Q2 FY2016

Cardinal Health, Inc. Earnings Investor/Analyst call
February 1, 2016



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Forward-looking statements and GAAP reconciliation

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Q2 FY2016 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q2 FY16	Q2 FY15	Q2 FY16	Q2 FY15
Revenue *% change*	**$31,445** *23% increase YoY*	**$25,537** *15% increase YoY*		
Gross Margin *% change* *Ratio to revenue*	**$1,609** *11% increase YoY* *5.12%*	**$1,454** *8% increase YoY* *5.69%*	**$1,648** *13% increase YoY* *5.24%*	**$1,454** *8% increase YoY* *5.69%*
Operating Earnings *% change* *Ratio to revenue*	**$563** *3% increase YoY* *1.79%*	**$546** *5% increase YoY* *2.14%*	**$726** *14% increase YoY* *2.31%*	**$639** *10% increase YoY* *2.50%*
Net Earnings[1] *% change* *Ratio to revenue*	**$326** *13% increase YoY* *1.04%*	**$289** *5% increase YoY* *1.13%*	**$430** *7% increase YoY* *1.37%*	**$400** *28% increase YoY* *1.57%*
Diluted EPS[1] *% change*	**$0.98** *14% increase YoY*	**$0.86** *9%[2] increase YoY*	**$1.30** *8% increase YoY*	**$1.20** *33%[2] increase YoY*

[1]Attributable to Cardinal Health

[2]Q2FY14 GAAP and non-GAAP diluted EPS from continuing operations included a $0.16 charge related to a tax reserve. Excluding this, Q2FY15 growth rates for diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations would have been (10) percent and 13 percent, respectively. Please see appendix for comparable GAAP numbers and GAAP to Non-GAAP reconciliations.

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Q2 FY2016 Pharmaceutical segment business analysis

	Q2 FY16 ($M)	Q2 FY15 ($M)	YoY Change
Revenue	$28,287	$22,627	25%
Segment Profit	$627	$542	16%
Segment Profit Margin	2.22%	2.39%	

Highlights:

- **Revenue** for the Pharmaceutical segment increased 25 percent to $28.3 billion due to growth from existing and new customers as well as acquisitions.
- **Segment profit** for the quarter increased 16 percent to $627 million due to growth from existing and new customers as well as acquisitions.

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

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Q2 FY2016 Medical segment business analysis

	Q2 FY16 ($M)	Q2 FY15 ($M)	YoY Change
Revenue	$3,162	$2,914	9%
Segment Profit	$106	$115	(8)%
Segment Profit Margin	3.36%	3.96%	

Highlights:

- **Revenue** for the Medical segment increased 9 percent to $3.2 billion. This growth was primarily due to the net contribution from acquisitions and growth in the Cardinal Health at Home platform.
- **Segment profit** declined 8 percent to $106 million. This includes the impact of the Cordis-related inventory fair value step-up. Excluding the step-up impact of $21 million, year-over-year Medical segment profit growth was 10 percent.

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

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Q2 FY2016 GAAP to non-GAAP reconciliation

	Q2 FY 2016				Q2 FY 2015			
	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[1] ($M)	Diluted EPS[1]	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[1] ($M)	Diluted EPS[1]
GAAP	**$1,609**	**$563**	**$326**	**$0.98**	**$1,454**	**$546**	**$289**	**$0.86**
LIFO charges/(credits)	39	39	24	$0.07	-	-	-	-
Restructuring and employee severance	-	2	1	-	-	7	4	0.01
Amortization and other acquisition-related costs	-	114	73	0.22	-	60	38	0.11
Impairments and (gain)/loss on disposal of assets	-	17	10	0.03	-	(18)	(8)	(0.03)
Litigation (recoveries)/charges, net	-	(9)	(4)	(0.01)	-	44	40	0.12
Loss on extinguishment of debt	-	-	-	-	-	-	37	0.11
Non-GAAP	**$1,648**	**$726**	**$430**	**$1.30**	**$1,454**	**$639**	**$400**	**$1.20**
Amortization of acquisition-related intangible assets	-	$100	$65	$0.20	-	$47	$30	$0.09

[1]*Attributable to Cardinal Health*

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FY2016 Outlook

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FY2016 financial expectations

	FY2016 Outlook	FY2015 Actual
Revenue	Mid- to high-teens percentage growth vs. PY	$103B
Non-GAAP Diluted EPS	$5.15 to $5.35	$4.38[1]

[1]Non-GAAP diluted EPS from continuing operations
Red font indicates a change since previous guidance

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FY2016 corporate assumptions

	FY2016 Outlook	FY2015 Actual
Non-GAAP effective tax rate	35.5% - 37%[1]	37.2%
Diluted weighted average Shares outstanding	332M – 334M	335M
Interest and other, net	$195M - $210M	$134M
Capital expenditures	$510M - $540M	$300M
Acquisition-related intangible amortization	~$357M or ~$0.70[2]	$189M or $0.36

[1]May fluctuate quarterly due to unique items affecting periods
[2]Includes only acquisitions closed as of December 31, 2015
Red font indicates a change since previous guidance

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Q2 FY2016 trailing five quarters, Year-to-date financial summary and GAAP to Non-GAAP reconciliation statements

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Q2 FY2016 segment analysis

Pharmaceutical segment

	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Revenue ($M)	22,627	22,605	24,676	25,140	28,287
Segment Profit ($M)	542	567	535	657	627

Medical segment

	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Revenue ($M)	2,914	2,774	2,855	2,919	3,162
Segment Profit ($M)	115	102	103	101	106

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Year-to-date financial summary[1]

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	H1 FY16	H1 FY15	H1 FY16	H1 FY15
Revenue *% change*	**$59,499** *20% increase YoY*	**$49,607** *6% increase YoY*		
Gross Margin *% change* *Ratio to revenue*	**$3,188** *14% increase YoY* *5.36%*	**$2,794** *7% increase YoY* *5.63%*	**$3,227** *15% increase YoY* *5.42%*	**$2,794** *7% increase YoY* *5.63%*
Operating Earnings *% change* *Ratio to revenue*	**$1,183** *17% increase YoY* *1.99%*	**$1,012** *2% increase YoY* *2.04%*	**$1,463** *22% increase YoY* *2.46%*	**$1,204** *8% increase YoY* *2.43%*
Net Earnings[2] *% change* *Ratio to revenue*	**$709** *28% increase YoY* *1.19%*	**$555** *10% decrease YoY* *1.12%*	**$889** *20% increase YoY* *1.49%*	**$740** *7% increase YoY* *1.49%*
Diluted EPS[2] *% change*	**$2.14** *30% increase YoY*	**$1.65** *7% decrease YoY*	**$2.68** *22% increase YoY*	**$2.19** *10% increase YoY*

[1] Six months ended 12/31/2015
[2] Attributable to Cardinal Health
Please see appendix for comparable GAAP numbers and GAAP to Non-GAAP reconciliations.

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

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings attributable to Cardinal Health, Inc.	Net Earnings attributable to Cardinal Health, Inc. Growth Rate	Diluted EPS attributable to Cardinal Health, Inc.	Diluted EPS attributable to Cardinal Health, Inc. Growth Rate[1]
					Second Quarter 2016					
GAAP	**$ 1,609**	**11 %**	**$ 563**	**3 %**	**$ 520**	**$ 194**	**$ 326**	**13 %**	**$ 0.98**	**14 %**
LIFO charges/(credits)	**39**		**39**		**39**	**15**	**24**		**0.07**	
Restructuring and employee severance	**-**		**2**		**2**	**1**	**1**		**-**	
Amortization and other acquisition-related costs	**-**		**114**		**114**	**41**	**73**		**0.22**	
Impairments and (gain)/loss on disposal of assets	**-**		**17**		**17**	**7**	**10**		**0.03**	
Litigation (recoveries)/charges, net	**-**		**(9)**		**(9)**	**(5)**	**(4)**		**(0.01)**	
Non-GAAP	**$ 1,648**	**13 %**	**$ 726**	**14 %**	**$ 683**	**$ 253**	**$ 430**	**7 %**	**$ 1.30**	**8 %**
					Second Quarter 2015					
GAAP	$ 1,454	8 %	$ 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	$ 1,454	8 %	$ 639	10 %	$ 604	$ 204	$ 400	28 %	$ 1.20	33 %

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings attributable to Cardinal Health, Inc.	Net Earnings attributable to Cardinal Health, Inc. Growth Rate	Diluted EPS attributable to Cardinal Health, Inc.	Diluted EPS attributable to Cardinal Health, Inc. Growth Rate
					Year-to-Date 2016					
GAAP	**$ 3,188**	**14 %**	**$ 1,183**	**17 %**	**$ 1,087**	**$ 377**	**$ 709**	**28 %**	**$ 2.14**	**30 %**
LIFO charges/(credits)	**39**		**39**		**39**	**15**	**24**		**0.07**	
Restructuring and employee severance	**-**		**14**		**14**	**5**	**9**		**0.02**	
Amortization and other acquisition-related costs	**-**		**219**		**219**	**78**	**141**		**0.42**	
Impairments and (gain)/loss on disposal of assets	**-**		**17**		**17**	**7**	**10**		**0.03**	
Litigation (recoveries)/charges, net	**-**		**(9)**		**(9)**	**(5)**	**(4)**		**(0.01)**	
Non-GAAP	**$ 3,227**	**15 %**	**$ 1,463**	**22 %**	**$ 1,368**	**$ 479**	**$ 889**	**20 %**	**$ 2.68**	**22 %**
					Year-to-Date 2015					
GAAP	$ 2,794	7 %	$ 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 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	$ 2,794	7 %	$ 1,204	8 %	$ 1,138	$ 399	$ 740	7 %	$ 2.19	10 %

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 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

(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 %**

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
Total Company Business Analysis

(in millions)	Second Quarter 2016	Second Quarter 2015	Non-GAAP Second Quarter 2016	Non-GAAP Second Quarter 2015
Revenue				
Amount	**$ 31,445**	$ 25,537		
Growth rate	**23 %**	15 %		
Gross Margin				
Amount[1]	**$ 1,609**	$ 1,454	**$ 1,648**	$ 1,454
Growth rate	**11 %**	8 %	**13 %**	8 %
Operating earnings				
Amount	**$ 563**	$ 546	**$ 726**	$ 639
Growth rate	**3 %**	5 %	**14 %**	10 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 326**	$ 289	**$ 430**	$ 400
Growth rate	**13 %**	5 %	**7 %**	28 %
Return on equity	**19.7 %**	18.7 %	**26.0 %**	25.9 %
Effective tax rate	**37.3 %**	36.0 %	**37.1 %**	33.8 %
Debt to total capital	**45 %**	39 %		
Net debt to capital			**32 %**	15 %

(in millions)	Year-to-Date 2016	Year-to-Date 2015	Non-GAAP Year-to-Date 2016	Non-GAAP Year-to-Date 2015
Revenue				
Amount	**$ 59,499**	$ 49,607		
Growth rate	**20 %**	6 %		
Gross Margin				
Amount[1]	**$ 3,188**	$ 2,794	**$ 3,227**	$ 2,794
Growth rate	**14 %**	7 %	**15 %**	7 %
Operating earnings				
Amount	**$ 1,183**	$ 1,012	**$ 1,463**	$ 1,204
Growth rate	**17 %**	2 %	**22 %**	8 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 709**	$ 555	**$ 889**	$ 740
Growth rate	**28 %**	(10)%	**20 %**	7 %
Return on equity	**21.8 %**	17.8 %	**27.4 %**	23.7 %
Effective tax rate	**34.7 %**	37.4 %	**35.0 %**	35.0 %

Gross margin includes the negative impact of a $39 million LIFO charge in the second quarter.

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 2016	2015
Pharmaceutical		
Revenue		
Amount	**$ 28,287**	$ 22,627
Growth rate	**25 %**	16 %
Segment profit		
Amount	**$ 627**	$ 542
Growth rate	**16 %**	12 %
Segment profit margin	**2.22 %**	2.39 %

(in millions)	Second Quarter 2016	2015
Medical		
Revenue		
Amount	**$ 3,162**	$ 2,914
Growth rate	**9 %**	4 %
Segment profit		
Amount	**$ 106**	$ 115
Growth rate[1]	**(8)%**	(12)%
Segment profit margin	**3.36 %**	3.96 %

Segment profit includes a $21 million impact from the roll out of the inventory fair value step up related to the Cordis acquisition for the three months ended December 31, 2015. Excluding the impact of the inventory fair value step up, Medical segment profit would have increased 10% for the three months ended December 31, 2015.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended December 31, 2015 was $31,445 million, which included total segment revenue of $31,449 million and Corporate revenue of $(4) million. 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. 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, 2015 were $563 million, which included total segment profit of $733 million and Corporate costs of $(170) million. 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. Corporate includes, among other things, LIFO charges/(credits), 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 2016	2015
Pharmaceutical		
Revenue		
Amount	**$ 53,427**	$ 43,836
Growth rate	**22 %**	6 %
Segment profit		
Amount	**$ 1,285**	$ 992
Growth rate	**29 %**	8 %
Segment profit margin	**2.41 %**	2.26 %

(in millions)	Year-to-Date 2016	2015
Medical		
Revenue		
Amount	**$ 6,081**	$ 5,766
Growth rate	**5 %**	5 %
Segment profit		
Amount	**$ 207**	$ 229
Growth rate[1]	**(10)%**	(4)%
Segment profit margin	**3.40 %**	3.96 %

Segment profit includes a $21 million impact from the roll out of the inventory fair value step up related to the Cordis acquisition for the six months ended December 31, 2015. Excluding the impact of the inventory fair value step up, Medical segment profit would have been flat for the six months ended December 31, 2015.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the six months ended December 31, 2015 was $59,499 million, which included total segment revenue of $59,508 million and Corporate revenue of $(9) million. 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. 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, 2015 were $1,183 million, which included total segment profit of $1,492 million and Corporate costs of $(309) million. 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. Corporate includes, among other things, LIFO charges/(credits), 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

	Second Quarter	
(in millions)	**2016**	2015
GAAP return on equity	**19.7 %**	18.7 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 326**	$ 289
LIFO charges/(credits), net of tax	**24**	-
Restructuring and employee severance, net of tax	**1**	4
Amortization and other acquisition-related costs, net of tax	**73**	38
Impairments and (gain)/loss on disposal of assets, net of tax	**10**	(8)
Litigation (recoveries)/charges, net, net of tax	**(4)**	40
Loss on extinguishment of debt, net of tax	**-**	37
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 430**	$ 400
Annualized	**$ 1,720**	$ 1,600

	Second Quarter	**First Quarter**	Second Quarter	First Quarter
	2016	**2016**	2015	2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,711**	**$ 6,505**	$ 6,100	$ 6,256
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,608**		$ 6,178	
Non-GAAP return on equity	**26.0 %**		25.9 %	

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)	Year-to-Date 2016	Year-to-Date 2015
GAAP return on equity	**21.8 %**	17.8 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 709**	$ 555
LIFO charges/(credits), net of tax	**24**	-
Restructuring and employee severance, net of tax	**9**	17
Amortization and other acquisition-related costs, net of tax	**141**	71
Impairments and (gain)/loss on disposal of assets, net of tax	**10**	(8)
Litigation (recoveries)/charges, net, net of tax	**(4)**	68
Loss on extinguishment of debt, net of tax	**-**	37
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 889**	$ 740
Annualized	**$ 1,778**	$ 1,480

	Second Quarter 2016	**First Quarter 2016**	**Fourth Quarter 2015**	Second Quarter 2015	First Quarter 2015	Fourth Quarter 2014
Total Cardinal Health, Inc. shareholders' equity	**$ 6,711**	**$ 6,505**	**$ 6,256**	$ 6,100	$ 6,256	$ 6,401
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,491**			$ 6,252		
Non-GAAP return on equity	**27.4 %**			23.7 %		

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)	Second Quarter 2016	Second Quarter 2015	Year-to-Date 2016	Year-to-Date 2015
GAAP effective tax rate	**37.3 %**	36.0 %	**34.7 %**	37.4 %
Non-GAAP effective tax rate				
Earnings before income taxes	**$ 520**	$ 451	**$ 1,087**	$ 886
LIFO charges/(credits)	**39**	-	**39**	-
Restructuring and employee severance	**2**	7	**14**	26
Amortization and other acquisition-related costs	**114**	60	**219**	112
Impairments and (gain)/loss on disposal of assets	**17**	(18)	**17**	(18)
Litigation (recoveries)/charges, net	**(9)**	44	**(9)**	72
Loss on extinguishment of debt	**-**	60	**-**	60
Adjusted earnings before income taxes	**$ 683**	$ 604	**$ 1,368**	$ 1,138
Provision for income taxes	**$ 194**	$ 162	**$ 377**	$ 331
LIFO charges/(credits) tax benefit	**15**	-	**15**	-
Restructuring and employee severance tax benefit	**1**	3	**5**	9
Amortization and other acquisition-related costs tax benefit	**41**	22	**78**	41
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**7**	(10)	**7**	(10)
Litigation (recoveries)/charges, net tax benefit/(expense)	**(5)**	4	**(5)**	4
Loss on extinguishment of debt tax benefit	**-**	23	**-**	23
Adjusted provision for income taxes	**$ 253**	$ 204	**$ 479**	$ 399
Non-GAAP effective tax rate	**37.1 %**	33.8 %	**35.0 %**	35.0 %

	Second Quarter 2016	Second Quarter 2015
Debt to total capital	**45 %**	39 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 354**	$ 270
Long-term obligations, less current portion	**5,171**	3,706
Debt	**$ 5,525**	$ 3,976
Cash and equivalents	**(2,324)**	(2,881)
Net debt	**$ 3,201**	$ 1,095
Total Cardinal Health, Inc. shareholders' equity	**6,711**	6,100
Capital	**$ 9,912**	$ 7,195
Net debt to capital	**32 %**	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
GAAP / Non-GAAP Reconciliation

(in millions)	Fiscal Year 2015
GAAP effective tax rate from continuing operations	**38.4 %**
Non-GAAP effective tax rate from continuing operations	
Earnings before income taxes and discontinued operations	**$ 1,967**
Restructuring and employee severance	**44**
Amortization and other acquisition-related costs	**281**
Impairments and (gain)/loss on disposal of assets	**(19)**
Litigation (recoveries)/charges, net	**5**
Loss on extinguishment of debt	**60**
Adjusted earnings before income taxes and discontinued operations	**$ 2,339**
Provision for income taxes	**$ 755**
Restructuring and employee severance tax benefit	**15**
Amortization and other acquisition-related costs tax benefit	**100**
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**(10)**
Litigation (recoveries)/charges, net tax expense	**(14)**
Loss on extinguishment of debt tax benefit	**23**
Adjusted provision for income taxes	**$ 870**
Non-GAAP effective tax rate from continuing operations	**37.2 %**

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.

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP net earnings attributable to Cardinal Health, Inc. and non-GAAP effective tax rate (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 net earnings attributable to Cardinal Health, Inc. and effective tax rate. 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 LIFO charges/(credits), restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net, 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

Definitions

Debt: long-term obligations plus short-term borrowings.

Debt to Total Capital: debt divided by (debt plus total Cardinal Health, Inc. 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 Cardinal Health, Inc. shareholders' equity).

Non-GAAP Diluted EPS attributable to Cardinal Health, Inc. or "Non-GAAP Diluted EPS" or "Non-GAAP Diluted Earnings Per Share": non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares

Non-GAAP Diluted EPS from continuing operations: non-GAAP earnings from continuing operations divided by diluted weighted-average shares outstanding.

Non-GAAP Effective Tax Rate: (provision for income taxes adjusted for (1) LIFO charges/(credits)[1], (2) restructuring and employee severance[2], (3) amortization and other acquisition-related costs[3], (4) impairments and (gain)/loss on disposal of assets[4], (5) litigation (recoveries)/charges, net[5], and (6) loss on extinguishment of debt[6]) divided by (earnings before income taxes adjusted for the same six items).

Non-GAAP Gross Margin: Gross margin excluding LIFO charges/(credits).

Non-GAAP Net Earnings attributable to Cardinal Health, Inc. or "Non-GAAP Net Earnings": net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, each net of tax.

Non-GAAP Earnings from Continuing Operations: earnings from continuing operations excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, each net of tax.

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

Non-GAAP Return on Equity: (annualized current period net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, each net of tax) divided by average Cardinal Health, Inc. shareholders' equity.

Return on Equity: annualized current period net earnings attributable to Cardinal Health, Inc. divided by average Cardinal Health, Inc. 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] 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.

[2] 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).

[3] 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.

[4] 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.

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

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