

Q2 FY2015 earnings investor/analyst call

January 29, 2015

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Forward-looking statements and GAAP reconciliation

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Q2 FY2015

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q2 FY15	Q2 FY14	Q2 FY15	Q2 FY14
Revenue	$25,537	$22,240		
% change	*15%*	*(12)%*		
Operating earnings	$546	$519	$639	$579
% change	*5%*	*2%*	*10%*	*10%*
Ratio to revenue	*2.14%*	*2.33%*	*2.50%*	*2.60%*
Earnings from continuing ops	$289	$275	$400	$313
% change	*5%*	*(9)%*	*28%*	*(1)%*
Ratio to revenue	*1.13%*	*1.24%*	*1.57%*	*1.41%*
Diluted EPS from continuing ops	$0.86	$0.79 *	$1.20	$0.90 *
% change	*9%*	*(10)%*	*33% **	*(3)%*

* *Q2FY14 GAAP and non-GAAP diluted EPS from continuing operations included a $0.16 charge related to a tax reserve. Excluding this, Q2FY15 non-GAAP diluted EPS from continuing operations increased 13 percent.*

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

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Q2 FY2015

Pharmaceutical segment business analysis

	Q2 FY15 ($M)	Q2 FY14 ($M)	% Change
Revenue	$22,627	$19,443	16%
Segment profit	$542	$482	12%
Segment profit margin	2.39%	2.48%	

Highlights:

- Revenue increased due to growth in the base of existing customers as well as the impact of new customers.
- Segment profit increased, driven by strong performance under generic programs, which includes the net benefit of Red Oak Sourcing, as well as continued growth from existing customers and growth from new customers.
- Segment profit margin rate was adversely impacted by customer pricing changes, newly launched hepatitis C pharmaceutical products, and new customer mix. These were partially offset by strong performance from generic programs, which includes the net benefit from Red Oak Sourcing.

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

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Q2 FY2015

Medical segment business analysis

	Q2 FY15 ($M)	Q2 FY14 ($M)	% Change
Revenue	$2,914	$2,799	4%
Segment profit	$115	$131	(12)%
Segment profit margin	3.96%	4.69%	

Highlights:

- Revenue increased, driven by acquisitions and growth from existing customers.
- Segment profit declined due to a year-over-year increase in enterprise-wide incentive compensation, as well as the continued impact of market pressures in Canada and the related repositioning of that business.
- Segment profit margin rate was affected by the aforementioned segment profit drivers.

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

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Q2 FY2015

GAAP to non-GAAP reconciliation

	Q2 FY 2015			Q2 FY 2014		
	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	**$546**	**$289**	**$0.86**	**$519**	**$275**	**$0.79**
Restructuring and employee severance	7	4	0.01	10	6	0.02
Amortization and other acquisition-related costs[1]	60	38	0.11	56	36	0.10
Impairments and (gain)/loss on disposal of assets	(18)	(8)	(0.03)	9	6	0.02
Litigation (recoveries)/charges, net	44	40	0.12	(15)	(10)	(0.03)
Loss on extinguishment of debt	-	37	0.11	-	-	-
Non-GAAP	**$639**	**$400**	**$1.20**	**$579**	**$313**	**$0.90**

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

Amortization of acquisition-related intangible assets	$47	$30	$0.09	$46	$29	$0.08

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FY2015 outlook

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CAH FY2015 financial expectations

	FY15 outlook	FY14 actual
Revenue	high single-digit growth	$91.1B
Non-GAAP diluted EPS from continuing operations	$4.28 to $4.38	$3.84

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January 29, 2014

FY15 corporate assumptions

	FY15 outlook	FY14 actual
Non-GAAP effective tax rate	36.0% – 37.0%[1]	35.3%
Diluted weighted average shares outstanding	336M – 337M	345.2M
Interest and other, net	$135M – $145M	$86.8M
Capital expenditures	$340 – $350M	$249M
Acquisition-related intangible amortization	~$186M or ~$0.35[2]	$187M or $0.34

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

[2]Includes only acquisitions closed as of December 31, 2014.

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Q2 FY2015 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q2 FY2015

Segment analysis

Pharmaceutical segment

	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15
Revenue ($M)	19,443	18,762	20,092	21,209	22,627
Segment Profit ($M)	482	452	377	451	542

Medical segment

	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15
Revenue ($M)	2,799	2,657	2,794	2,852	2,914
Segment Profit ($M)	131	111	96	113	115

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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 2015					
GAAP	**$ 546**	**5 %**	**$ 451**	**$ 162**	**$ 289**	**5 %**	**$ 0.86**	**9 %**
Restructuring and employee severance	**7**		**7**	**3**	**4**		**0.01**	
Amortization and other acquisition-related costs	**60**		**60**	**22**	**38**		**0.11**	
Impairments and (gain)/loss on disposal of assets	**(18)**		**(18)**	**(10)**	**(8)**		**(0.03)**	
Litigation (recoveries)/charges, net	**44**		**44**	**4**	**40**		**0.12**	
Loss on extinguishment of debt	**-**		**60**	**23**	**37**		**0.11**	
Non-GAAP	**$ 639**	**10 %**	**$ 604**	**$ 204**	**$ 400**	**28 %**	**$ 1.20**	**33 %**
			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 (gain)/loss on disposal of assets	9		9	3	6		0.02	
Litigation (recoveries)/charges, net	(15)		(15)	(5)	(10)		(0.03)	
Loss on extinguishment of debt	-		-	-	-		-	
Non-GAAP	$ 579	10 %	$ 552	$ 239	$ 313	(1)%	$ 0.90	(3)%

(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 2015					
GAAP	**$ 1,012**	**2 %**	**$ 886**	**$ 331**	**$ 555**	**(10)%**	**$ 1.65**	**(7)%**
Restructuring and employee severance	**26**		**26**	**9**	**17**		**0.05**	
Amortization and other acquisition-related costs	**112**		**112**	**41**	**71**		**0.21**	
Impairments and (gain)/loss on disposal of assets	**(18)**		**(18)**	**(10)**	**(8)**		**(0.02)**	
Litigation (recoveries)/charges, net	**72**		**72**	**4**	**68**		**0.20**	
Loss on extinguishment of debt	**-**		**60**	**23**	**37**		**0.11**	
Non-GAAP	**$ 1,204**	**8 %**	**$ 1,138**	**$ 399**	**$ 740**	**7 %**	**$ 2.19**	**10 %**
			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 (gain)/loss on disposal of assets	9		9	3	6		0.02	
Litigation (recoveries)/charges, net	(13)		(13)	(5)	(8)		(0.02)	
Loss on extinguishment of debt	-		-	-	-		-	
Non-GAAP	$ 1,111	12 %	$ 1,055	$ 363	$ 691	16 %	$ 2.00	15 %

[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 fiscal 2015 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 (10) percent and 13 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

	Fiscal Year 2014							
(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[1]	Diluted EPS from Continuing Operations Growth Rate[1,2]
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 %**

[1] 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.

[2] Excluding 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, the fiscal 2014 growth rates for diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations 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)	Second Quarter 2015	Second Quarter 2014	Non-GAAP Second Quarter 2015	Non-GAAP Second Quarter 2014
Revenue				
Amount	**$ 25,537**	$ 22,240		
Growth rate	**15 %**	(12)%		
Operating earnings				
Amount	**$ 546**	$ 519	**$ 639**	$ 579
Growth rate	**5 %**	2 %	**10 %**	10 %
Earnings from continuing operations				
Amount	**$ 289**	$ 275	**$ 400**	$ 313
Growth rate	**5 %**	(9)%	**28 %**	(1)%
Return on equity	**18.7 %**	17.2 %	**25.9 %**	19.6 %
Effective tax rate from continuing operations[1]	**36.0 %**	44.1 %	**33.8 %**	43.3 %
Debt to total capital	**39 %**	37 %		
Net debt to capital			**15 %**	15 %

(in millions)	Year-to-Date 2015	Year-to-Date 2014	Non-GAAP Year-to-Date 2015	Non-GAAP Year-to-Date 2014
Revenue				
Amount	**$ 49,607**	$ 46,763		
Growth rate[2]	**6 %**	(9)%		
Operating earnings				
Amount	**$ 1,012**	$ 990	**$ 1,204**	$ 1,111
Growth rate	**2 %**	3 %	**8 %**	12 %
Earnings from continuing operations				
Amount	**$ 555**	$ 614	**$ 740**	$ 691
Growth rate	**(10)%**	7 %	**7 %**	16 %
Return on equity	**17.8 %**	19.6 %	**23.7 %**	22.1 %
Effective tax rate from continuing operations	**37.4 %**	34.2 %	**35.0 %**	34.4 %

[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.

[2] Revenue from Walgreens was $3.3 billion for the six months ended December 31, 2013. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 year-to-date revenue growth rate would have been 14 percent.

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)	Second Quarter 2015	2014
Pharmaceutical		
Revenue		
Amount	**$ 22,627**	$ 19,443
Growth rate	**16 %**	(15)%
Segment profit		
Amount	**$ 542**	$ 482
Growth rate	**12 %**	9 %
Segment profit margin	**2.39 %**	2.48 %

(in millions)	Second Quarter 2015	2014
Medical		
Revenue		
Amount	**$ 2,914**	$ 2,799
Growth rate	**4 %**	13 %
Segment profit		
Amount	**$ 115**	$ 131
Growth rate	**(12)%**	40 %
Segment profit margin	**3.96 %**	4.69 %

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended December 31, 2014 was $25,537 million, which included total segment revenue of $25,541 million and Corporate revenue of $(4) million. Total consolidated revenue for the three months ended December 31, 2013 was $22,240 million, which included total segment revenue of $22,242 million and Corporate revenue of $(2) 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 December 31, 2014 were $546 million, which included total segment profit of $657 million and Corporate costs of $(111) million. Total consolidated operating earnings for the three months ended December 31, 2013 were $519 million, which included total segment profit of $613 million and Corporate costs of $(94) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments.

Cardinal Health, Inc. and Subsidiaries
Segment Business Analysis

(in millions)	Year-to-Date 2015	2014
Pharmaceutical		
Revenue		
Amount	**$ 43,836**	$ 41,256
Growth rate[1]	**6 %**	(11)%
Segment profit		
Amount	**$ 992**	$ 916
Growth rate	**8 %**	9 %
Segment profit margin	**2.26 %**	2.22 %

(in millions)	Year-to-Date 2015	2014
Medical		
Revenue		
Amount	**$ 5,766**	$ 5,511
Growth rate	**5 %**	13 %
Segment profit		
Amount	**$ 229**	$ 238
Growth rate	**(4)%**	41 %
Segment profit margin	**3.96 %**	4.31 %

[1] Revenue from Walgreens was $3.3 billion for the six months ended December 31, 2013. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 year-to-date Pharmaceutical segment revenue growth rate would have been 16 percent.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the six months ended December 31, 2014 was $49,607 million, which included total segment revenue of $49,602 million and Corporate revenue of $5 million. Total consolidated revenue for the six months ended December 31, 2013 was $46,763 million, which included total segment revenue of $46,767 million and Corporate revenue of $(4) 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 six months ended December 31, 2014 were $1,012 million, which included total segment profit of $1,221 million and Corporate costs of $(209) million. Total consolidated operating earnings for the six months ended December 31, 2013 were $990 million, which included total segment profit of $1,154 million and Corporate costs of $(164) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments.

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

(in millions)	Second Quarter 2015	Second Quarter 2014
GAAP return on equity	**18.7 %**	17.2 %
Non-GAAP return on equity		
Net earnings	**$ 289**	$ 278
Restructuring and employee severance, net of tax, in continuing operations	**4**	6
Amortization and other acquisition-related costs, net of tax, in continuing operations	**38**	36
Impairments and (gain)/loss on disposal of assets, net of tax, in continuing operations	**(8)**	6
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**40**	(10)
Loss on extinguishment of debt, net of tax, in continuing operations	**37**	-
Adjusted net earnings	**$ 400**	$ 316
Annualized	**$ 1,600**	$ 1,264

	Second Quarter 2015	**First Quarter 2015**	Second Quarter 2014	First Quarter 2014
Total shareholders' equity	**$ 6,100**	**$ 6,256**	$ 6,589	$ 6,297
Divided by average shareholders' equity	**$ 6,178**		$ 6,443	
Non-GAAP return on equity	**25.9 %**		19.6 %	

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

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

	Year-to-Date	
(in millions)	**2015**	2014
GAAP return on equity	**17.8 %**	19.6 %
Non-GAAP return on equity		
Net earnings	**$ 555**	$ 617
Restructuring and employee severance, net of tax, in continuing operations	**17**	13
Amortization and other acquisition-related costs, net of tax, in continuing operations	**71**	67
Impairments and (gain)/loss on disposal of assets, net of tax, in continuing operations	**(8)**	6
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**68**	(8)
Loss on extinguishment of debt, net of tax, in continuing operations	**37**	-
Adjusted net earnings	**$ 740**	$ 695
Annualized	**$ 1,480**	$ 1,390

	Second Quarter	**First Quarter**	**Fourth Quarter**	Second Quarter	First Quarter	Fourth Quarter
	2015	**2015**	**2014**	2014	2014	2013
Total shareholders' equity	**$ 6,100**	**$ 6,256**	**$ 6,401**	$ 6,589	$ 6,297	$ 5,975
Divided by average shareholders' equity	**$ 6,252**			$ 6,287		
Non-GAAP return on equity	**23.7 %**			22.1 %		

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)	Second Quarter 2015	Second Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
GAAP effective tax rate from continuing operations[1]	**36.0 %**	44.1 %	**37.4 %**	34.2 %
Non-GAAP effective tax rate from continuing operations				
Earnings before income taxes and discontinued operations	**$ 451**	$ 492	**$ 886**	$ 934
Restructuring and employee severance	**7**	10	**26**	20
Amortization and other acquisition-related costs	**60**	56	**112**	105
Impairments and (gain)/loss on disposal of assets	**(18)**	9	**(18)**	9
Litigation (recoveries)/charges, net	**44**	(15)	**72**	(13)
Loss on extinguishment of debt	**60**	-	**60**	-
Adjusted earnings before income taxes and discontinued operations	**$ 604**	$ 552	**$ 1,138**	$ 1,055
Provision for income taxes	**$ 162**	$ 217	**$ 331**	$ 320
Restructuring and employee severance tax benefit	**3**	4	**9**	7
Amortization and other acquisition-related costs tax benefit	**22**	20	**41**	38
Impairments and (gain)loss on disposal of assets tax benefit/(expense)	**(10)**	3	**(10)**	3
Litigation (recoveries)/charges, net tax benefit/(expense)	**4**	(5)	**4**	(5)
Loss on extinguishment of debt tax benefit	**23**	-	**23**	-
Adjusted provision for income taxes	**$ 204**	$ 239	**$ 399**	$ 363
Non-GAAP effective tax rate from continuing operations[1]	**33.8 %**	43.3 %	**35.0 %**	34.4 %

	Second Quarter 2015	Second Quarter 2014
Debt to total capital	**39 %**	37 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 270**	$ 255
Long-term obligations, less current portion	**3,706**	3,679
Debt	**$ 3,976**	$ 3,934
Cash and equivalents	**(2,881)**	(2,741)
Net debt	**$ 1,095**	$ 1,193
Total shareholders' equity	**6,100**	6,589
Capital	**$ 7,195**	$ 7,782
Net debt to capital	**15 %**	15 %

[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.

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)		Fiscal Year 2014
GAAP effective tax rate from continuing operations		**35.3 %**
Non-GAAP effective tax rate from continuing operations		
Earnings before income taxes and discontinued operations	**$**	**1,798**
Restructuring and employee severance		**31**
Amortization and other acquisition-related costs		**223**
Impairments and loss on disposal of assets		**15**
Litigation (recoveries)/charges, net		**(21)**
Adjusted earnings before income taxes and discontinued operations	**$**	**2,047**
Provision for income taxes	**$**	**635**
Restructuring and employee severance tax benefit		**11**
Amortization and other acquisition-related costs tax benefit		**79**
Impairments and loss on disposal of assets tax benefit		**5**
Litigation (recoveries)/charges, net tax expense		**(8)**
Adjusted provision for income taxes	**$**	**722**
Non-GAAP effective tax rate from continuing operations		**35.3 %**

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		Year-to-Date	
	2015	2014	**2015**	2014
Revenue	**$ 25,537**	$ 22,240	**$ 49,607**	$ 46,763
GAAP operating earnings	**$ 546**	$ 519	**$ 1,012**	$ 990
Restructuring and employee severance	**7**	10	**26**	20
Amortization and other acquisition-related costs	**60**	56	**112**	105
Impairments and (gain)/loss on disposal of assets	**(18)**	9	**(18)**	9
Litigation (recoveries)/charges, net	**44**	(15)	**72**	(13)
Non-GAAP operating earnings	**$ 639**	$ 579	**$ 1,204**	$ 1,111
GAAP operating earnings margin rate	**2.14 %**	2.33 %	**2.04 %**	2.12 %
Non-GAAP operating earnings margin rate	**2.50 %**	2.60 %	**2.43 %**	2.38 %
	-10bp		**5bp**	

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 (gain)/loss on disposal of assets, litigation (recoveries)/charges, net, LIFO charges/(credits) and loss on extinguishment of debt, 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 fiscal 2015, the Company began excluding 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 the first or second quarters of fiscal 2015 or 2014, respectively. In the second quarter of fiscal 2015, the Company has excluded the loss on extinguishment of debt[6] related to the early redemption of debt that occurred in December 2014 from its non-GAAP earnings.

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 (gain)/loss on disposal of assets[3], (4) litigation (recoveries)/charges, net[4], (5) LIFO charges/(credits) and (6) loss on extinguishment of debt, 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 (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) LIFO charges/(credits) and (6) loss on extinguishment of debt) divided by (earnings before income taxes and discontinued operations adjusted for the same six items).

Non-GAAP Operating Earnings: operating earnings excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) LIFO charges/(credits).

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 (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) LIFO charges/(credits), and (6) loss on extinguishment of debt, 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 (gains)/losses from the disposal of assets not eligible to be classified as discontinued operations are classified within impairments and (gain)/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.

[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.

[6] Charges related to the make-whole premium on the redemption of notes.