

Q2 FY2014 earnings investor/analyst call

January 30, 2014

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Forward-looking statements and GAAP reconciliation

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Q2 FY2014

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q2 FY14	Q2 FY13	Q2 FY14	Q2 FY13
Revenue	$22,240	$25,232		
% change	*(12)%*	*(7)%*		
Operating earnings	$519	$506	$579	$525
% change	*2%*	*13%*	*10%*	*11%*
Ratio to revenue	*2.33%*	*2.01%*	*2.60%*	*2.08%*
Earnings from continuing ops	$275	$303	$313	$317
% change	*(9)%*	*15%*	*(1)%*	*13%*
Ratio to revenue	*1.24%*	*1.20%*	*1.41%*	*1.26%*
Diluted EPS from continuing ops	$0.79	$0.88	$0.90	$0.93
% change	*(10)%*	*16%*	*(3)%*	*15%*

	Q2 FY14	Q2 FY13
Operating cash flow	$37	($130)
Days sales outstanding	19.7	22.0
Days inventory on hand	29.7	27.0
Days payable outstanding	39.3	37.8
Net working capital days [1]	10.1	11.3

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

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Q2 FY2014

Pharmaceutical segment business analysis

	Q2 FY14 ($M)	Q2 FY13 ($M)	% Change
Revenue	$19,443	$22,747	(15)%
Segment profit	$482	$441	9%
Segment profit margin	2.48%	1.94%	

Highlights:

- Revenue decreased 15% vs. last year due to the continuing impact of the expiration of the Walgreens contract. The decline was partially offset by sales growth from new and existing customers.
- Segment profit increased 9%, primarily from margin rate expansion which was driven by our generic programs and performance under branded agreements and included the impact of price inflation. Segment profit growth was partially offset by the loss of the Walgreens contract.
- Expanded segment profit margin by 54bps.

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

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Q2 FY2014

Medical segment business analysis

	Q2 FY14 ($M)	Q2 FY13 ($M)	% Change
Revenue	$2,799	$2,487	13%
Segment profit	$131	$94	40%
Segment profit margin	4.69%	3.76%	

Highlights:

- Revenue increase was driven by the home health platform, reflecting the acquisition of AssuraMed, and growth from strategic hospital network accounts.
- Segment profit up 40%, primarily driven by home health.
- Expanded segment profit margin by 92bps.

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

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Q2 FY2014

GAAP to non-GAAP reconciliation

	Q2 FY 2014			Q2 FY 2013		
	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	**$519**	**$275**	**$0.79**	**$506**	**$303**	**$0.88**
Restructuring and employee severance	10	6	0.02	1	-	-
Amortization and other acquisition-related costs[1]	56	36	0.10	25	16	0.05
Impairments and loss on disposal of assets	9	6	0.02	5	5	0.01
Litigation (recoveries)/charges, net	(15)	(10)	(0.03)	(12)	(7)	(0.02)
Non-GAAP	**$579**	**$313**	**$0.90**	**$525**	**$317**	**$0.93**

[1] Amortization of acquisition-related intangible assets included in Amortization and other acquisition-related costs are as follows:

Amortization of acquisition-related intangible assets	$46	$29	$0.08	$22	$14	$0.04

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

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FY2014 outlook

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Updated FY2014 financial expectations

FY2014 non-GAAP EPS from continuing operations:

$3.75 - $3.85

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Updated FY2014 corporate assumptions

	FY14 outlook	FY13 actual
Diluted weighted-average shares outstanding	345M - 347M	344.5M
Interest and other, net	$105M - $130M	$108M
Capital expenditures	$245M - $265M	$195M
Amortization of acquisition-related intangible assets	~$184M or ~$0.34[1]	$118M or $0.22
Non-GAAP effective tax rate	35% - 36%[2]	33.7%[3]

1 *Includes only acquisitions closed as of December 31, 2013.*

2 *Represents annual rate. Expected to fluctuate quarterly due to unique items affecting periods. Includes $63M related to favorable settlements in Q1 FY14 and $56M related to a charge in Q2, which contributed $0.18 and ($0.16) to Non-GAAP EPS, respectively.*

3 *Includes $64M related to a favorable settlement in Q3 FY13, which contributed $0.18 to Non-GAAP EPS.*

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Q2 FY2014 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q2 FY2014

Segment analysis

Pharmaceutical segment

	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14
Revenue ($M)	22,747	22,070	22,783	21,813	19,443
Segment Profit ($M)	441	498	395	433	482

Medical segment

	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14
Revenue ($M)	2,487	2,484	2,697	2,711	2,799
Segment Profit ($M)	94	100	104	106	131

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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[1]
			Second Quarter 2014					
GAAP	**$ 519**	**2 %**	**$ 492**	**$ 217**	**$ 275**	**(9)%**	**$ 0.79**	**(10)%**
Restructuring and employee severance	**10**		**10**	**4**	**6**		**0.02**	
Amortization and other acquisition-related costs	**56**		**56**	**20**	**36**		**0.10**	
Impairments and loss on disposal of assets	**9**		**9**	**3**	**6**		**0.02**	
Litigation (recoveries)/charges, net	**(15)**		**(15)**	**(5)**	**(10)**		**(0.03)**	
Non-GAAP	**$ 579**	**10 %**	**$ 552**	**$ 239**	**$ 313**	**(1)%**	**$ 0.90**	**(3)%**
			Second Quarter 2013					
GAAP	$ 506	13 %	$ 483	$ 180	$ 303	15 %	$ 0.88	16 %
Restructuring and employee severance	1		1	1	-		-	
Amortization and other acquisition-related costs	25		25	9	16		0.05	
Impairments and loss on disposal of assets	5		5	-	5		0.01	
Litigation (recoveries)/charges, net	(12)		(12)	(5)	(7)		(0.02)	
Non-GAAP	$ 525	11 %	$ 502	$ 185	$ 317	13 %	$ 0.93	15 %

(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 2014					
GAAP	**$ 990**	**3 %**	**$ 934**	**$ 320**	**$ 614**	**7 %**	**$ 1.78**	**7 %**
Restructuring and employee severance	**20**		**20**	**7**	**13**		**0.04**	
Amortization and other acquisition-related costs	**105**		**105**	**38**	**67**		**0.19**	
Impairments and loss on disposal of assets	**9**		**9**	**3**	**6**		**0.02**	
Litigation (recoveries)/charges, net	**(13)**		**(13)**	**(5)**	**(8)**		**(0.02)**	
Non-GAAP	**$ 1,111**	**12 %**	**$ 1,055**	**$ 363**	**$ 691**	**16 %**	**$ 2.00**	**15 %**
			Year-to-Date 2013					
GAAP	$ 963	12 %	$ 922	$ 347	$ 575	15 %	$ 1.67	16 %
Restructuring and employee severance	6		6	2	4		0.01	
Amortization and other acquisition-related costs	53		53	19	34		0.10	
Impairments and loss on disposal of assets	6		6	1	5		0.01	
Litigation (recoveries)/charges, net	(34)		(34)	(14)	(20)		(0.06)	
Non-GAAP	$ 995	8 %	$ 953	$ 355	$ 598	11 %	$ 1.74	13 %

[1] The $56 million remeasurement of unrecognized tax benefits reduced, for fiscal 2014 second quarter, both diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations by $0.16. The fiscal 2014 second quarter growth rates for diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations, excluding the impact of the tax remeasurement, would have been 8 percent and 14 percent, 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)	Second Quarter 2014	2013
GAAP return on equity	**17.2 %**	18.9 %
Non-GAAP return on equity		
Net earnings	**$ 278**	$ 303
Restructuring and employee severance, net of tax, in continuing operations	**6**	-
Amortization and other acquisition-related costs, net of tax, in continuing operations	**36**	16
Impairments and loss on disposal of assets, net of tax, in continuing operations	**6**	5
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(10)**	(7)
Adjusted net earnings	**$ 316**	$ 317
Annualized	**$ 1,264**	$ 1,268

	Second Quarter 2014	**First Quarter 2014**	Second Quarter 2013	First Quarter 2013
Total shareholders' equity	**$ 6,589**	**$ 6,297**	$ 6,542	$ 6,281
Divided by average shareholders' equity	**$ 6,443**		$ 6,411	
Non-GAAP return on equity	**19.6 %**		19.8 %	

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

	Year-to-Date	
(in millions)	**2014**	2013
GAAP return on equity	**19.6 %**	18.1 %
Non-GAAP return on equity		
Net earnings	**$ 617**	$ 575
Restructuring and employee severance, net of tax, in continuing operations	**13**	4
Amortization and other acquisition-related costs, net of tax, in continuing operations	**67**	34
Impairments and loss on disposal of assets, net of tax, in continuing operations	**6**	5
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(8)**	(20)
Adjusted net earnings	**$ 695**	$ 598
Annualized	**$ 1,390**	$ 1,196

	Second Quarter	**First Quarter**	**Fourth Quarter**	Second Quarter	First Quarter	Fourth Quarter
	2014	**2014**	**2013**	2013	2013	2012
Total shareholders' equity	**$ 6,589**	**$ 6,297**	**$ 5,975**	$ 6,542	$ 6,281	$ 6,244
Divided by average shareholders' equity	**$ 6,287**			$ 6,355		
Non-GAAP return on equity	**22.1 %**			18.8 %		

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)	Second Quarter 2014	Second Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
GAAP effective tax rate from continuing operations[1]	**44.1 %**	37.2 %	**34.2 %**	37.6 %
Non-GAAP effective tax rate from continuing operations				
Earnings before income taxes and discontinued operations	**$ 492**	$ 483	**$ 934**	$ 922
Restructuring and employee severance	**10**	1	**20**	6
Amortization and other acquisition-related costs	**56**	25	**105**	53
Impairments and loss on disposal of assets	**9**	5	**9**	6
Litigation (recoveries)/charges, net	**(15)**	(12)	**(13)**	(34)
Adjusted earnings before income taxes and discontinued operations	**$ 552**	$ 502	**$ 1,055**	$ 953
Provision for income taxes	**$ 217**	$ 180	**$ 320**	$ 347
Restructuring and employee severance tax benefit	**4**	1	**7**	2
Amortization and other acquisition-related costs tax benefit	**20**	9	**38**	19
Impairments and loss on disposal of assets tax benefit	**3**	-	**3**	1
Litigation (recoveries)/charges, net tax expense	**(5)**	(5)	**(5)**	(14)
Adjusted provision for income taxes	**$ 239**	$ 185	**$ 363**	$ 355
Non-GAAP effective tax rate from continuing operations[1]	**43.3 %**	36.8 %	**34.4 %**	37.3 %

	Second Quarter 2014	Second Quarter 2013
Debt to total capital	**37 %**	31 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 255**	$ 474
Long-term obligations, less current portion	**3,679**	2,423
Debt	**$ 3,934**	$ 2,897
Cash and equivalents	**(2,741)**	(2,255)
Net debt	**$ 1,193**	$ 642
Total shareholders' equity	**6,589**	6,542
Capital	**$ 7,782**	$ 7,184
Net debt to capital	**15 %**	9 %

[1] The $56 million remeasurement of unrecognized tax benefits unfavorably impacted, for fiscal 2014 second quarter, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 11.3 and 10.1 percentage points, respectively. The fiscal 2014 second quarter non-GAAP effective tax rate from continuing operations, excluding the impact of the tax remeasurement, would have been 33.2 percent.

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)	Fiscal Year 2013
GAAP effective tax rate from continuing operations[1]	**62.3 %**
Non-GAAP effective tax rate from continuing operations	
Earnings/(loss) before income taxes and discontinued operations	**$ 888**
Restructuring and employee severance	**71**
Amorization and other acquisition-related costs	**158**
Impairments and loss on disposal of assets	**859**
Litigation (recoveries)/charges, net	**(38)**
Adjusted earnings before income taxes and discontinued operations	**$ 1,938**
Provision for income taxes	**$ 553**
Restructuring and employee severance tax benefit	**27**
Amortization and other acquisition-related costs tax benefit	**52**
Impairments and loss on disposal of assets tax benefit	**37**
Litigation (recoveries)/charges, net tax expense	**(15)**
Adjusted provision for income taxes	**$ 654**
Non-GAAP effective tax rate from continuing operations[1]	**33.7 %**

[1] For fiscal 2013, 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 percent.

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)	Second Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Distribution, selling, general and administrative expenses	**$ 766**	$ 699	**$ 1,497**	$ 1,388
Restructuring and employee severance	**10**	1	**20**	6
Amortization and other acquisition-related costs	**56**	25	**105**	53
Impairments and loss on disposal of assets	**9**	5	**9**	6
Litigation (recoveries)/charges, net	**(15)**	(12)	**(13)**	(34)
Total GAAP operating expenses	**$ 826**	$ 718	**$ 1,618**	$ 1,419
GAAP operating expense growth rate	**15.0 %**		**14.0 %**	
Restructuring and employee severance	**(10)**	(1)	**(20)**	(6)
Amortization and other acquisition-related costs	**(56)**	(25)	**(105)**	(53)
Impairments and loss on disposal of assets	**(9)**	(5)	**(9)**	(6)
Litigation recoveries/(charges), net	**15**	12	**13**	34
Total Non-GAAP operating expenses	**$ 766**	$ 699	**$ 1,497**	$ 1,388
Non-GAAP operating expense growth rate	**9.6 %**		**7.9 %**	

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

(in millions)	Second Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Revenue	**$ 22,240**	$ 25,232	**$ 46,763**	$ 51,121
GAAP operating earnings	**$ 519**	$ 506	**$ 990**	$ 963
Restructuring and employee severance	**10**	1	**20**	6
Amortization and other acquisition-related costs	**56**	25	**105**	53
Impairments and loss on disposal of assets	**9**	5	**9**	6
Litigation (recoveries)/charges, net	**(15)**	(12)	**(13)**	(34)
Non-GAAP operating earnings	**$ 579**	$ 525	**$ 1,111**	$ 995
GAAP operating earnings margin rate	**2.33 %**	2.01 %	**2.12 %**	1.88 %
Non-GAAP operating earnings margin rate	**2.60 %**	2.08 %	**2.38 %**	1.95 %
	52bp		**43bp**	

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, amortization 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
Schedule of Notable Items

(in millions, except per common share amounts)	Second Quarter 2014	Second Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
Restructuring and employee severance	**$ (10)**	$ (1)	**$ (20)**	$ (6)
Tax benefit	**4**	1	**7**	2
Restructuring and employee severance, net of tax	**$ (6)**	$ -	**$ (13)**	$ (4)
Decrease to diluted EPS from continuing operations	**$ (0.02)**	$ -	**$ (0.04)**	$ (0.01)
Amortization and Other Acquisition-Related Costs				
Amortization of acquisition-related intangible assets	**$ (46)**	$ (22)	**$ (91)**	$ (43)
Tax benefit	**17**	8	**33**	15
Amortization of acquisition-related intangible assets, net of tax	**$ (29)**	$ (14)	**$ (58)**	$ (28)
Decrease to diluted EPS from continuing operations	**$ (0.08)**	$ (0.04)	**$ (0.17)**	$ (0.08)
Other acquisition-related costs	**$ (10)**	$ (4)	**$ (13)**	$ (10)
Tax benefit	**4**	1	**5**	3
Other acquisition-related costs, net of tax	**$ (6)**	$ (3)	**$ (8)**	$ (7)
Decrease to diluted EPS from continuing operations	**$ (0.02)**	$ (0.01)	**$ (0.03)**	$ (0.02)
Total amortization and other acquisition-related costs[1]	**$ (56)**	$ (25)	**$ (105)**	$ (53)
Tax benefit[1]	**20**	9	**38**	19
Total amortization and other acquisition-related costs, net of tax[1]	**$ (36)**	$ (16)	**$ (67)**	$ (34)
Decrease to diluted EPS from continuing operations[1]	**$ (0.10)**	$ (0.05)	**$ (0.19)**	$ (0.10)
Impairments and loss on disposal of assets	**$ (9)**	$ (5)	**$ (9)**	$ (6)
Tax benefit	**3**	-	**3**	1
Impairments and loss on disposal of assets, net of tax	**$ (6)**	$ (5)	**$ (6)**	$ (5)
Decrease to diluted EPS from continuing operations	**$ (0.02)**	$ (0.01)	**$ (0.02)**	$ (0.01)
Litigation recoveries/(charges), net	**$ 15**	$ 12	**$ 13**	$ 34
Tax expense	**(5)**	(5)	**(5)**	(14)
Litigation recoveries/(charges), net, net of tax	**$ 10**	$ 7	**$ 8**	$ 20
Increase to diluted EPS from continuing operations	**$ 0.03**	$ 0.02	**$ 0.02**	$ 0.06
Weighted-average number of diluted shares outstanding	**346**	343	**345**	344

[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
Asset Management Analysis

	Second Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Days sales outstanding	**19.7**	22.0		
Days inventory on hand	**29.7**	27.0		
Days payable outstanding	**39.3**	37.8		
Net working capital days[1]	**10.1**	11.3		
Debt to total capital	**37 %**	31 %		
Net debt to capital	**15 %**	9 %		
Return on equity	**17.2 %**	18.9 %	**19.6 %**	18.1 %
Non-GAAP return on equity	**19.6 %**	19.8 %	**22.1 %**	18.8 %
Effective tax rate from continuing operations[2]	**44.1 %**	37.2 %	**34.2 %**	37.6 %
Non-GAAP effective tax rate from continuing operations[2]	**43.3 %**	36.8 %	**34.4 %**	37.3 %

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

[2] The $56 million remeasurement of unrecognized tax benefits unfavorably impacted, for fiscal 2014 second quarter, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 11.3 and 10.1 percentage points, respectively. The fiscal 2014 second quarter non-GAAP effective tax rate from continuing operations, excluding the impact of the tax remeasurement, would have been 33.2 percent.

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)	Second Quarter 2014	2013
Days sales outstanding	**19.7**	22.0
Days inventory on hand		
Inventories, net	**$ 8,478**	$ 8,452
Cost of products sold	**$ 20,895**	$ 24,008
Chargeback billings	**4,803**	4,113
Adjusted cost of products sold	**$ 25,698**	$ 28,121
Adjusted cost of products sold divided by 90 days	**$ 286**	$ 312
Days inventory on hand	**29.7**	27.0
Days payable outstanding		
Accounts payable	**$ 11,221**	$ 11,796
Cost of products sold	**$ 20,895**	$ 24,008
Chargeback billings	**4,803**	4,113
Adjusted cost of products sold	**$ 25,698**	$ 28,121
Adjusted cost of products sold divided by 90 days	**$ 286**	$ 312
Days payable outstanding	**39.3**	37.8
Net working capital days[1]	**10.1**	11.3

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

Days Sales Outstanding: trade receivables, net divided by (quarterly revenue divided by 90 days).

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.

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) amortization and other acquisition-related costs[2], (3) impairments and loss on disposal of assets[3] and (4) litigation (recoveries)/charges, net[4], each net of tax.

Non-GAAP Effective Tax Rate from Continuing Operations: (provision for income taxes adjusted for (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets and (4) litigation (recoveries)/charges, net) divided by (earnings before income taxes and discontinued operations adjusted for the same four items).

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 and (4) litigation (recoveries)/charges, net.

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

Non-GAAP Operating Expenses: operating expenses excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets and (4) litigation (recoveries)/charges, net.

Non-GAAP Return on Equity: (annualized net earnings excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets and (4) litigation (recoveries)/charges, net, each net of tax) and divided by average shareholders' equity.

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

[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.