

Q4 FY2014 earnings investor/analyst call

August 4, 2014

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Forward-looking statements and GAAP reconciliation

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FY2014 financial accomplishments

- Revenue increased 8% excluding the impact of the Walgreens contract expiration
- Expanded gross and non-GAAP operating margin rates 80 bps and 32 bps, respectively
- Increased gross margin dollars by 5%
- Grew non-GAAP operating earnings by 4% to $2.1B and non-GAAP EPS from continuing operations by 3%[1] to $3.84[1]
  - Excluding tax adjustments in FY13 and FY14, non-GAAP EPS from continuing operations in FY14 grew nearly 8% vs. prior year
  - Growth despite ~$17B revenue impact of Walgreens contract expiration
- Generated $2.5B in operating cash flow
- Deployed $1.1B in cash to drive shareholder return
  - Dividend increase of 13%, to an annual dividend per share rate of $1.37
  - Repurchased $673M in shares
- Generated market Total Shareholder Return of 46.7%

[1] Includes $0.18 related to a favorable tax settlement in FY13 and a net $0.02 favorable related to tax items in FY14.

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Q4 and FY2014 results

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Q4 FY2014

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q4 FY14	Q4 FY13	Q4 FY14	Q4 FY13
Revenue	$22,894	$25,420		
% change	*(10)%*	*(5)%*		
Operating earnings/(loss)	$387	($442)	$461	$472
% change	*N.M.*	*N.M.*	*(2)%*	*11%*
Ratio to revenue	*1.69%*	*(1.74)%*	*2.01%*	*1.86%*
Earnings/(loss) from continuing ops	$234	($586)	$284	$274
% change	*N.M.*	*N.M.*	*4%*	*7%*
Ratio to revenue	*1.02%*	*(2.30)%*	*1.24%*	*1.08%*
Diluted EPS from continuing ops	$0.68	($1.72)	$0.83	$0.79
% change	*N.M.*	*N.M.*	*5%*	*8%*

	Q4 FY14	Q4 FY13
Operating cash flow	$716	$300
Days sales outstanding	21.1	22.3
Days inventory on hand	27.7	26.5
Days payable outstanding	40.8	38.9
Net working capital days	8.1	9.9

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

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Q4 FY2014

Pharmaceutical segment business analysis

	Q4 FY14 ($M)	Q4 FY13 ($M)	% Change
Revenue	$20,092	$22,783	(12)%
Segment profit	$377	$395	(5)%
Segment profit margin	1.88%	1.73%	

Highlights:

- Excluding the impact of the Walgreen's contract expiration, revenue grew 13%, driven by organic sales growth, growth in the company's Specialty Solutions division, and China.
- The impact of the Walgreens contract expiration on segment profit was partially offset by strong performance under generic programs.
- Expanded segment profit margin by 14bps.

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Q4 FY2014

Medical segment business analysis

	Q4 FY14 ($M)	Q4 FY13 ($M)	% Change
Revenue	$2,794	$2,697	4%
Segment profit	$96	$104	(8)%
Segment profit margin	3.43%	3.86%	

Highlights:

- Revenue increased 4%, primarily due to growth in existing customers, including growth in strategic hospital network accounts and acquisitions.
- Segment profit down 8%, driven by:
  - Year-over-year increase in incentive compensation, the majority of which is based on total company performance and then allocated to the segments.
  - Market pressures in Canada.
- Segment profit margin declined by 44bps.

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Q4 FY2014

GAAP to non-GAAP reconciliation

	Q4 FY 2014			Q4 FY 2013		
	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations	Operating Earnings / (Loss) ($M)	Earnings / (Loss) from Continuing Operations ($M)	Diluted EPS from Continuing Operations
GAAP	**$387**	**$234**	**$0.68**	**($442)**	**($586)**	**($1.72)**
Restructuring and employee severance	$6	$4	$0.01	$32	$20	$0.06
Amortization and other acquisition-related costs[1]	$63	$41	$0.12	$52	$39	$0.11
Impairments and loss on disposal of assets	$4	$3	$0.01	$832	$802	$2.32
Litigation (recoveries)/charges, net	$1	$1	-	($2)	($1)	-
Non-GAAP	**$461**	**$284**	**$0.83**	**$472**	**$274**	**$0.79**

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

Amortization of acquisition-related intangible assets	$49	$31	$0.09	$48	$30	$0.09

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Q4 FY2014

FY2014 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	FY14	FY13	FY14	FY13
Revenue	$91,084	$101,093		
% change	*(10)%*	*(6)%*		
Operating earnings	$1,885	$996	$2,133	$2,046
% change	*89%*	*(44)%*	*4%*	*10%*
Ratio to revenue	*2.07%*	*0.99%*	*2.34%*	*2.02%*
Earnings from continuing ops	$1,163	$335	$1,324	$1,284
% change	*247%*	*(69)%*	*3%*	*15%*
Ratio to revenue	*1.28%*	*0.33%*	*1.45%*	*1.27%*
Diluted EPS from continuing ops	$3.37	$0.97	$3.84	$3.73
% change	*247%*	*(68)%*	*3%*	*16%*

	FY14	FY13
Operating cash flow	$2,524	$1,727
Days sales outstanding	21.1	22.3
Days inventory on hand	27.7	26.5
Days payable outstanding	40.8	38.9
Net working capital days	8.1	9.9

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Q4 FY2014

FY2014 GAAP to non-GAAP reconciliation

	FY2014			FY2013		
	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	**$1,885**	**$1,163**	**$3.37**	**$996**	**$335**	**$0.97**
Restructuring and employee severance	$31	$20	$0.06	$71	$44	$0.13
Amortization and other acquisition-related costs[1]	$223	$144	$0.42	$158	$106	$0.31
Impairments and loss on disposal of assets	$15	$10	$0.03	$859	$822	$2.39
Litigation (recoveries)/charges, net	($21)	($13)	($0.04)	($38)	($23)	($0.07)
Non-GAAP	**$2,133**	**$1,324**	**$3.84**	**$2,046**	**$1,284**	**$3.73**

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

Amortization of acquisition-related intangible assets	$187	$119	$0.34	$118	$75	$0.22

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FY2015 outlook

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CAH FY2015 financial expectations

	FY2015 outlook	FY2014 actual
Revenue	Up modestly vs. PY	$91.1B
Non-GAAP EPS	$4.10 to $4.30	$3.84

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FY15 corporate assumptions

	FY15 outlook	FY14 actual
Non-GAAP effective tax rate	36.0% - 37.0%[1]	35.3%
Diluted weighted average shares outstanding	337M - 338M	345.2M
Interest and other, net	$140M - $150M	$86.8M
Capital expenditures	~$350M	~$249M
Acquisition-related intangible amortization	~$177M or ~$0.33[2]	$187M or $0.34

[1]May fluctuate quarterly due to unique items affecting periods.

[2]Includes only acquisitions closed as of June 30, 2014.

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Pharmaceutical Segment FY15 assumptions

- Modest increase in revenue vs. prior year, despite Q1 impact of Walgreens comparison
- Brand inflation similar to FY2014
- Positive Y-on-Y contribution from generics programs
  - Positive earnings contribution from Red Oak Sourcing, LLC joint venture, net of payment to CVS Caremark
  - Slight decline Y-on-Y in contribution from new generic launches
  - Moderated impact from generic price increases vs. FY2014
  - Slight overall generic deflation vs. FY2014
- Growth from Cardinal Health China and Specialty
- Increased investment in information systems
- No LIFO charge

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Medical Segment FY15 assumptions

- Low- to mid-single digit revenue growth vs. prior year
- Solid segment profit growth and profit margin expansion, driven by growth in:
  - Preferred products
  - Strategic national accounts and services
  - Home health
- Net neutral impact from commodities and F/X, compared to FY2014
- Relatively flat utilization in acute care; growth in Home market

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Q4 FY2014 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q4 FY2014

Segment analysis

Pharmaceutical segment

	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Revenue ($M)	22,783	21,813	19,443	18,762	20,092
Segment Profit ($M)	395	433	482	452	377

Medical segment

	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Revenue ($M)	2,697	2,711	2,799	2,657	2,794
Segment Profit ($M)	104	106	131	111	96

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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[1,2]	Diluted EPS from Continuing Operations Growth Rate
				Fourth Quarter 2014				
GAAP	**$ 387**	**N.M.**	**$ 357**	**$ 123**	**$ 234**	**N.M.**	**$ 0.68**	**N.M.**
Restructuring and employee severance	**6**		**6**	**2**	**4**		**0.01**	
Amortization and other acquisition-related costs	**63**		**63**	**22**	**41**		**0.12**	
Impairments and loss on disposal of assets	**4**		**4**	**1**	**3**		**0.01**	
Litigation (recoveries)/charges, net	**1**		**1**	**-**	**1**		**-**	
Non-GAAP	**$ 461**	**(2)%**	**$ 432**	**$ 148**	**$ 284**	**4 %**	**$ 0.83**	**5 %**
				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	
Amortization and other acquisition-related costs	52		52	13	39		0.11	
Impairments and loss on disposal of assets[3]	832		832	30	802		2.32	
Litigation (recoveries)/charges, net	(2)		(2)	(1)	(1)		-	
Non-GAAP	$ 472	11 %	$ 434	$ 160	$ 274	7 %	$ 0.79	8 %

(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[4]
				Fiscal Year 2014				
GAAP	**$ 1,885**	**89 %**	**$ 1,798**	**$ 635**	**$ 1,163**	**247 %**	**$ 3.37**	**247 %**
Restructuring and employee severance	**$ 31**		**31**	**11**	**20**		**0.06**	
Amortization and other acquisition-related costs	**$ 223**		**223**	**79**	**144**		**0.42**	
Impairments and loss on disposal of assets	**$ 15**		**15**	**5**	**10**		**0.03**	
Litigation (recoveries)/charges, net	**$ (21)**		**(21)**	**(8)**	**(13)**		**(0.04)**	
Non-GAAP	**$ 2,133**	**4 %**	**$ 2,047**	**$ 722**	**$ 1,324**	**3 %**	**$ 3.84**	**3 %**
				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[3]	859		859	37	822		2.39	
Litigation (recoveries)/charges, net	(38)		(38)	(15)	(23)		(0.07)	
Non-GAAP	$ 2,046	10 %	$ 1,938	$ 654	$ 1,284	15 %	$ 3.73	16 %

[1] During the fourth quarter of fiscal 2014, we recorded an out-of-period decrease in revenue of $14 million related to pricing adjustments. The related tax benefit was $5 million and both GAAP and Non-GAAP diluted EPS from continuing operations decreased $0.02.

[2] For fiscal 2013, the weighted-average number of shares used in the non-GAAP calculation was 345 million shares, which includes 4 million dilutive potential common shares, as there was income from continuing operations on a non-GAAP basis.

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

[4] Fiscal 2014 earnings from continuing operations includes a $63 million benefit related to the settlement of federal and state tax controversies, partially offset by a $56 million charge related to the remeasurement of unrecognized tax benefits, each of which contributed $0.18 and ($0.16), or $0.02 net, to both diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations, respectively. Fiscal 2013 earnings from continuing operations includes a $64 million benefit related to the revaluation of the deferred tax liability and related interest on unrepatriated foreign earnings as a result of an agreement with tax authorities, which contributed $0.18 to both diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations. The fiscal 2014 growth rates for diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations, excluding the impact of the tax items in each fiscal year, would have been 324 percent and 8 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
Total Company Business Analysis

(in millions)	Fourth Quarter 2014	Fourth Quarter 2013	Non-GAAP Fourth Quarter 2014	Non-GAAP Fourth Quarter 2013
Revenue				
Amount	**$ 22,894**	$ 25,420		
Growth rate[1]	**(10)%**	(5)%		
Operating earnings/(loss)				
Amount	**$ 387**	$ (442)	**$ 461**	$ 472
Growth rate	**N.M.**	N.M.	**(2)%**	11 %
Earnings/(loss) from continuing operations				
Amount	**$ 234**	$ (586)	**$ 284**	$ 274
Growth rate	**N.M.**	N.M.	**4 %**	7 %
Return on equity	**14.5 %**	(36.6)%	**17.6 %**	17.1 %
Effective tax rate from continuing operations[2,3]	**34.4 %**	(21.9)%	**34.2 %**	36.9 %
Debt to total capital	**38 %**	39 %		
Net debt to capital			**15 %**	25 %

(in millions)	Fiscal Year 2014	Fiscal Year 2013	Non-GAAP Fiscal Year 2014	Non-GAAP Fiscal Year 2013
Revenue				
Amount	**$ 91,084**	$ 101,093		
Growth rate[1]	**(10)%**	(6)%		
Operating earnings				
Amount	**$ 1,885**	$ 996	**$ 2,133**	$ 2,046
Growth rate	**89 %**	(44)%	**4 %**	10 %
Earnings from continuing operations				
Amount	**$ 1,163**	$ 335	**$ 1,324**	$ 1,284
Growth rate	**247 %**	(69)%	**3 %**	15 %
Return on equity	**18.3 %**	5.2 %	**20.9 %**	20.1 %
Effective tax rate from continuing operations[3,4]	**35.3 %**	62.3 %	**35.3 %**	33.7 %

[1] Revenue from Walgreens was $5.0 billion for the three months ended June 30, 2013. Revenue from Walgreens was $3.3 billion and $20.2 billion for the fiscal year ended June 30, 2014 and 2013, respectively. Excluding the impact of the Walgreens contract expiration, the fiscal 2014 fourth quarter and fiscal year revenue growth rate would have been 12 percent and 8 percent, respectively.

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

[3] 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.

[4] For fiscal 2013, the goodwill impairment charge related to our Nuclear Pharmacy Services division adversely impacted 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 percent.

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.

Cardinal Health, Inc. and Subsidiaries
Segment Business Analysis

(in millions)	Fourth Quarter 2014	Fourth Quarter 2013
Pharmaceutical		
Revenue		
Amount	**$ 20,092**	$ 22,783
Growth rate[1]	**(12)%**	(6)%
Segment profit		
Amount	**$ 377**	$ 395
Growth rate	**(5)%**	11 %
Segment profit margin	**1.88%**	1.73%

(in millions)	Fourth Quarter 2014	Fourth Quarter 2013
Medical		
Revenue		
Amount	**$ 2,794**	$ 2,697
Growth rate	**4 %**	11 %
Segment profit		
Amount	**$ 96**	$ 104
Growth rate	**(8)%**	31 %
Segment profit margin	**3.43 %**	3.86%

[1] Revenue from Walgreens was $5.0 billion for the three months ended June 30, 2013. Excluding the impact of the Walgreens contract expiration, the fiscal 2014 fourth quarter Pharmaceutical segment revenue growth rate would have been 13 percent.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended June 30, 2014 was $22,894 million, which included total segment revenue of $22,886 million and Corporate revenue of $8 million. Total consolidated revenue for the three months ended June 30, 2013 was $25,420 million, which included total segment revenue of $25,480 million and Corporate revenue of $(60) million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the three months ended June 30, 2014 were $387 million, which included total segment profit of $473 million and Corporate costs of $(86) million. Total consolidated operating loss for the three months ended June 30, 2013 was $(442) million, which included total segment profit of $499 million and Corporate costs of $(941) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments. Corporate costs for fourth quarter 2013 include an $829 million goodwill impairment charge related to our Nuclear Pharmacy Services division.

Cardinal Health, Inc. and Subsidiaries
Segment Business Analysis

(in millions)	Fiscal Year 2014	2013
Pharmaceutical		
Revenue		
Amount	**$ 80,110**	$ 91,097
Growth rate[1]	**(12)%**	(7)%
Segment profit		
Amount	**$ 1,745**	$ 1,734
Growth rate	**1 %**	11 %
Segment profit margin	**2.18 %**	1.90 %

(in millions)	Fiscal Year 2014	2013
Medical		
Revenue		
Amount	**$ 10,962**	$ 10,060
Growth rate	**9 %**	4 %
Segment profit		
Amount	**$ 444**	$ 372
Growth rate	**19 %**	12 %
Segment profit margin	**4.05 %**	3.70 %

[1] Revenue from Walgreens was $3.3 billion and $20.2 billion for the fiscal year ended June 30, 2014 and 2013, respectively. Excluding the impact of the Walgreens contract expiration, the fiscal 2014 Pharmaceutical segment revenue growth rate would have been 8 percent.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the fiscal year ended June 30, 2014 was $91,084 million, which included total segment revenue of $91,072 million and Corporate revenue of $12 million. Total consolidated revenue for the fiscal year ended June 30, 2013 was $101,093 million, which included total segment revenue of $101,157 million and Corporate revenue of $(64) million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the fiscal year ended June 30, 2014 were $1,885 million, which included total segment profit of $2,189 million and Corporate costs of $(304) million. Total consolidated operating earnings for the fiscal year ended June 30, 2013 were $996 million, which included total segment profit of $2,106 million and Corporate costs of $(1,110) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments. Corporate costs for fiscal 2013 include an $829 million goodwill impairment charge related to our Nuclear Pharmacy Services division.

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

(in millions)	Fourth Quarter 2014	Fourth Quarter 2013
GAAP return on equity	**14.5 %**	(36.6)%
Non-GAAP return on equity		
Net earnings/(loss)	**$ 234**	$ (586)
Restructuring and employee severance, net of tax, in continuing operations	**4**	20
Amortization and other acquisition-related costs, net of tax, in continuing operations	**41**	39
Impairments and loss on disposal of assets, net of tax, in continuing operations	**3**	802
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**1**	(1)
Adjusted net earnings	**$ 283**	$ 274
Annualized	**$ 1,132**	$ 1,096

	Fourth Quarter 2014	**Third Quarter 2014**	Fourth Quarter 2013	Third Quarter 2013
Total shareholders' equity	**$ 6,401**	**$ 6,532**	$ 5,975	$ 6,830
Divided by average shareholders' equity	**$ 6,466**		$ 6,403	
Non-GAAP return on equity	**17.6 %**		17.1 %	

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)	**2014**	2013
GAAP return on equity	**18.3 %**	5.2 %
Non-GAAP return on equity		
Net earnings	**$ 1,166**	$ 334
Restructuring and employee severance, net of tax, in continuing operations	**20**	44
Amortization and other acquisition-related costs, net of tax, in continuing operations	**144**	106
Impairments and loss on disposal of assets, net of tax, in continuing operations	**10**	822
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(13)**	(23)
Adjusted net earnings	**$ 1,327**	$ 1,283

	Fourth Quarter 2014	**Third Quarter 2014**	**Second Quarter 2014**	**First Quarter 2014**	**Fourth Quarter 2013**	Fourth Quarter 2013	Third Quarter 2013	Second Quarter 2013	First Quarter 2013	Fourth Quarter 2012
Total shareholders' equity	**$ 6,401**	**$ 6,532**	**$ 6,589**	**$ 6,297**	**$ 5,975**	$ 5,975	$ 6,830	$ 6,542	$ 6,281	$ 6,244
Divided by average shareholders' equity	**$ 6,359**					$ 6,374				
Non-GAAP return on equity	**20.9 %**					20.1 %				

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 2014	Fourth Quarter 2013	Fiscal Year 2014	Fiscal Year 2013
GAAP effective tax rate from continuing operations	**34.4 %**	(21.9)%	**35.3 %**	62.3 %
Non-GAAP effective tax rate from continuing operations				
Earnings/(loss) before income taxes and discontinued operations	**$ 357**	$ (480)	**$ 1,798**	$ 888
Restructuring and employee severance	**6**	32	**31**	71
Amortization and other acquisition-related costs	**63**	52	**223**	158
Impairments and loss on disposal of assets	**4**	832	**15**	859
Litigation (recoveries)/charges, net	**1**	(2)	**(21)**	(38)
Adjusted earnings before income taxes and discontinued operations	**$ 432**	$ 434	**$ 2,047**	$ 1,938
Provision for income taxes	**$ 123**	$ 106	**$ 635**	$ 553
Restructuring and employee severance tax benefit	**2**	12	**11**	27
Amortization and other acquisition-related costs tax benefit	**22**	13	**79**	52
Impairments and loss on disposal of assets tax benefit	**1**	30	**5**	37
Litigation (recoveries)/charges, net tax expense	**-**	(1)	**(8)**	(15)
Adjusted provision for income taxes	**$ 148**	$ 160	**$ 722**	$ 654
Non-GAAP effective tax rate from continuing operations	**34.2 %**	36.9 %	**35.3 %**	33.7 %

	Fourth Quarter 2014	Fourth Quarter 2013
Debt to total capital	**38 %**	39 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 801**	$ 168
Long-term obligations, less current portion	**3,171**	3,686
Debt	**$ 3,972**	$ 3,854
Cash and equivalents	**(2,865)**	(1,901)
Net debt	**$ 1,107**	$ 1,953
Total shareholders' equity	**6,401**	5,975
Capital	**$ 7,508**	$ 7,928
Net debt to capital	**15 %**	25 %

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		Fiscal Year	
	2014	2013	**2014**	2013
Distribution, selling, general and administrative expenses	**$ 795**	$ 775	**$ 3,028**	$ 2,875
Restructuring and employee severance	**6**	32	**31**	71
Amortization and other acquisition-related costs	**63**	52	**223**	158
Impairments and loss on disposal of assets	**4**	832	**15**	859
Litigation (recoveries)/charges, net	**1**	(2)	**(21)**	(38)
Total GAAP operating expenses	**$ 869**	$ 1,689	**$ 3,276**	$ 3,925
GAAP operating expense growth rate	**(48.5)%**		**(16.5)%**	
Restructuring and employee severance	**(6)**	(32)	**(31)**	(71)
Amortization and other acquisition-related costs	**(63)**	(52)	**(223)**	(158)
Impairments and loss on disposal of assets	**(4)**	(832)	**(15)**	(859)
Litigation recoveries/(charges), net	**(1)**	2	**21**	38
Total Non-GAAP operating expenses	**$ 795**	$ 775	**$ 3,028**	$ 2,875
Non-GAAP operating expense growth rate	**2.6 %**		**5.3 %**	

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

(in millions)	Fourth Quarter		Fiscal Year	
	2014	2013	**2014**	2013
Revenue	**$ 22,894**	$ 25,420	**$ 91,084**	$ 101,093
GAAP operating earnings/(loss)	**$ 387**	$ (442)	**$ 1,885**	$ 996
Restructuring and employee severance	**6**	32	**31**	71
Amortization and other acquisition-related costs	**63**	52	**223**	158
Impairments and loss on disposal of assets	**4**	832	**15**	859
Litigation (recoveries)/charges, net	**1**	(2)	**(21)**	(38)
Non-GAAP operating earnings	**$ 461**	$ 472	**$ 2,133**	$ 2,046
GAAP operating earnings margin rate	**1.69 %**	(1.74)%	**2.07 %**	0.99 %
Non-GAAP operating earnings margin rate	**2.01 %**	1.86 %	**2.34 %**	2.02 %
	16bp		**32bp**	

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 and LIFO charges/(credits), 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

(in millions)	Fourth Quarter 2014	2013
Days sales outstanding	**21.1**	22.3
Days inventory on hand		
Inventories, net	**$ 8,266**	$ 8,373
Cost of products sold	**$ 21,638**	$ 24,173
Chargeback billings	**5,189**	4,263
Adjusted cost of products sold	**$ 26,827**	$ 28,436
Adjusted cost of products sold divided by 90 days	**$ 298**	$ 316
Days inventory on hand	**27.7**	26.5
Days payable outstanding		
Accounts payable	**$ 12,149**	$ 12,295
Cost of products sold	**$ 21,638**	$ 24,173
Chargeback billings	**5,189**	4,263
Adjusted cost of products sold	**$ 26,827**	$ 28,436
Adjusted cost of products sold divided by 90 days	**$ 298**	$ 316
Days payable outstanding	**40.8**	38.9
Net working capital days	**8.1**	9.9

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 quarterly 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 quarterly 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

Use of Non-GAAP Measures

Beginning in fiscal 2015, the Company will exclude last-in, first-out ("LIFO") inventory charges/(credits)[5] from its non-GAAP earnings, for consistency with the presentation by some of its peers. The Company did not record any LIFO charges or credits in fiscal 2014 or 2013.

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

Non-GAAP Return on Equity: (annualized current period 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) divided by average shareholders' equity.

Return on Equity: annualized current period net earnings divided by average shareholders' equity.

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.

[1] Programs by which 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 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 consolidated statements of earnings.

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

[5] The inventories of the Company's core pharmaceutical distribution facilities in the Pharmaceutical segment are valued at the lower of cost, using the LIFO method, or market. These charges or credits are included in cost of products sold, and represent changes in the Company's LIFO inventory reserve.