

Q3 FY2014 earnings investor/analyst call

May 1, 2014

CardinalHealth
Essential to care™

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

Forward-looking statements and GAAP reconciliation

Cautions Concerning Forward-Looking Statements

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; the ability to achieve the expected benefits from the generic sourcing joint venture with CVS Caremark; the frequency or rate of pharmaceutical price appreciation or deflation and the timing of generic and branded pharmaceutical introductions; 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; the ability to achieve the expected benefits from the AccessClosure and Sonexus Health acquisitions; 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. This presentation reflects management's views as of May 1, 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 the conference call will be available on the Investors page at www.cardinalhealth.com.

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q3 FY2014

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q3 FY14	Q3 FY13	Q3 FY14	Q3 FY13
Revenue	$21,427	$24,552		
% change	*(13)%*	*(9)%*		
Operating earnings	$508	$475	$561	$579
% change	*7%*	*(10)%*	*(3)%*	*11%*
Ratio to revenue	*2.37%*	*1.94%*	*2.62%*	*2.36%*
Earnings from continuing ops	$315	$346	$349	$412
% change	*(9)%*	*4%*	*(15)%*	*26%*
Ratio to revenue	*1.47%*	*1.41%*	*1.63%*	*1.68%*
Diluted EPS from continuing ops	$0.91	$1.00	$1.01	$1.20
% change	*(9)%*	*5%*	*(16)%*	*28%*

	Q3 FY14	Q3 FY13
Operating cash flow	$820	$989
Days sales outstanding	20.2	23.5
Days inventory on hand	28.7	27.5
Days payable outstanding	39.0	39.8
Net working capital days	9.9	11.2

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

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q3 FY2014

Pharmaceutical segment business analysis

	Q3 FY14 ($M)	Q3 FY13 ($M)	% Change
Revenue	$18,762	$22,070	(15)%
Segment profit	$452	$498	(9)%
Segment profit margin	2.41%	2.26%	

Highlights:

- Revenue decreased 15% vs. last year due to the continuing impact of the expiration of the Walgreens contract, partially offset by sales growth from new and existing customers.
- Segment profit decreased 9%, driven by Walgreens contract expiration. The overall decline was partially offset by strong performance from generic programs.
- Expanded segment profit margin by 15bps.

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

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q3 FY2014

Medical segment business analysis

	Q3 FY14 ($M)	Q3 FY13 ($M)	% Change
Revenue	$2,657	$2,484	7%
Segment profit	$111	$100	11%
Segment profit margin	4.16%	4.01%	

Highlights:

- Revenue for the Medical segment was up 7 percent to $2.7 billion, driven by the home health platform, reflecting the March 2013 acquisition of AssuraMed.
- Segment profit increased 11 percent to $111 million, primarily driven by home health. The increase was partially offset by the effect of overall procedural volume softness and reductions in Presource kitting volumes.
- Expanded segment profit margin by 15bps.

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

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q3 FY2014

GAAP to non-GAAP reconciliation

	Q3 FY 2014			Q3 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	**$508**	**$315**	**$0.91**	**$475**	**$346**	**$1.00**
Restructuring and employee severance	5	3	0.01	33	21	0.06
Amortization and other acquisition-related costs[1]	56	36	0.10	53	33	0.10
Impairments and loss on disposal of assets	-	-	-	21	15	0.04
Litigation (recoveries)/charges, net	(8)	(5)	(0.01)	(3)	(2)	-
Non-GAAP	**$561**	**$349**	**$1.01**	**$579**	**$412**	**$1.20**

[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	$26	$16	$0.05

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

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

FY2014 outlook

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

May 1, 2014

FY2014 financial expectations

FY2014 non-GAAP EPS from continuing operations:

$3.75 - $3.85

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

May 1, 2014

Updated FY2014 corporate assumptions

	FY14 outlook	FY13 actual
Diluted weighted-average shares outstanding	345M - 347M	344.5M
Interest and other, net	$90M - $100M	$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 March 31, 2014.*

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.*

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™



CardinalHealth

Essential to care™

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.



Q3 FY2014 trailing five quarters and GAAP to Non-GAAP reconciliation statements

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Segment analysis

Pharmaceutical segment

	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14
Revenue ($M)	22,070	22,783	21,813	19,443	18,762
Segment Profit ($M)	498	395	433	482	452

Medical segment

	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14
Revenue ($M)	2,484	2,697	2,711	2,799	2,657
Segment Profit ($M)	100	104	106	131	111

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

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 2014					
GAAP	**$ 508**	**7 %**	**$ 507**	**$ 192**	**$ 315**	**(9)%**	**$ 0.91**	**(9)%**
Restructuring and employee severance	**5**		**5**	**2**	**3**		**0.01**	
Amortization and other acquisition-related costs	**56**		**56**	**20**	**36**		**0.10**	
Impairments and loss on disposal of assets	**-**		**-**	**-**	**-**		**-**	
Litigation (recoveries)/charges, net	**(8)**		**(8)**	**(3)**	**(5)**		**(0.01)**	
Non-GAAP	**$ 561**	**(3)%**	**$ 560**	**$ 211**	**$ 349**	**(15)%**	**$ 1.01**	**(16)%**
			Third Quarter 2013					
GAAP	$ 475	(10)%	$ 447	$ 101	$ 346	4 %	$ 1.00	5 %
Restructuring and employee severance	33		33	12	21		0.06	
Amortization and other 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)		-	
Non-GAAP	$ 579	11 %	$ 551	$ 138	$ 412	26 %	$ 1.20	28 %

(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	**$ 1,498**	**4 %**	**$ 1,441**	**$ 512**	**$ 929**	**1 %**	**$ 2.69**	**- %**
Restructuring and employee severance	**25**		**25**	**9**	**16**		**0.05**	
Amortization and other acquisition-related costs	**160**		**160**	**58**	**102**		**0.30**	
Impairments and loss on disposal of assets	**10**		**10**	**4**	**6**		**0.02**	
Litigation (recoveries)/charges, net	**(21)**		**(21)**	**(8)**	**(13)**		**(0.04)**	
Non-GAAP	**$ 1,672**	**6 %**	**$ 1,615**	**$ 575**	**$ 1,040**	**3 %**	**$ 3.01**	**2 %**
			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	
Amortization and other 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)	
Non-GAAP	$ 1,574	9 %	$ 1,504	$ 494	$ 1,010	17 %	$ 2.94	19 %

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 2014	Third Quarter 2013
GAAP return on equity	**19.2 %**	20.7 %
Non-GAAP return on equity		
Net earnings	**$ 315**	$ 345
Restructuring and employee severance, net of tax, in continuing operations	**3**	21
Amortization and other acquisition-related costs, net of tax, in continuing operations	**36**	33
Impairments and loss on disposal of assets, net of tax, in continuing operations	**-**	15
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(5)**	(2)
Adjusted net earnings	**$ 349**	$ 412
Annualized	**$ 1,396**	$ 1,648

	Third Quarter 2014	Second Quarter 2014	Third Quarter 2013	Second Quarter 2013
Total shareholders' equity	**$ 6,532**	**$ 6,589**	$ 6,830	$ 6,542
Divided by average shareholders' equity	**$ 6,560**		$ 6,686	
Non-GAAP return on equity	**21.3 %**		24.7 %	

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 %**	18.9 %
Non-GAAP return on equity		
Net earnings	**$ 932**	$ 920
Restructuring and employee severance, net of tax, in continuing operations	**16**	24
Amortization and other acquisition-related costs, net of tax, in continuing operations	**102**	68
Impairments and loss on disposal of assets, net of tax, in continuing operations	**6**	20
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(13)**	(23)
Adjusted net earnings	**$ 1,043**	$ 1,009
Annualized	**$ 1,391**	$ 1,345

	Third Quarter	**Second Quarter**	**First Quarter**	**Fourth Quarter**	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	2014	**2014**	**2014**	**2013**	2013	2013	2013	2012
Total shareholders' equity	**$ 6,532**	**$ 6,589**	**$ 6,297**	**$ 5,975**	$ 6,830	$ 6,542	$ 6,281	$ 6,244
Divided by average shareholders' equity	**$ 6,348**				$ 6,474			
Non-GAAP return on equity	**21.9 %**				20.8 %			

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)	Third Quarter 2014	Third Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
GAAP effective tax rate from continuing operations[1]	**38.0 %**	22.7 %	**35.5 %**	32.7 %
Non-GAAP effective tax rate from continuing operations				
Earnings before income taxes and discontinued operations	**$ 507**	$ 447	**$ 1,441**	$ 1,369
Restructuring and employee severance	**5**	33	**25**	39
Amortization and other acquisition-related costs	**56**	53	**160**	106
Impairments and loss on disposal of assets	**-**	21	**10**	27
Litigation (recoveries)/charges, net	**(8)**	(3)	**(21)**	(37)
Adjusted earnings before income taxes and discontinued operations	**$ 560**	$ 551	**$ 1,615**	$ 1,504
Provision for income taxes	**$ 192**	$ 101	**$ 512**	$ 448
Restructuring and employee severance tax benefit	**2**	12	**9**	15
Amortization and other acquisition-related costs tax benefit	**20**	20	**58**	38
Impairments and loss on disposal of assets tax benefit	**-**	6	**4**	7
Litigation (recoveries)/charges, net tax expense	**(3)**	(1)	**(8)**	(14)
Adjusted provision for income taxes	**$ 211**	$ 138	**$ 575**	$ 494
Non-GAAP effective tax rate from continuing operations[1]	**37.7 %**	25.1 %	**35.6 %**	32.8 %

	Third Quarter 2014	Third Quarter 2013
Debt to total capital	**38 %**	38 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 241**	$ 446
Long-term obligations, less current portion	**3,679**	3,714
Debt	**$ 3,920**	$ 4,160
Cash and equivalents	**(3,041)**	(2,305)
Net debt	**$ 879**	$ 1,855
Total shareholders' equity	**6,532**	6,830
Capital	**$ 7,411**	$ 8,685
Net debt to capital	**12 %**	21 %

[1] 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%.

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)	Third Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Distribution, selling, general and administrative expenses	**$ 736**	$ 712	**$ 2,233**	$ 2,099
Restructuring and employee severance	**5**	33	**25**	39
Amortization and other acquisition-related costs	**56**	53	**160**	106
Impairments and loss on disposal of assets	**-**	21	**10**	27
Litigation (recoveries)/charges, net	**(8)**	(3)	**(21)**	(37)
Total GAAP operating expenses	**$ 789**	$ 816	**$ 2,407**	$ 2,234
GAAP operating expense growth rate	**(3.3)%**		**7.7 %**	
Restructuring and employee severance	**(5)**	(33)	**(25)**	(39)
Amortization and other acquisition-related costs	**(56)**	(53)	**(160)**	(106)
Impairments and loss on disposal of assets	**-**	(21)	**(10)**	(27)
Litigation recoveries/(charges), net	**8**	3	**21**	37
Total Non-GAAP operating expenses	**$ 736**	$ 712	**$ 2,233**	$ 2,099
Non-GAAP operating expense growth rate	**3.4 %**		**6.4 %**	

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

(in millions)	Third Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Revenue	**$ 21,427**	$ 24,552	**$ 68,190**	$ 75,673
GAAP operating earnings	**$ 508**	$ 475	**$ 1,498**	$ 1,439
Restructuring and employee severance	**5**	33	**25**	39
Amortization and other acquisition-related costs	**56**	53	**160**	106
Impairments and loss on disposal of assets	**-**	21	**10**	27
Litigation (recoveries)/charges, net	**(8)**	(3)	**(21)**	(37)
Non-GAAP operating earnings	**$ 561**	$ 579	**$ 1,672**	$ 1,574
GAAP operating earnings margin rate	**2.37 %**	1.94 %	**2.20 %**	1.90 %
Non-GAAP operating earnings margin rate	**2.62 %**	2.36 %	**2.45 %**	2.08 %
	26bp		**37bp**	

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)	Third Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Restructuring and employee severance	**$ (5)**	$ (33)	**$ (25)**	$ (39)
Tax benefit	**2**	12	**9**	15
Restructuring and employee severance, net of tax	**$ (3)**	$ (21)	**$ (16)**	$ (24)
Decrease to diluted EPS from continuing operations	**$ (0.01)**	$ (0.06)	**$ (0.05)**	$ (0.07)
Amortization and Other Acquisition-Related Costs				
Amortization of acquisition-related intangible assets	**$ (46)**	$ (26)	**$ (138)**	$ (69)
Tax benefit	**17**	10	**50**	25
Amortization of acquisition-related intangible assets, net of tax	**$ (29)**	$ (16)	**$ (88)**	$ (44)
Decrease to diluted EPS from continuing operations	**$ (0.08)**	$ (0.05)	**$ (0.25)**	$ (0.13)
Other acquisition-related costs	**$ (9)**	$ (26)	**$ (23)**	$ (37)
Tax benefit	**3**	10	**8**	13
Other acquisition-related costs, net of tax	**$ (6)**	$ (16)	**$ (15)**	$ (24)
Decrease to diluted EPS from continuing operations	**$ (0.02)**	$ (0.05)	**$ (0.04)**	$ (0.07)
Total amortization and other acquisition-related costs[1]	**$ (56)**	$ (53)	**$ (160)**	$ (106)
Tax benefit[1]	**20**	20	**58**	38
Total amortization and other acquisition-related costs, net of tax[1]	**$ (36)**	$ (33)	**$ (102)**	$ (68)
Decrease to diluted EPS from continuing operations[1]	**$ (0.10)**	$ (0.10)	**$ (0.30)**	$ (0.20)
Impairments and loss on disposal of assets	**$ -**	$ (21)	**$ (10)**	$ (27)
Tax benefit	**-**	6	**4**	7
Impairments and loss on disposal of assets, net of tax	**$ -**	$ (15)	**$ (6)**	$ (20)
Decrease to diluted EPS from continuing operations	**$ -**	$ (0.04)	**$ (0.02)**	$ (0.06)
Litigation recoveries/(charges), net	**$ 8**	$ 3	**$ 21**	$ 37
Tax expense	**(3)**	(1)	**(8)**	(14)
Litigation recoveries/(charges), net, net of tax	**$ 5**	$ 2	**$ 13**	$ 23
Increase to diluted EPS from continuing operations	**$ 0.01**	$ -	**$ 0.04**	$ 0.06
Weighted-average number of diluted shares outstanding	**347**	345	**346**	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

	Third Quarter		Year-to-Date	
	2014	2013	**2014**	2013
Days sales outstanding	**20.2**	23.5		
Days inventory on hand	**28.7**	27.5		
Days payable outstanding	**39.0**	39.8		
Net working capital days	**9.9**	11.2		
Debt to total capital	**38 %**	38 %		
Net debt to capital	**12 %**	21 %		
Return on equity	**19.2 %**	20.7 %	**19.6 %**	18.9 %
Non-GAAP return on equity	**21.3 %**	24.7 %	**21.9 %**	20.8 %
Effective tax rate from continuing operations[1]	**38.0 %**	22.7 %	**35.5 %**	32.7 %
Non-GAAP effective tax rate from continuing operations[1]	**37.7 %**	25.1 %	**35.6 %**	32.8 %

[1] 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%.

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

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)	Third Quarter 2014	2013
Days sales outstanding	**20.2**	23.5
Days inventory on hand		
Inventories, net	**$ 8,030**	$ 8,328
Cost of products sold	**$ 20,130**	$ 23,261
Chargeback billings	**5,081**	3,974
Adjusted cost of products sold	**$ 25,211**	$ 27,235
Adjusted cost of products sold divided by 90 days	**$ 280**	$ 303
Days inventory on hand	**28.7**	27.5
Days payable outstanding		
Accounts payable	**$ 10,919**	$ 12,049
Cost of products sold	**$ 20,130**	$ 23,261
Chargeback billings	**5,081**	3,974
Adjusted cost of products sold	**$ 25,211**	$ 27,235
Adjusted cost of products sold divided by 90 days	**$ 280**	$ 303
Days payable outstanding	**39.0**	39.8
Net working capital days	**9.9**	11.2

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

The non-GAAP financial measure "Pharmaceutical segment revenue growth rate excluding revenue from Walgreens" was referenced on the earnings conference call held on May 1, 2014. The following is a reconciliation of the differences between this non-GAAP financial measure and its most directly comparable GAAP financial measure, Pharmaceutical segment revenue growth rate.

	Third Quarter	
(in millions)	**2014**	2013
Pharmaceutical		
Revenue Growth Rate		
Revenue	**$ 18,762**	$ 22,070
Growth rate	**(15)%**	
Revenue Growth Rate Excluding Walgreens Revenue		
Revenue	**$ 18,762**	$ 22,070
Revenue from Walgreens	**-**	(4,924)
Adjusted revenue	**$ 18,762**	$ 17,146
Growth rate	**9 %**	

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 the Company 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.