

Q4 FY2015 earnings investor/analyst call

July 30, 2015

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Forward-looking statements and GAAP reconciliation

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CAH FY2015 Accomplishments

- Increased revenue by **13%**
- Increased gross margin dollars by **11%**
- Expanded non-GAAP operating earnings by **16%**[1] to a **record $2.5B**, and improved margin rates by **7 bps**
- Grew non-GAAP diluted EPS from continuing operations by **14%** to **$4.38**
- Generated **$2.5B** in operating cash flow
- Returned **$1.5B** in cash to shareholders
  - Dividend **increase of 13%**, to an annual dividend per share rate of $1.55
  - Repurchased over **$1B** in shares
- Generated market Total Shareholder Return of greater than 24%[2]

[1] *Please refer to the GAAP and non-GAAP reconciliation slides at the end of this presentation*

[2] *Represents the total return on common shares over a specified period, expressed as a percentage (calculated based on the change in stock price over the relevant measurement period and reinvestment of dividends). Source: Bloomberg*

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Q4 and FY2015 results

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Q4 FY2015

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q4 FY15	Q4 FY14	Q4 FY15	Q4 FY14
Revenue	$27,547	$22,894		
% change	*20%*	*(10)%*		
Operating earnings	$558	$387	$611	$461
% change	*44%*	*N.M.*	*33%*	*(2)%*
Ratio to revenue	*2.03%*	*1.69%*	*2.22%*	*2.01%*
Earnings from continuing ops	$293	$234	$333	$284
% change	*25%*	*N.M.*	*17%*	*4%*
Ratio to revenue	*1.06%*	*1.02%*	*1.21%*	*1.24%*
Diluted EPS from continuing ops	$0.88	$0.68	$1.00	$0.83
% change	*29%*	*N.M.*	*20%*	*5%*

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

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Q4 FY2015

Pharmaceutical segment business analysis

	Q4 FY15 ($M)	Q4 FY14 ($M)	% Change
Revenue	$24,676	$20,092	23%
Segment profit	$535	$377	42%
Segment profit margin	2.17%	1.88%	

Highlights:

- Revenue increased due to growth from existing and new customers.
- Segment profit increased, driven by strong performance under generics program, which includes the net benefit of Red Oak Sourcing, as well as growth from existing and new customers.
- Segment profit margin rate increased primarily due to strong performance under generics program, partially offset by customer pricing changes.

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

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Q4 FY2015

Medical segment business analysis

	Q4 FY15 ($M)	Q4 FY14 ($M)	% Change
Revenue	$2,855	$2,794	2%
Segment profit	$103	$96	7%
Segment profit margin	3.59%	3.43%	

Highlights:

- Revenue increased due to contributions from acquisitions and growth in the Cardinal Health at Home platform, partially offset by a decline in Canada.
- Segment profit and profit margin rate increased due to contributions from the strategic expansion of the company's portfolio of Cardinal Health brand products and services, which was driven by a combination of acquisitions and organic efforts, coupled with targeted cost reductions, during the past year.

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Q4 FY2015

GAAP to non-GAAP reconciliation

	Q4 FY 2015			Q4 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	**$558**	**$293**	**$0.88**	**$387**	**$234**	**$0.68**
Restructuring and employee severance	11	7	0.02	6	4	0.01
Amortization and other acquisition-related costs[1]	91	60	0.18	63	41	0.12
Impairments and (gain)/loss on disposal of assets	-	-	-	4	3	0.01
Litigation (recoveries)/charges, net	(49)	(27)	(0.08)	1	1	-
Non-GAAP	**$611**	**$333**	**$1.00**	**$461**	**$284**	**$0.83**

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

Amortization of acquisition-related intangible assets	$50	$32	$0.09	$49	$31	$0.09

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Q4 FY2015

FY2015 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	FY15	FY14	FY15	FY14
Revenue	$102,531	$91,084		
% change	*13%*	*(10)%*		
Operating earnings	$2,161	$1,885	$2,472	$2,133
% change	*15%*	*89%*	*16%*	*4%*
Ratio to revenue	*2.11%*	*2.07%*	*2.41%*	*2.34%*
Earnings from continuing ops	$1,212	$1,163	$1,469	$1,324
% change	*4%*	*247%*	*11%*	*3%*
Ratio to revenue	*1.18%*	*1.28%*	*1.43%*	*1.45%*
Diluted EPS from continuing ops	$3.61	$3.37	$4.38	$3.84
% change	*7%*	*247%*	*14%*	*3%*

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Q4 FY2015

FY2015 GAAP to non-GAAP reconciliation

	FY2015			FY2014		
	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	**$2,161**	**$1,212**	**$3.61**	**$1,885**	**$1,163**	**$3.37**
Restructuring and employee severance	44	29	0.09	31	20	0.06
Amortization and other acquisition-related costs[1]	281	181	0.54	223	144	0.42
Impairments and (gain)/loss on disposal of assets	(19)	(9)	(0.03)	15	10	0.03
Litigation (recoveries)/charges, net	5	19	0.06	(21)	(13)	(0.04)
Loss on extinguishment of debt	-	37	0.11	-	-	-
Non-GAAP	**$2,472**	**$1,469**	**$4.38**	**$2,133**	**$1,324**	**$3.84**

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

Amortization of acquisition-related intangible assets	$189	$120	$0.36	$187	$119	$0.34

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FY2016 outlook

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CAH FY2016 financial expectations

	FY2016 outlook	FY2015 actual
Revenue	Low double-digit percentage growth vs. PY	$103B
Non-GAAP diluted EPS from continuing operations	$4.85 to $5.05	$4.38

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FY16 corporate assumptions

	FY16 outlook	FY15 actual
Non-GAAP effective tax rate	35.5% – 37.0%[1]	37.2%
Diluted weighted average shares outstanding	334M - 336M	335M
Interest and other, net	$195M - $210M	$134M
Capital expenditures	$510M - $540M	$300M
Acquisition-related intangible amortization	~$194M or ~$0.36[2]	$189M or $0.36

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

[2]Includes only acquisitions closed as of June 30, 2015 (does not include Harvard Drug or Cordis).

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Pharmaceutical Segment FY16 assumptions

- Low double-digit percentage increase in revenue vs. prior year
- Branded drug manufacturer pricing similar to FY15
- Positive Y-o-Y contribution from generics program, including Red Oak Sourcing joint venture, net of payments to CVS Health
- Decline Y-o-Y in contribution from generic new item launches
- Generic drug manufacturer pricing moderating vs. FY15
- Harvard Drug Group accretion in non-GAAP EPS of >$0.15 in FY16; (FY17 >$0.20; increasingly greater thereafter)[1]
- Double-digit growth from both Specialty and Cardinal Health China[2]
- Increased investment in information systems and technologies

[1] Net of $0.03-$0.04 per share of annual interest expense

[2] Cardinal Health China reports in both segments, but primarily contributes to the Pharmaceutical segment

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Medical Segment FY16 assumptions

- Mid- to high-single digit percentage revenue growth vs. prior year
- Mid-single digit percentage segment profit growth vs. prior year
- Growth back-half weighted
- Above market growth in Cardinal Health at Home
- Stronger growth in Cardinal Health brand H2FY16
- Cordis financial expectations
  - Closing assumed Q2FY16
  - Impact of inventory fair value step-up anticipated in Q2 and Q3FY16
  - FY16 slightly dilutive to non-GAAP EPS[1,2]
  - FY17 accretive by >$0.20, increasingly accretive thereafter[2]

[1]Includes impact of inventory fair value step-up between $0.13-$0.15 per share

[2]Includes $0.07-$0.08 per share of incremental annual financing costs

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Q4 FY2015 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Q4 FY2015

Segment analysis

Pharmaceutical segment

	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15
Revenue ($M)	20,092	21,209	22,627	22,605	24,676
Segment Profit ($M)	377	451	542	567	535

Medical segment

	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15
Revenue ($M)	2,794	2,852	2,914	2,774	2,855
Segment Profit ($M)	96	113	115	102	103

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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
			Fourth Quarter 2015					
GAAP	**$ 558**	**44 %**	**$ 523**	**$ 230**	**$ 293**	**25 %**	**$ 0.88**	**29 %**
Restructuring and employee severance	**11**		**11**	**4**	**7**		**0.02**	
Amortization and other acquisition-related costs	**91**		**91**	**31**	**60**		**0.18**	
Impairments and (gain)/loss on disposal of assets	**-**		**-**	**-**	**-**		**-**	
Litigation (recoveries)/charges, net	**(49)**		**(49)**	**(22)**	**(27)**		**(0.08)**	
Loss on extinguishment of debt	**-**		**-**	**-**	**-**		**-**	
Non-GAAP	**$ 611**	**33 %**	**$ 577**	**$ 243**	**$ 333**	**17 %**	**$ 1.00**	**20 %**
			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		-	
Loss on extinguishment of debt	-		-	-	-		-	
Non-GAAP	$ 461	(2)%	$ 432	$ 148	$ 284	4 %	$ 0.83	5 %

(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
			Fiscal Year 2015					
GAAP	**$ 2,161**	**15 %**	**$ 1,967**	**$ 755**	**$ 1,212**	**4 %**	**$ 3.61**	**7 %**
Restructuring and employee severance	**44**		**44**	**15**	**29**		**0.09**	
Amortization and other acquisition-related costs	**281**		**281**	**100**	**181**		**0.54**	
Impairments and (gain)/loss on disposal of assets	**(19)**		**(19)**	**(10)**	**(9)**		**(0.03)**	
Litigation (recoveries)/charges, net	**5**		**5**	**(14)**	**19**		**0.06**	
Loss on extinguishment of debt	**-**		**60**	**23**	**37**		**0.11**	
Non-GAAP	**$ 2,472**	**16 %**	**$ 2,339**	**$ 870**	**$ 1,469**	**11 %**	**$ 4.38**	**14 %**
			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)	
Loss on extinguishment of debt	-		-	-	-		-	
Non-GAAP	$ 2,133	4 %	$ 2,047	$ 722	$ 1,324	3 %	$ 3.84	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
Total Company Business Analysis

(in millions)	Fourth Quarter 2015	Fourth Quarter 2014	Non-GAAP Fourth Quarter 2015	Non-GAAP Fourth Quarter 2014
Revenue				
Amount	**$ 27,547**	$ 22,894		
Growth rate	**20 %**	(10)%		
Operating earnings				
Amount	**$ 558**	$ 387	**$ 611**	$ 461
Growth rate	**44 %**	N.M.	**33 %**	(2)%
Earnings from continuing operations				
Amount	**$ 293**	$ 234	**$ 333**	$ 284
Growth rate	**25 %**	N.M.	**17 %**	4 %
Return on equity	**18.7 %**	14.5 %	**21.3 %**	17.6 %
Effective tax rate from continuing operations	**44.1 %**	34.4 %	**42.2 %**	34.2 %
Debt to total capital	**47 %**	38 %		
Net debt to capital			**12 %**	15 %

(in millions)	Fiscal Year 2015	Fiscal Year 2014	Non-GAAP Fiscal Year 2015	Non-GAAP Fiscal Year 2014
Revenue				
Amount	**$ 102,531**	$ 91,084		
Growth rate[1]	**13 %**	(10)%		
Operating earnings				
Amount	**$ 2,161**	$ 1,885	**$ 2,472**	$ 2,133
Growth rate	**15 %**	89 %	**16 %**	4 %
Earnings from continuing operations				
Amount	**$ 1,212**	$ 1,163	**$ 1,469**	$ 1,324
Growth rate	**4 %**	247 %	**11 %**	3 %
Return on equity	**19.4 %**	18.3 %	**23.4 %**	20.9 %
Effective tax rate from continuing operations	**38.4 %**	35.3 %	**37.2 %**	35.3 %

[1] Revenue from Walgreens was $3.3 billion for the fiscal year ended June 30, 2014. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 revenue growth rate would have been 17 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)	Fourth Quarter 2015	Fourth Quarter 2014
Pharmaceutical		
Revenue		
Amount	**$ 24,676**	$ 20,092
Growth rate	**23 %**	(12)%
Segment profit		
Amount	**$ 535**	$ 377
Growth rate	**42 %**	(5)%
Segment profit margin	**2.17 %**	1.88 %

(in millions)	Fourth Quarter 2015	Fourth Quarter 2014
Medical		
Revenue		
Amount	**$ 2,855**	$ 2,794
Growth rate	**2 %**	4 %
Segment profit		
Amount	**$ 103**	$ 96
Growth rate	**7 %**	(8)%
Segment profit margin	**3.59 %**	3.43 %

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended June 30, 2015 was $27,547 million, which included total segment revenue of $27,531 million and Corporate revenue of $16 million. 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. 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, 2015 were $558 million, which included total segment profit of $638 million and Corporate costs of $(80) million. 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. 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)	Fiscal Year 2015	2014
Pharmaceutical		
Revenue		
Amount	**$ 91,116**	$ 80,110
Growth rate[1]	**14 %**	(12)%
Segment profit		
Amount	**$ 2,094**	$ 1,745
Growth rate	**20 %**	1 %
Segment profit margin	**2.30 %**	2.18 %

(in millions)	Fiscal Year 2015	2014
Medical		
Revenue		
Amount	**$ 11,395**	$ 10,962
Growth rate	**4 %**	9 %
Segment profit		
Amount	**$ 433**	$ 444
Growth rate	**(3)%**	19 %
Segment profit margin	**3.80 %**	4.05 %

[1] Revenue from Walgreens was $3.3 billion for the fiscal year ended June 30, 2014. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 Pharmaceutical segment revenue growth rate would have been 19 percent.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the fiscal year ended June 30, 2015 was $102,531 million, which included total segment revenue of $102,511 million and Corporate revenue of $20 million. 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. 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, 2015 were $2,161 million, which included total segment profit of $2,527 million and Corporate costs of $(366) million. 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. 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)	Fourth Quarter 2015	Fourth Quarter 2014
GAAP return on equity	**18.7 %**	14.5 %
Non-GAAP return on equity		
Net earnings	**$ 295**	$ 234
Restructuring and employee severance, net of tax, in continuing operations	**7**	4
Amortization and other acquisition-related costs, net of tax, in continuing operations	**60**	41
Impairments and (gain)/loss on disposal of assets, net of tax, in continuing operations	**-**	3
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**(27)**	1
Adjusted net earnings	**$ 335**	$ 283
Annualized	**$ 1,340**	$ 1,132

	Fourth Quarter 2015	Third Quarter 2015	Fourth Quarter 2014	Third Quarter 2014
Total shareholders' equity	**$ 6,256**	**$ 6,369**	$ 6,401	$ 6,532
Divided by average shareholders' equity	**$ 6,312**		$ 6,466	
Non-GAAP return on equity	**21.3 %**		17.6 %	

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

	Fiscal Year	
(in millions)	**2015**	2014
GAAP return on equity	**19.4 %**	18.3 %
Non-GAAP return on equity		
Net earnings	**$ 1,215**	$ 1,166
Restructuring and employee severance, net of tax, in continuing operations	**29**	20
Amortization and other acquisition-related costs, net of tax, in continuing operations	**181**	144
Impairments and (gain)/loss on disposal of assets, net of tax, in continuing operations	**(9)**	10
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**19**	(13)
Loss on extinguishment of debt, net of tax, in continuing operations	**37**	-
Adjusted net earnings	**$ 1,472**	$ 1,327

	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	**Fourth Quarter**	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	2015	**2015**	**2015**	**2015**	**2014**	2014	2014	2014	2014	2013
Total shareholders' equity	**$ 6,256**	**$ 6,369**	**$ 6,100**	**$ 6,256**	**$ 6,401**	$ 6,401	$ 6,532	$ 6,589	$ 6,297	$ 5,975
Divided by average shareholders' equity	**$ 6,276**					$ 6,359				
Non-GAAP return on equity	**23.4 %**					20.9 %				

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 2015	Fourth Quarter 2014	Fiscal Year 2015	Fiscal Year 2014
GAAP effective tax rate from continuing operations	**44.1 %**	34.4 %	**38.4 %**	35.3 %
Non-GAAP effective tax rate from continuing operations				
Earnings before income taxes and discontinued operations	**$ 523**	$ 357	**$ 1,967**	$ 1,798
Restructuring and employee severance	**11**	6	**44**	31
Amortization and other acquisition-related costs	**91**	63	**281**	223
Impairments and (gain)/loss on disposal of assets	**-**	4	**(19)**	15
Litigation (recoveries)/charges, net	**(49)**	1	**5**	(21)
Loss on extinguishment of debt	**-**	-	**60**	-
Adjusted earnings before income taxes and discontinued operations	**$ 577**	$ 432	**$ 2,339**	$ 2,047
Provision for income taxes	**$ 230**	$ 123	**$ 755**	$ 635
Restructuring and employee severance tax benefit	**4**	2	**15**	11
Amortization and other acquisition-related costs tax benefit	**31**	22	**100**	79
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**-**	1	**(10)**	5
Litigation (recoveries)/charges, net tax expense	**(22)**	-	**(14)**	(8)
Loss on extinguishment of debt tax benefit	**-**	-	**23**	-
Adjusted provision for income taxes	**$ 243**	$ 148	**$ 870**	$ 722
Non-GAAP effective tax rate from continuing operations	**42.2 %**	34.2 %	**37.2 %**	35.3 %

	Fourth Quarter 2015	Fourth Quarter 2014
Debt to total capital	**47 %**	38 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 281**	$ 801
Long-term obligations, less current portion	**5,211**	3,171
Debt	**$ 5,492**	$ 3,972
Cash and equivalents	**(4,616)**	(2,865)
Net debt	**$ 876**	$ 1,107
Total shareholders' equity	**6,256**	6,401
Capital	**$ 7,132**	$ 7,508
Net debt to capital	**12 %**	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 where it is incurred.

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 fiscal 2015 or 2014, respectively. In the second quarter of fiscal 2015, the Company excluded the loss on extinguishment of debt[6] related to the early redemption of debt that ocurred 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 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.

[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.