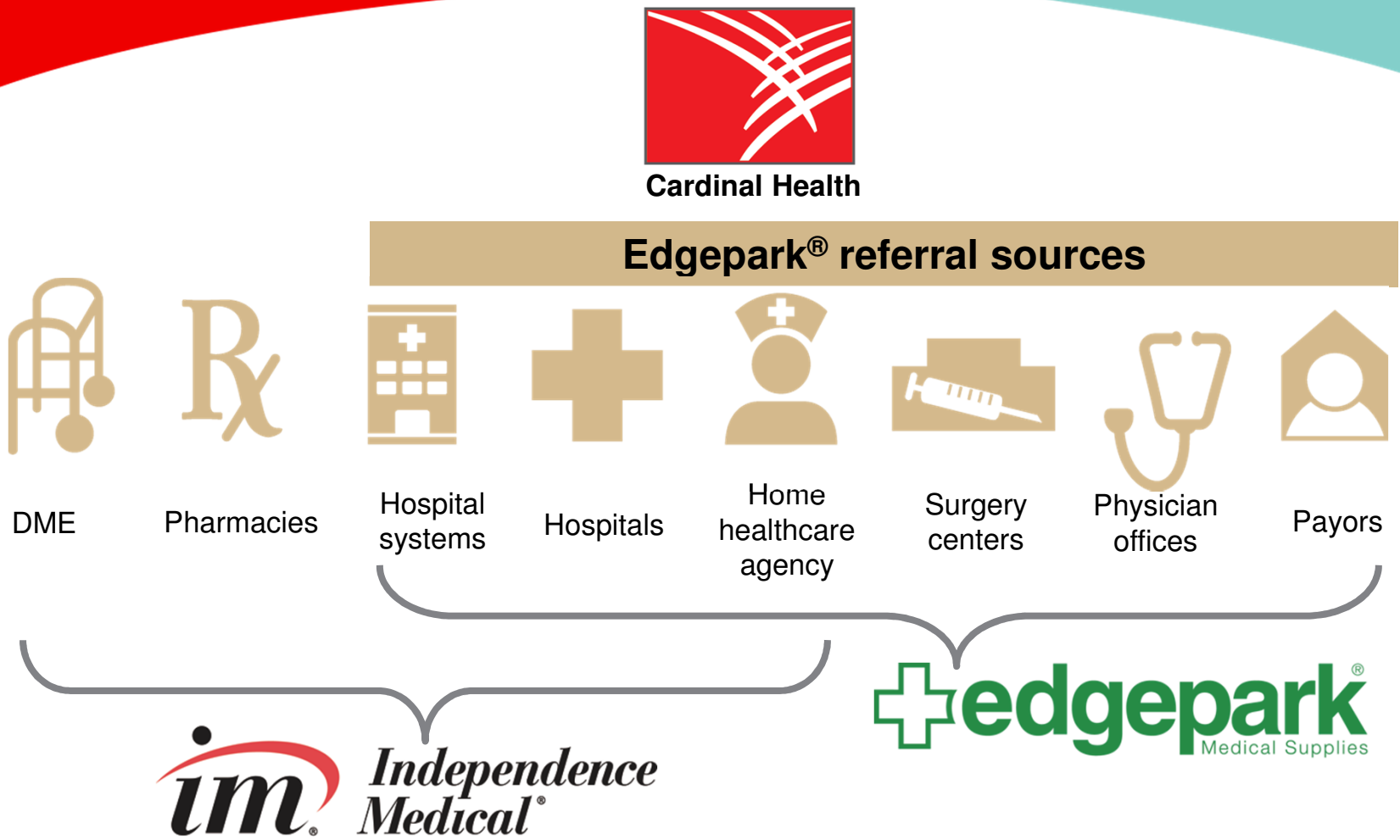
Fracture fixation



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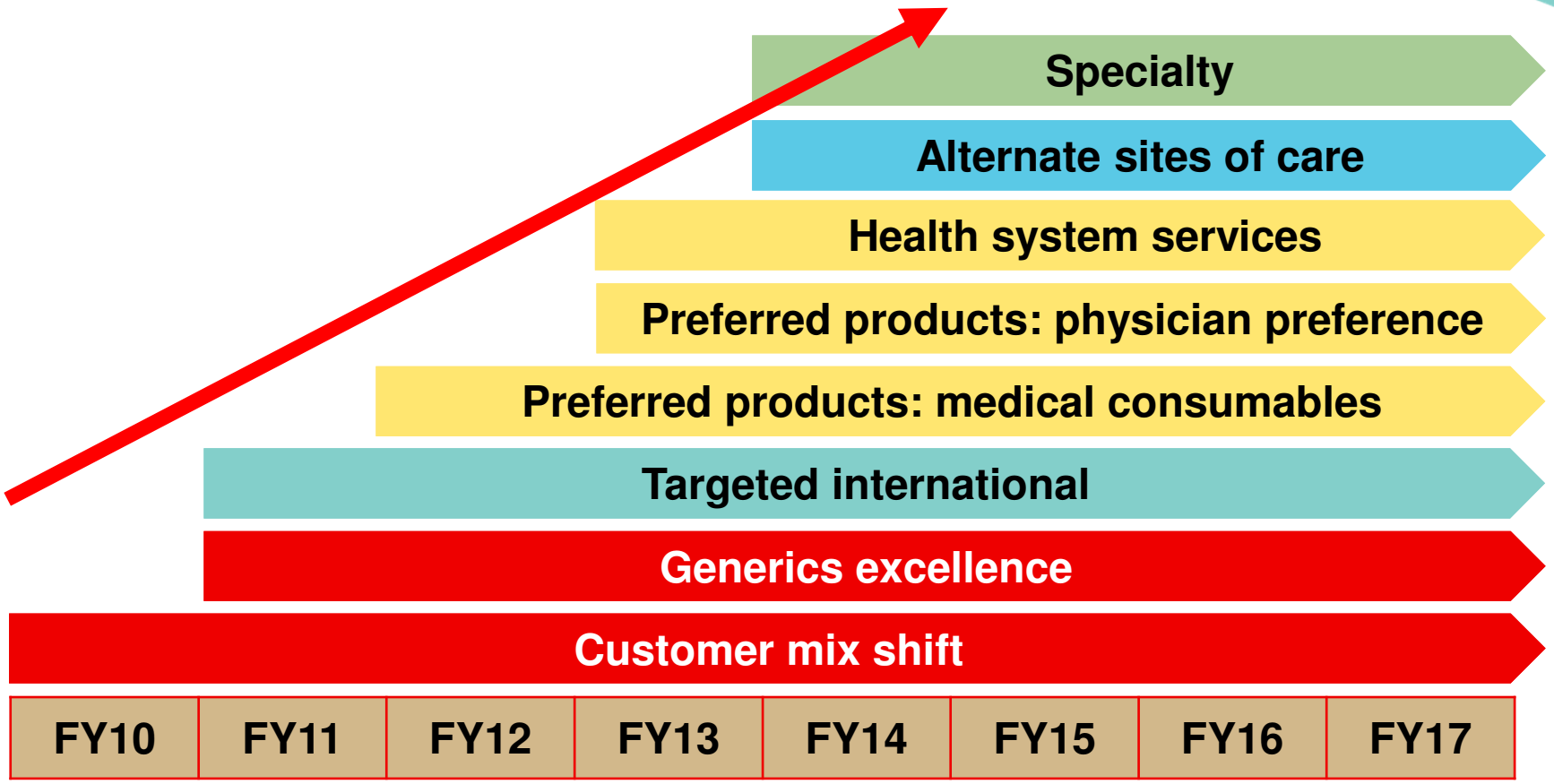
AssuraMed supports care in the Home; Opportunities extend across care continuum



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Strong portfolio driving growth and positioning for the future



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HBA | ACE AWARD
Advancement Commitment Engagement
The Healthcare Businesswomen's Association

BEST EMPLOYERS for Healthy Lifestyles 2012

Chief Executive
BEST COMPANIES FOR LEADERS
2013

ESGR
EMPLOYER SUPPORT OF THE GUARD AND RESERVE
Freedom Award 2013

Cardinal Health: Essential to Care

Select awards in Fiscal 2013

WORKING MOTHER
100 BEST COMPANIES 2013

Gartner Research
#1 Healthcare Supply Chain Organization
Three years in a row
2013, 2012, 2011

nafe TOP COMPANIES FOR EXECUTIVE WOMEN 2012

HUMAN RIGHTS CAMPAIGN FOUNDATION
BEST PLACES TO WORK
2013 for LGBT Equality
100% CORPORATE EQUALITY INDEX

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Financial appendix

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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[1]	Diluted EPS from Continuing Operations	Diluted EPS from Continuing Operations Growth Rate[2]
Fiscal Year 2013								
GAAP	**$ 996**	**(44)%**	**$ 888**	**$ 553**	**$ 335**	**(69)%**	**$ 0.97**	**(68)%**
Restructuring and employee severance	**71**		**71**	**27**	**44**		**0.13**	
Amortization and other 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	**-**		**-**	**-**	**-**		**-**	
Gain on sale of CareFusion stock	**-**		**-**	**-**	**-**		**-**	
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	
Amortization and other 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	16		16	5	10		0.03	
Amortization and other 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 %
Fiscal Year 2010								
GAAP	$ 1,307	1 %	$ 1,212	$ 625	$ 587	(23)%	$ 1.62	(23)%
Restructuring and employee severance	91		91	32	59		0.16	
Amortization and other acquisition-related costs	18		18	6	12		0.03	
Impairments and loss on disposal of assets	29		29	(5)	34		0.09	
Litigation (recoveries)/charges, net	(62)		(62)	(23)	(39)		(0.11)	
Other Spin-Off Costs	11		53	(149)	202		0.56	
Gain on sale of CareFusion stock	-		(45)	-	(45)		(0.12)	
Non-GAAP	$ 1,394	(3)%	$ 1,296	$ 486	$ 810	(2)%	$ 2.24	(2)%

[1] The 3-year compound annual growth rate for GAAP and non-GAAP earnings from continuing operations was -9% and 14%, respectively.

[2] The 3-year compound annual growth rate for GAAP and non-GAAP diluted EPS from continuing operations was -16% and 19%, respectively. Excluding the $0.18 related to a favorable tax settlement in Q3 FY13, the 3-year compound annual growth rate for GAAP and non-GAAP diluted EPS from continuing operations was -21% and 17%, respectively.

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, 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 2014							
GAAP	**$ 471**	**3 %**	**$ 442**	**$ 102**	**$ 340**	**25 %**	**$ 0.99**	**25 %**
Restructuring and employee severance	**11**		**11**	**4**	**7**		**0.02**	
Amortization and other acquisition-related costs	**49**		**49**	**18**	**31**		**0.09**	
Impairments and loss on disposal of assets	**-**		**-**	**-**	**-**		**-**	
Litigation (recoveries)/charges, net	**1**		**1**	**-**	**1**		**-**	
Non-GAAP	**$ 532**	**13 %**	**$ 503**	**$ 124**	**$ 378**	**35 %**	**$ 1.10**	**36 %**
	First Quarter 2013							
GAAP	$ 457	11 %	$ 439	$ 167	$ 272	15 %	$ 0.79	16 %
Restructuring and employee severance	5		5	2	3		0.01	
Amortization and other 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)	
Non-GAAP	$ 469	6 %	$ 451	$ 170	$ 281	9 %	$ 0.81	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

		Rolling Quarter											
	2014	2013				2012				2011			
(in millions)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 99,727**	$ 101,093	$ 102,437	$ 104,803	$ 106,648	$ 107,552	$ 107,551	$ 106,705	$ 104,999	$ 102,644	$ 100,340	$ 98,612	$ 98,160
GAAP operating earnings	**$ 1,011**	$ 996	$ 1,842	$ 1,893	$ 1,836	$ 1,792	$ 1,747	$ 1,668	$ 1,562	$ 1,514	$ 1,489	$ 1,408	$ 1,431
Restructuring and employee severance	**76**	71	48	22	23	21	17	16	17	16	17	25	33
Amortization and other acquisition-related costs	**179**	158	117	37	34	33	37	94	106	90	86	58	28
Impairments and loss on disposal of assets	**859**	859	29	25	21	21	20	7	8	9	9	9	7
Litigation (recoveries)/charges, net	**(15)**	(38)	(37)	(34)	(22)	(3)	(9)	(4)	2	6	(22)	(29)	(60)
Other Spin-Off Costs	**-**	-	-	1	1	2	4	4	8	10	9	12	12
Non-GAAP operating earnings	**$ 2,109**	$ 2,046	$ 1,999	$ 1,943	$ 1,893	$ 1,866	$ 1,816	$ 1,786	$ 1,703	$ 1,644	$ 1,588	$ 1,483	$ 1,451
GAAP operating earnings margin rate	**1.01 %**	0.99 %	1.80 %	1.81 %	1.72 %	1.67 %	1.62 %	1.56 %	1.49 %	1.48 %	1.48 %	1.43 %	1.46 %
Non-GAAP operating earnings margin rate	**2.11 %**	2.02 %	1.95 %	1.85 %	1.77 %	1.73 %	1.69 %	1.67 %	1.62 %	1.60 %	1.58 %	1.50 %	1.48 %
3-year margin expansion	**64bp**												

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 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. 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, amortiztion and other 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
GAAP / Non-GAAP Reconciliation

(in millions)	Fiscal Year 2013	2012	2011	2010
Revenue	**$ 101,093**	$ 107,552	$ 102,644	$ 98,503
GAAP operating earnings	**$ 996**	$ 1,792	$ 1,514	$ 1,307
Restructuring and employee severance	**71**	21	15	91
Amortization and other acquisition-related costs	**158**	33	90	18
Impairments and loss on disposal of assets	**859**	21	9	29
Litigation (recoveries)/charges, net	**(38)**	(3)	6	(62)
Other Spin-Off Costs	**-**	2	10	11
Non-GAAP operating earnings	**$ 2,046**	$ 1,866	$ 1,644	$ 1,394
GAAP operating earnings margin rate	**0.99 %**	1.67 %	1.48 %	1.33 %
Non-GAAP operating earnings margin rate	**2.02 %**	1.73 %	1.60 %	1.42 %
	29bp	13bp	18bp	

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

Cardinal Health, Inc. and Subsidiaries

Definitions

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: earnings from continuing operations excluding (1) restructuring and employee severance[2], (2) amortization and other 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 Operating Earnings: operating earnings excluding (1) restructuring and employee severance, (2) amortization and other 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: non-GAAP operating earnings divided by revenue.

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

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

Segment Profit from International[6]: international revenue minus (international cost of products sold and international distribution, selling, general and administrative expenses).

Segment Profit Margin: segment profit divided by segment revenue.

[1] Except for compound annual growth rates (CAGR), growth rates in this presentation are determined by dividing the difference between current period results and prior period results by prior period results. CAGR is determined by subtracting one from ((the ending value divided by the beginning value) raised to the power of (one divided by the number of years)).

[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 amortization of acquisition-related intangible assets, transaction costs, integration costs and changes in the fair value of contingent consideration obligations.

[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.

[6] Includes CAH Puerto Rico and our non-U.S. operations.