Q4 FY2016

Cardinal Health, Inc. Earnings Investor/Analyst call

August 2, 2016

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Forward-looking statements and GAAP reconciliation

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CAH FY2016 accomplishments

- Increased revenue by **19%** to a record **$121.5B**
- Increased gross margin dollars by **15%**
- Generated record GAAP operating earnings of **$2.5B** and record non-GAAP operating earnings of **$2.9B,** an increase of **14%** and **17%,** respectively
- Grew both GAAP and non-GAAP diluted EPS from continuing operations[1] by **20%** to **$4.32** and **$5.24,** respectively
- Generated record **$3B** in operating cash flow
- Returned **$1.2B** in cash to shareholders
  - Dividend increase of **16%**, to an annual dividend per share rate of **$1.80**
  - Repurchased **$650M** in shares

[1]Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to non-GAAP reconciliations.

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Q4 and FY2016 results



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Q4 FY16 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q4 FY16	Q4 FY15	Q4 FY16	Q4 FY15
Revenue *% change*	**$31,384** *14% increase YoY*	**$27,547** *20% increase YoY*	**$31,384** *14% increase YoY*	**$27,547** *20% increase YoY*
Gross Margin *% change* *Ratio to revenue*	**$1,665** *14% increase YoY* *5.31%*	**$1,458** *16% increase YoY* *5.29%*	**$1,614** *11% increase YoY* *5.14%*	**$1,458** *16% increase YoY* *5.29%*
Operating Earnings *% change* *Ratio to revenue*	**$620** *11% increase YoY* *1.98%*	**$558** *44% increase YoY* *2.03%*	**$643** *5% increase YoY* *2.05%*	**$611** *33% increase YoY* *2.22%*
Net Earnings[1] *% change* *Ratio to revenue*	**$333** *14% increase YoY* *1.06%*	**$293** *25% increase YoY* *1.06%*	**$372** *12% increase YoY* *1.18%*	**$333** *17% increase YoY* *1.21%*
Diluted EPS[1] *% change*	**$1.02** *16% increase YoY*	**$0.88** *29% increase YoY*	**$1.14** *14% increase YoY*	**$1.00** *20% increase YoY*

[1]From continuing operations attributable to Cardinal Health, Inc.
Please see appendix for GAAP to Non-GAAP reconciliations.

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Q4 FY16 Pharmaceutical segment business analysis

	Q4 FY16 ($M)	Q4 FY15 ($M)	YoY Change
Revenue	$28,177	$24,676	14%
Segment Profit	$542	$535	1%
Segment Profit Margin	1.93%	2.17%	-24 bps

Highlights:

- **Revenue** for the Pharmaceutical segment increased 14 percent to $28.2 billion due to growth from existing and net new Pharmaceutical Distribution customers and, to a lesser extent, performance from the Specialty business.
- **Segment profit** increased 1 percent to $542 million due to contributions from acquisitions, largely offset by the loss of a large customer contract, which expired on March 31, 2016.
- **Segment profit margin rate** decreased largely due to changes in product and customer mix, offset by performance under our generics program.

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

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Q4 FY16 Medical segment business analysis

	Q4 FY16 ($M)	Q4 FY15 ($M)	YoY Change
Revenue	$3,210	$2,855	12%
Segment Profit	$122	$103	19%
Segment Profit Margin	3.81%	3.59%	+22 bps

Highlights:

- **Revenue** for the Medical segment increased 12 percent to $3.2 billion primarily due to contributions from acquisitions, and, to a lesser extent, growth from Cardinal Health Brand products.
- **Segment profit** increased 19 percent to $122 million due to contributions from acquisitions and Cardinal Health Brand products.
- **Segment profit margin rate** increased driven by Cardinal Health Brand products.

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Q4 FY16 GAAP to non-GAAP adjustments[1]

	Q4 FY 2016				Q4 FY 2015			
	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[2] ($M)	Diluted EPS[2]	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[2] ($M)	Diluted EPS[2]
GAAP	**$1,665**	**$620**	**$333**	**$1.02**	**$1,458**	**$558**	**$293**	**$0.88**
LIFO charges/(credits)	(51)	(51)	(31)	(0.10)	-	-	-	-
Restructuring and employee severance	-	6	4	0.01	-	11	7	0.02
Amortization and other acquisition-related costs	-	132	104	0.32	-	91	60	0.18
Impairments and (gain)/loss on disposal of assets	-	3	3	0.01	-	-	-	-
Litigation (recoveries)/charges, net	-	(66)	(41)	(0.13)	-	(49)	(27)	(0.08)
Non-GAAP	**$1,614**	**$643**	**$372**	**$1.14**	**$1,458**	**$611**	**$333**	**$1.00**
Amortization of acquisition-related intangible assets	-	$99	$68	$0.21	-	$50	$32	$0.09

[1]Please see appendix for GAAP to Non-GAAP reconciliations.
[2]From continuing operations attributable to Cardinal Health, Inc.

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FY16 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	FY16	FY15	FY16	FY15
Revenue *% change*	**$121,546** *19% increase YoY*	**$102,531** *13% increase YoY*	**$121,546** *19% increase YoY*	**$102,531** *13% increase YoY*
Gross Margin *% change* *Ratio to revenue*	**$6,543** *15% increase YoY* *5.38%*	**$5,712** *11% increase YoY* *5.57%*	**$6,543** *15% increase YoY* *5.38%*	**$5,712** *11% increase YoY* *5.57%*
Operating Earnings *% change* *Ratio to revenue*	**$2,459** *14% increase YoY* *2.02%*	**$2,161** *15% increase YoY* *2.11%*	**$2,895** *17% increase YoY* *2.38%*	**$2,472** *16% increase YoY* *2.41%*
Net Earnings[1] *% change* *Ratio to revenue*	**$1,427** *18% increase YoY* *1.17%*	**$1,212** *4% increase YoY* *1.18%*	**$1,732** *18% increase YoY* *1.42%*	**$1,469** *11% increase YoY* *1.43%*
Diluted EPS[1] *% change*	**$4.32** *20% increase YoY*	**$3.61** *7% increase YoY*	**$5.24** *20% increase YoY*	**$4.38** *14% increase YoY*

[1]From continuing operations attributable to Cardinal Health, Inc.
Please see appendix for GAAP to Non-GAAP reconciliations.

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FY16 Pharmaceutical segment business analysis

	FY16 ($M)	FY15 ($M)	YoY Change
Revenue	$109,131	$91,116	20%
Segment Profit	$2,488	$2,094	19%
Segment Profit Margin	2.28%	2.30%	-2 bps

Highlights:

- **Revenue** for the Pharmaceutical segment increased 20 percent to $109.1 billion due to growth from existing and net new Pharmaceutical Distribution customers and, to a lesser extent, contributions from acquisitions as well as performance from the Specialty business.
- **Segment profit** increased 19 percent to $2.5 billion due to growth from existing and net new Pharmaceutical Distribution customers, as well as contributions from acquisitions.
- **Segment profit margin rate** decreased largely due to changes in product and customer mix, offset by performance under our generics program.

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FY16 Medical segment business analysis

	FY16 ($M)	FY15 ($M)	YoY Change
Revenue	$12,430	$11,395	9%
Segment Profit	$457	$433	6%
Segment Profit Margin	3.68%	3.80%	-12 bps

Highlights:

- **Revenue** for the Medical segment increased 9 percent to $12.4 billion due to net contributions from acquisitions and sales growth from existing businesses.
- **Segment profit** increased 6 percent to $457 million due to contributions from Cardinal Health Brand products as well as the net contribution from acquisitions, partially offset by Canada.
- **Segment profit margin rate** decreased primarily due to changes in the Canadian market, which affected the first half of fiscal 2016.

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FY16 GAAP to non-GAAP adjustments[1]

	FY 2016				FY 2015			
	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[2] ($M)	Diluted EPS[2]	Gross Margin ($M)	Operating Earnings ($M)	Net Earnings[2] ($M)	Diluted EPS[2]
GAAP	**$6,543**	**$2,459**	**$1,427**	**$4.32**	**$5,712**	**$2,161**	**$1,212**	**$3.61**
Restructuring and employee severance	-	25	16	0.05	-	44	29	0.09
Amortization and other acquisition-related costs	-	459	316	0.96	-	281	181	0.54
Impairments and (gain)/loss on disposal of assets	-	21	15	0.04	-	(19)	(9)	(0.03)
Litigation (recoveries)/charges, net	-	(69)	(42)	(0.13)	-	5	19	0.06
Loss on extinguishment of debt	-	-	-	-	-	-	37	0.11
Non-GAAP	**$6,543**	**$2,895**	**$1,732**	**$5.24**	**$5,712**	**$2,472**	**$1,469**	**$4.38**
Amortization of acquisition-related intangible assets	-	$355	$233	$0.70	-	$189	$120	$0.36

[1]Please see appendix for GAAP to Non-GAAP reconciliations.
[2]From continuing operations attributable to Cardinal Health, Inc.

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FY2017 Outlook

The company presents its outlook for fiscal 2017 non-GAAP EPS, non-GAAP effective tax rate and other forward-looking goals on the following pages. The company does not provide a GAAP EPS or GAAP effective tax rate outlook because it is unable to reliably forecast many of the items that the company excludes from GAAP EPS and effective tax rate to calculate them. See "Forward-Looking non-GAAP Measures" following the attached schedules for additional information.

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FY17 financial expectations

	FY2017 Outlook	FY2016 Actual
Revenue	High-single digit percentage growth vs. PY	$121.5B
Non-GAAP Diluted EPS	$5.48 to $5.73	$5.24

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FY17 corporate assumptions

	FY2017 Outlook	FY2016 Actual
Non-GAAP effective tax rate	35% - 37%[1]	36.0%[4]
Diluted weighted average Shares outstanding	324M – 326M[2]	330M
Interest and other, net	$190M - $205M	$183M
Capital expenditures	$400M - $450M	$465M
Acquisition-related intangible amortization	~$376M or ~$0.74[3]	$355M or $0.70

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

[2]Reflects the impact from a total of $600M of share repurchases in Q4FY16 and July 2016.

[3]Includes only acquisitions closed as of June 30, 2016.

[4]FY2016 GAAP ETR 37.1%, Please see appendix for GAAP to Non-GAAP reconciliations.

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Pharmaceutical segment FY17(E)

- **High-single digit percentage increase in revenue versus prior year**
- **Full-year segment profit essentially flat vs. prior year and back half-weighted. Q1FY17 expected to be down in high teens to low 20-percent range, vs. unusually strong Q1FY16**

Key assumptions

- Loss of a large pharmaceutical distribution customer contract, which expired on March 31, 2016
- Generic drug manufacturer price assumption – mid-single digit deflation for full fiscal year
- Brand drug manufacturer price assumption – approximately 10% inflation for full fiscal year
- Increased expense related to investment in information systems to support growth
- Incremental contribution from new generic launches, but Y-o-Y benefit significantly less
- Incremental contribution from Red Oak Sourcing, but Y-o-Y benefit significantly less
- Additional contributions from Metro Medical and Harvard Drug Group
- Double-digit revenue and profit growth from both Specialty and Cardinal Health China[1]

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

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Medical segment FY17(E)

- **Mid-single digit percentage increase in revenue vs. prior year**
- **Double-digit segment profit growth vs. prior year**

Key assumptions

- Cordis accretive by >$0.15 vs. prior year; net of transaction-related interest expense of $0.07-$0.08; increasingly accretive thereafter
- Above-market revenue growth in Cardinal Health at Home
- Double-digit profit growth from Cardinal Health Brand products

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FY16 to FY17E non-GAAP EPS bridge

(Items in red reflect mid-point of risk-adjusted range)

FY16 non-GAAP EPS[1]	**$5.24**
Net customer activity[2]	($0.55)
Generic programs[3]	$0.35
Existing (or Remaining) businesses[4]	$0.47
Capital deployment[5]	$0.10
FY17 non-GAAP EPS[1] midpoint	**$5.61**

[1] From continuing operations attributable to Cardinal Health, Inc.
[2] Enterprise-wide customer wins, losses and customer repricings
[3] Net impact from generics program, including generic drug manufacturer pricing assumptions, generic launches and Red Oak Sourcing
[4] Enterprise performance not captured in (2) and (3); includes expense related to pharmaceutical IT systems, unlapped portions of acquisitions that closed in fiscal 2016, performance under branded manufacturer agreements, etc.
[5] Includes $600M share repo executed in Q4FY16 and Q1FY17; assumes potential additional share repurchase, tuck-in acquisitions or a combination of both

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Cardinal Health outlook

	FY17 non-GAAP EPS growth contribution
Business growth[1]	~ 3% - 6%
Capital deployment	~ 2% - 3%
Total company growth	~ 5% - 9%

	Multi-year aspirations
Non-GAAP EPS growth	10% – 15%
Dividend payout[2]	30% – 35%

[1]*Defined as growth excluding acquisitions and share repurchase*
[2]*Defined as a percentage of non-GAAP EPS*

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Appendix

Q4 FY2016 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information

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Q4 FY2016 segment analysis

Pharmaceutical segment

	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Revenue ($M)	24,676	25,140	28,287	27,527	28,177
Segment Profit ($M)	535	657	627	660	542

Medical segment

	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Revenue ($M)	2,855	2,919	3,162	3,138	3,210
Segment Profit ($M)	103	101	106	128	122

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Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation[1]

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings[2] Before Income Taxes	Provision for Income Taxes	Net Earnings from Continuing Operations[3]	Net Earnings from Continuing Operations[3] Growth Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
	Fourth Quarter 2016									
GAAP	**$ 1,665**	**14 %**	**$ 620**	**11 %**	**$ 576**	**$ 241**	**$ 333**	**14 %**	**$ 1.02**	**16 %**
LIFO charges/(credits)	**(51)**		**(51)**		**(51)**	**(20)**	**(31)**		**(0.10)**	
Restructuring and employee severance	**-**		**6**		**6**	**2**	**4**		**0.01**	
Amortization and other acquisition-related costs	**-**		**132**		**132**	**28**	**104**		**0.32**	
Impairments and (gain)/loss on disposal of assets	**-**		**3**		**3**	**-**	**3**		**0.01**	
Litigation (recoveries)/charges, net	**-**		**(66)**		**(66)**	**(25)**	**(41)**		**(0.13)**	
Non-GAAP	**$ 1,614**	**11 %**	**$ 643**	**5 %**	**$ 599**	**$ 226**	**$ 372**	**12 %**	**$ 1.14**	**14 %**
	Fourth Quarter 2015									
GAAP	$ 1,458	16 %	$ 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)	
Non-GAAP	$ 1,458	16 %	$ 611	33 %	$ 577	$ 243	$ 333	17 %	$ 1.00	20 %

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings[2] Before Income Taxes	Provision for Income Taxes	Net Earnings from Continuing Operations[3]	Net Earnings from Continuing Operations[3] Growth Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
	Fiscal Year 2016									
GAAP	**$ 6,543**	**15 %**	**$ 2,459**	**14 %**	**$ 2,276**	**$ 845**	**$ 1,427**	**18 %**	**$ 4.32**	**20 %**
LIFO charges/(credits)	**-**		**-**		**-**	**-**	**-**		**-**	
Restructuring and employee severance	**-**		**25**		**25**	**9**	**16**		**0.05**	
Amortization and other acquisition-related costs	**-**		**459**		**459**	**143**	**316**		**0.96**	
Impairments and (gain)/loss on disposal of assets	**-**		**21**		**21**	**6**	**15**		**0.04**	
Litigation (recoveries)/charges, net	**-**		**(69)**		**(69)**	**(27)**	**(42)**		**(0.13)**	
Non-GAAP	**$ 6,543**	**15 %**	**$ 2,895**	**17 %**	**$ 2,711**	**$ 976**	**$ 1,732**	**18 %**	**$ 5.24**	**20 %**
	Fiscal Year 2015									
GAAP	$ 5,712	11 %	$ 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 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	$ 5,712	11 %	$ 2,472	16 %	$ 2,339	$ 870	$ 1,469	11 %	$ 4.38	14 %

[1] For more information on these measures, refer to the Definitions schedule
[2] From continuing operations
[3] Attributable to Cardinal Health, Inc.
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 2016	Fourth Quarter 2015	Non-GAAP Fourth Quarter 2016	Non-GAAP Fourth Quarter 2015
Revenue				
Amount	**$ 31,384**	$ 27,547		
Growth rate	**14 %**	20 %		
Gross margin				
Amount[1]	**$ 1,665**	$ 1,458	**$ 1,614**	$ 1,458
Growth rate	**14 %**	16 %	**11 %**	16 %
Operating earnings				
Amount	**$ 620**	$ 558	**$ 643**	$ 611
Growth rate	**11 %**	44 %	**5 %**	33 %
Net earnings from continuing operations attributable to Cardinal Health, Inc.				
Amount	**$ 333**	$ 293	**$ 372**	$ 333
Growth rate	**14 %**	25 %	**12 %**	17 %
Return on equity	**20 %**	18.7 %	**22.4 %**	21.3 %
Effective tax rate	**41.8 %**	44.1 %	**37.6 %**	42.2 %
Debt to total capital	**46 %**	47 %		
Net debt to capital			**33 %**	12 %

(in millions)	Fiscal Year 2016	Fiscal Year 2015	Non-GAAP Fiscal Year 2016	Non-GAAP Fiscal Year 2015
Revenue				
Amount	**$ 121,546**	$ 102,531		
Growth rate	**19 %**	13 %		
Gross margin				
Amount[1]	**$ 6,543**	$ 5,712	**$ 6,543**	$ 5,712
Growth rate	**15 %**	11 %	**15 %**	11 %
Operating earnings				
Amount	**$ 2,459**	$ 2,161	**$ 2,895**	$ 2,472
Growth rate	**14 %**	15 %	**17 %**	16 %
Net earnings from continuing operations attributable to Cardinal Health, Inc.				
Amount	**$ 1,427**	$ 1,212	**$ 1,732**	$ 1,469
Growth rate	**18 %**	4 %	**18 %**	11 %
Return on equity	**21.9 %**	19.4 %	**26.4 %**	23.4 %
Effective tax rate	**37.1 %**	38.4 %	**36.0 %**	37.2 %

[1] GAAP Gross margin includes the positive impact of a $51 million LIFO credit in the fourth quarter ($0 year-to-date).

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 2016	Fourth Quarter 2015
Pharmaceutical		
Revenue		
Amount	**$ 28,177**	$ 24,676
Growth rate	**14 %**	23 %
Segment profit		
Amount	**$ 542**	$ 535
Growth rate	**1 %**	42 %
Segment profit margin	**1.93 %**	2.17 %

(in millions)	Fourth Quarter 2016	Fourth Quarter 2015
Medical		
Revenue		
Amount	**$ 3,210**	$ 2,855
Growth rate	**12 %**	2 %
Segment profit		
Amount	**$ 122**	$ 103
Growth rate	**19 %**	7 %
Segment profit margin	**3.81 %**	3.59 %

Total consolidated revenue for the three months ended June 30, 2016 was $31,384 million, which included total segment revenue of $31,387 million and Corporate revenue of $(3) million. 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. 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, 2016 were $620 million, which included total segment profit of $664 million and Corporate costs of $(44) million. 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. 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)	Fiscal Year 2016	2015
Pharmaceutical		
Revenue		
Amount	**$ 109,131**	$ 91,116
Growth rate	**20 %**	14 %
Segment profit		
Amount	**$ 2,488**	$ 2,094
Growth rate	**19 %**	20 %
Segment profit margin	**2.28 %**	2.30 %

(in millions)	Fiscal Year 2016	2015
Medical		
Revenue		
Amount	**$ 12,430**	$ 11,395
Growth rate	**9 %**	4 %
Segment profit		
Amount	**$ 457**	$ 433
Growth rate[1]	**6 %**	(3)%
Segment profit margin	**3.68 %**	3.80 %

[1] Segment profit includes a $43 million impact from the roll out of the inventory fair value step up related to the Cordis acquisition for the fiscal year ended June 30, 2016. Excluding the impact of the inventory fair value step up, Medical segment profit growth rate would have been 15% for the fiscal year ended June 30, 2016.

Total consolidated revenue for the fiscal year ended June 30, 2016 was $121,546 million, which included total segment revenue of $121,561 million and Corporate revenue of $(15) million. 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. 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, 2016 were $2,459 million, which included total segment profit of $2,945 million and Corporate costs of $(486) million. 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. 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

(in millions)	Fourth Quarter 2016	2015
GAAP return on equity	**20 %**	18.7 %
Non-GAAP return on equity		
Net earnings from continuing operations attributable to Cardinal Health, Inc.	**$ 333**	$ 293
LIFO charges/(credits), net of tax	**(31)**	-
Restructuring and employee severance, net of tax	**4**	7
Amortization and other acquisition-related costs, net of tax	**104**	60
Impairments and (gain)/loss on disposal of assets, net of tax	**3**	-
Litigation (recoveries)/charges, net, net of tax	**(41)**	(27)
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 372**	$ 333
Annualized	**$ 1,486**	$ 1,332

	Fourth Quarter 2016	Third Quarter 2016	Fourth Quarter 2015	Third Quarter 2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,554**	**$ 6,713**	$ 6,256	$ 6,369
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,634**		$ 6,312	
Non-GAAP return on equity	**22.4 %**		21.3 %	

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

	Fiscal Year	
(in millions)	**2016**	2015
GAAP return on equity	**21.9 %**	19.4 %
Non-GAAP return on equity		
Net earnings from continuing operations attributable to Cardinal Health, Inc.	**$ 1,427**	$ 1,212
Restructuring and employee severance, net of tax	**16**	29
Amortization and other acquisition-related costs, net of tax	**316**	181
Impairments and (gain)/loss on disposal of assets, net of tax	**15**	(9)
Litigation (recoveries)/charges, net, net of tax	**(42)**	19
Loss on extinguishment of debt, net of tax	**-**	37
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 1,732**	$ 1,469

	Fourth Quarter 2016	**Third Quarter 2016**	**Second Quarter 2016**	**First Quarter 2016**	Fourth Quarter 2015	Third Quarter 2015	Second Quarter 2015	First Quarter 2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,554**	**$ 6,713**	**$ 6,712**	**$ 6,505**	$ 6,256	$ 6,369	$ 6,100	$ 6,256
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,548**				$ 6,276			
Non-GAAP return on equity	**26.4 %**				23.4 %			

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

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

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

(in millions)	Fourth Quarter 2016	Fourth Quarter 2015	Fiscal Year 2016	Fiscal Year 2015
GAAP effective tax rate	**41.8 %**	44.1 %	**37.1 %**	38.4 %
Non-GAAP effective tax rate				
Earnings before income taxes	**$ 576**	$ 523	**$ 2,276**	$ 1,967
LIFO charges/(credits)	**(51)**	-	**-**	-
Restructuring and employee severance	**6**	11	**25**	44
Amortization and other acquisition-related costs	**132**	91	**459**	281
Impairments and (gain)/loss on disposal of assets	**3**	-	**21**	(19)
Litigation (recoveries)/charges, net	**(66)**	(49)	**(69)**	5
Loss on extinguishment of debt	**-**	-	**-**	60
Adjusted earnings before income taxes	**$ 599**	$ 577	**$ 2,711**	$ 2,339
Provision for income taxes	**$ 241**	$ 230	**$ 845**	$ 755
LIFO charges/(credits) tax benefit	**(20)**	-	**-**	-
Restructuring and employee severance tax benefit	**2**	4	**9**	15
Amortization and other acquisition-related costs tax benefit	**28**	31	**143**	100
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**-**	-	**6**	(10)
Litigation (recoveries)/charges, net tax benefit/(expense)	**(25)**	(22)	**(27)**	(14)
Loss on extinguishment of debt tax benefit	**-**	-	**-**	23
Adjusted provision for income taxes	**$ 226**	$ 243	**$ 976**	$ 870
Non-GAAP effective tax rate	**37.6 %**	42.2 %	**36.0 %**	37.2 %

	Fourth Quarter 2016	Fourth Quarter 2015
Debt to total capital	**46 %**	47 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 587**	$ 281
Long-term obligations, less current portion	**4,952**	5,211
Debt	**$ 5,539**	$ 5,492
Cash and equivalents	**(2,356)**	(4,616)
Net debt	**$ 3,183**	$ 876
Total Cardinal Health, Inc. shareholders' equity	**6,554**	6,256
Capital	**$ 9,737**	$ 7,132
Net debt to capital	**33 %**	12 %

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

Forward Looking non-GAAP Measures

In this presentation, the Company presents its outlook for fiscal 2017 non-GAAP EPS and non-GAAP Effective Tax Rate (ETR). The Company does not provide EPS or ETR outlook, which are the most directly comparable GAAP measures to non-GAAP EPS and non-GAAP ETR, respectively, because changes in the items that the Company excludes from GAAP EPS and GAAP ETR to calculate these measures can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, due to their unpredictability, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on EPS or ETR outlook numbers.

The timing and amount of any of the excluded items could significantly impact the Company's fiscal 2017 EPS. Over the past five fiscal years, the excluded items have lowered the Company's EPS from $0.14 to $2.76, which includes a goodwill impairment charge of $2.32 per share related to our Nuclear Pharmacy Services division that we recognized in fiscal 2013.

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 outstanding.

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.