Healthcare is changing …
We're changing healthcare.

George Barrett
Chairman and CEO

Sally Curley
SVP, Investor Relations

Cowen and Company 35th Annual Health Care Conference
March 3, 2015

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Essential facts about Cardinal Health

A global, integrated healthcare services company

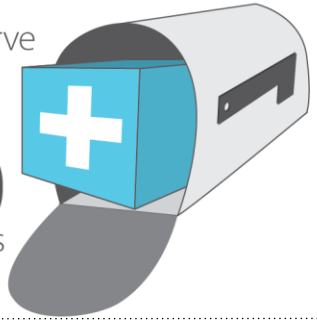
#22 FORTUNE 500 ranking

We provide resources to **MORE THAN 75%** of U.S. hospitals

We serve **>20,000** U.S. PHARMACIES



In home healthcare, we serve **1.5 million** patients with **40,000** products



More than **10,000,000** TIME-CRITICAL PATIENT-SPECIFIC RADIOPHARMACEUTICAL **DOSES** delivered annually



We have **34,000** employees worldwide



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Sustained strong financial performance

What we promised in 2010	What we delivered
Long-term non-GAAP EPS[1] growth **at least double digit**	**14.4% CAGR[2]**
Modified TSR ≥ 11% (Non-GAAP EPS[1] growth + dividend yield)	**16.4%[3]**
Gross margin expansion (TTM)	**+186bps**
Non-GAAP operating margin expansion (TTM)	**+96bps**
Dividend increase	**14.7% CAGR[2]**

Unless otherwise noted, the actuals presented above reflect the period of Q4FY10-Q2FY15.

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

[2] FY10 – FY14

[3] Modified TSR calculated using FY10 – FY14 non-GAAP EPS [1] CAGR plus 2.0% dividend yield on 6/30/2014.

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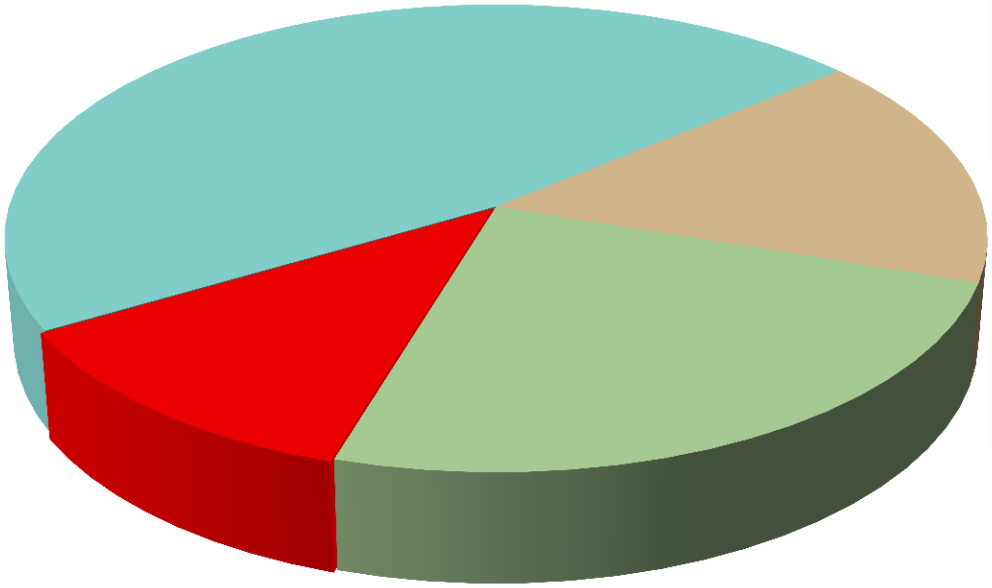
Thoughtful capital deployment approach

Capital deployment post CareFusion spin[1]



$4.6B
cumulatively returned to shareholders

- Dividends
- Share repurchases
- Capital expenditures
- Acquisitions, net of divestitures

[1] *Capital deployment from Q1 FY10 to December 31, 2014 (FY15).*

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Our priorities are driven by key trends in healthcare

Demographics and public health issues driving demand

- Need to deliver care more cost-effectively: new settings, less waste, more coordination
- Biology advances and big data
- Increased consumerism in healthcare
- Transition from fee-for-service to payment for outcomes
- Increased participation of government, both as payor and regulator

Continued innovation in healthcare

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FY15 strategic priorities



Generics

- Use scale and know how to deliver value via **Red Oak**
- Tailored programs to a segmented customer base



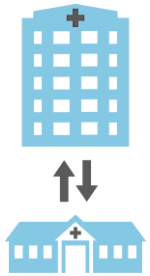
Specialty and biopharma

- Continue to increase scale
- Increase therapeutic range
- Enhance programs for biopharma



International

- Expand Chinese footprint
- Reposition Canada for growth
- Grow medical product scale through international markets



Health system and hospital solutions

Provide health systems with scaled solutions including:

- Integrated strategic account solutions
- Physician preference products
- Medical consumables
- Performance management tools and services



Alternate sites of care

- Accelerate growth in home
- Post-acute and ambulatory settings, leveraging IDN experience and HENRY SCHEIN® partnership
- Expand product lines, services, capabilities and touch points

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Our pending acquisition of Cordis

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Strategic rationale

- ✓ Significant step forward in our strategy to address a major pain point in many health systems today -- physician preference items (PPI)
  - ✓ **Cardiology**, wound management, orthopedics
- ✓ Aligns closely with our priorities and will serve to accelerate key growth driver in our portfolio:
  - ✓ In one move, significantly increases scale and breadth of cardiovascular product line to complement AccessClosure
  - ✓ Aligns with powerful demographic trends; aging population only increases demand for cardiovascular procedures
  - ✓ Brings a terrific heritage, reputation for quality and innovation, and deep talent pool immersed in field of cardiology
  - ✓ Increases our international presence: can leverage with our existing products, and with new products and services we may add as part of our growing portfolio; gain outstanding regional and country leadership in markets worldwide
- ✓ Economics are extremely attractive; enhances enterprise growth characteristics and expands margin rates
- ✓ Ability to help IDNs standardize around full portfolio of mature medical products and bring new innovative ways of serving these customers

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Each organization brings substantial assets to the table

Why Cordis?

- Early innovator responsible for several key breakthroughs in cardiology and endovascular (EV) minimally invasive procedures
- Unique asset in cardiovascular space in both product reach and scale, and with extensive global footprint
- Substantial brand equity
- Strong provider relationships

Why Cardinal Health?

- Significantly advances our physician preference item (PPI) strategy
- Builds upon existing strong customer relationships with health systems
- Partner of choice for other companies seeking market access
- Brings supply chain expertise and inventory management solutions to Cordis

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A financially compelling acquisition[1]

- ✓ Business to be acquired for $1.944B in cash; ~$1.6B net of the present value of tax benefits (~$350M)
- ✓ Expect to be significantly accretive to Medical Segment margin rates
- ✓ Expect greater than $0.20 in non-GAAP EPS accretion in FY17 (first full fiscal year post-close; closing assumed toward end of calendar 2015); increasingly accretive thereafter (figure is net of $0.07 to $0.08 of estimated, incremental annual financing-related interest expense); FY16 slightly dilutive due to inventory fair value step-up
- ✓ Expect to fund with $1.0B of term debt and remainder with existing cash
- ✓ Annual synergies of at least $100M expected exiting FY18

[1]See appendix for non-GAAP definitions

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Mechanics of transaction close

- ✓ Transaction expected to close by end of calendar 2015
- ✓ Binding offer in place until Works Council consultative processes completed in France and Germany; expect binding agreement thereafter
- ✓ Overall deal closes once applicable closing conditions met in approximately 20 principal countries
  - ✓ Principal countries include U.S., major Europe, China and Japan
- ✓ Other international countries close on a rolling basis afterwards, as country-specific approvals received

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Strong portfolio driving growth; positioned for the future

- ✓ Believe we are positioned on the “right side” of healthcare
- ✓ Innovating to fulfill needs of increasingly integrated customers
- ✓ Thoughtful capital deployment
- ✓ A balance of short- and long-term growth drivers

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Financial appendix

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

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings from Continuing Operations	Earnings from Continuing Operations Growth Rate	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 %

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 w here it is incurred.

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

(in millions, except per common share amounts)	Operating Earnings[1]	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[2]
			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	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] The 4-year compound annual growth rate for GAAP and non-GAAP operating earnings was 10 percent and 11 percent, respectively.
[2] The 4-year compound annual growth rate for GAAP and non-GAAP diluted EPS from continuing operations was 20 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

	Fiscal Year 2012							
	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
GAAP	$ 1,792	18 %	$ 1,698	$ 628	$ 1,070	11 %	$ 3.06	12 %
Restructuring and employee severance	21		21	8	13		0.04	
Amortization and other acquisition-related costs	33		33	9	24		0.07	
Impairments and loss on disposal of assets	21		21	8	13		0.04	
Litigation (recoveries)/charges, net	(3)		(3)	(1)	(2)		(0.01)	
Other Spin-Off costs	2		2	1	1		-	
Non-GAAP	$ 1,866	13 %	$ 1,772	$ 653	$ 1,119	13 %	$ 3.21	15 %

	Fiscal Year 2011							
GAAP	$ 1,514	16 %	$ 1,518	$ 552	$ 966	65 %	$ 2.74	69 %
Restructuring and employee severance	15		15	5	10		0.03	
Amortization and other acquisition-related costs	90		90	22	68		0.19	
Impairments and loss on disposal of assets	9		9	3	6		0.02	
Litigation (recoveries)/charges, net	6		6	(1)	7		0.02	
Other Spin-Off costs	10		10	4	6		0.02	
Gain on sale of CareFusion stock	-		(75)	-	(75)		(0.21)	
Non-GAAP	$ 1,644	18 %	$ 1,573	$ 585	$ 988	22 %	$ 2.80	25 %

	Fiscal Year 2010							
GAAP	$ 1,307	1 %	$ 1,212	$ 625	$ 587	(23)%	$ 1.62	(23)%
Restructuring and employee severance	91		91	32	59		0.16	
Amortization and other acquisition-related costs	18		18	6	12		0.03	
Impairments and loss on disposal of assets	29		29	(5)	34		0.09	
Litigation (recoveries)/charges, net	(62)		(62)	(23)	(39)		(0.11)	
Other Spin-Off Costs	11		53	(149)	202		0.56	
Gain on sale of CareFusion stock	-		(45)	-	(45)		(0.12)	
Non-GAAP	$ 1,394	(3)%	$ 1,296	$ 486	$ 810	(2)%	$ 2.24	(2)%

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

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

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

Rolling Quarter

(in millions)	**2015**		2014				2013				2012				2011				2010
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**$ 93,929**	$ 90,631	$ 91,084	$ 93,610	$ 96,735	$ 99,727	$ 101,093	$ 102,437	$ 104,803	$ 106,648	$ 107,552	$ 107,551	$ 106,705	$ 104,999	$ 102,644	$ 100,340	$ 98,612	$ 98,160	$ 98,503
GAAP operating earnings	**$ 1,907**	$ 1,880	$ 1,885	$ 1,056	$ 1,023	$ 1,011	$ 996	$ 1,842	$ 1,893	$ 1,836	$ 1,792	$ 1,747	$ 1,668	$ 1,562	$ 1,514	$ 1,489	$ 1,408	$ 1,431	$ 1,307
Restructuring and employee severance	**36**	39	31	57	85	76	71	48	22	23	21	17	16	17	15	17	25	33	91
Amortization and other acquisition-related costs	**231**	228	223	212	209	179	158	117	37	34	33	37	94	106	90	86	58	28	19
Impairments and (gain)/loss on disposal of assets	**(13)**	15	15	843	863	859	859	29	25	21	21	20	7	8	9	9	9	7	29
Litigation (recoveries)/charges, net	**65**	6	(21)	(24)	(18)	(15)	(38)	(37)	(34)	(22)	(3)	(9)	(4)	2	6	(22)	(29)	(60)	(62)
Other Spin-Off Costs	-	-	-	-	-	-	-	-	1	1	2	4	4	8	10	9	12	12	11
Non-GAAP operating earnings	**$ 2,227**	$ 2,167	$ 2,133	$ 2,144	$ 2,163	$ 2,109	$ 2,046	$ 1,999	$ 1,943	$ 1,893	$ 1,866	$ 1,816	$ 1,786	$ 1,703	$ 1,644	$ 1,588	$ 1,483	$ 1,451	$ 1,394
GAAP operating earnings margin rate	**2.03 %**	2.07 %	2.07 %	1.13 %	1.06 %	1.01 %	0.99 %	1.80 %	1.81 %	1.72 %	1.67 %	1.62 %	1.56 %	1.49 %	1.48 %	1.48 %	1.43 %	1.46 %	1.33 %
Non-GAAP operating earnings margin rate	**2.37 %**	2.39 %	2.34 %	2.29 %	2.24 %	2.11 %	2.02 %	1.95 %	1.85 %	1.77 %	1.73 %	1.69 %	1.67 %	1.62 %	1.60 %	1.58 %	1.50 %	1.48 %	1.42 %
Q4FY10-Q2FY15 GAAP operating earnings margin rate expansion	**70bp**																		
Q4FY10-Q2FY15 Non-GAAP operating earnings margin rate expansion	**96bp**																		

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

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP earnings from continuing operations (and presentations derived from these financial measures, including per share calculations) on a forward-looking basis. The most directly comparable forward-looking GAAP measures are earnings from continuing operations. We are unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measures because we cannot reliably forecast restructuring and employee severance, 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.

Tax benefits related to Cordis acquisition: Tax benefits derived primarily from the amortization of goodwill and other intangible assets.

[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.