Q1 FY2017

Cardinal Health, Inc. Earnings Investor/Analyst call

October 31, 2016

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Forward-looking statements and GAAP reconciliation

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This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results, trends or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include competitive pressures in Cardinal Health's various lines of business; the amount or rate of generic and brand pharmaceutical price appreciation or deflation and the timing of and benefit from generic pharmaceutical introductions; the ability to maintain the benefits from the generic sourcing venture with CVS Health; the ability to successfully integrate and realize the benefits from the acquisition of Cordis; the risk of non-renewal or a default under one or more key customer or supplier arrangements or changes to the terms of or level of purchases under those arrangements; uncertainties due to government health care reform including federal health care reform legislation; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of any investigation or action by any regulatory authority; and changes in foreign currency rates and the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of October 31, 2016. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, this presentation contains Non-GAAP financial measures. Cardinal Health provides definitions and reconciliations of the differences between the Non-GAAP financial measures and their most directly comparable GAAP financial measures in the Financial Appendix at the end of this presentation and at ir.cardinalhealth.com. An audio replay of the webcast will be available at ir.cardinalhealth.com.

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Q1 FY2017 results

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Q1 FY17 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q1 FY17	Q1 FY16	Q1 FY17	Q1 FY16
Revenue *% change*	**$32,039** *14% increase YoY*	**$28,055** *17% increase YoY*	N/A	N/A
Operating Earnings *% change* *Ratio to revenue*	**$535** *14% decrease YoY* *1.67%*	**$620** *33% increase YoY* *2.21%*	**$669** *9% decrease YoY* *2.09%*	**$737** *30% increase YoY* *2.63%*
Net Earnings[1] *% change* *Ratio to revenue*	**$309** *19% decrease YoY* *0.96%*	**$383** *44% increase YoY* *1.37%*	**$399** *13% decrease YoY* *1.24%*	**$458** *35% increase YoY* *1.63%*
Diluted EPS[1] *% change*	**$0.96** *17% decrease YoY*	**$1.15** *47% increase YoY*	**$1.24** *10% decrease YoY*	**$1.38** *38% increase YoY*

[1]Attributable to Cardinal Health, Inc.
Please see appendix for GAAP to Non-GAAP reconciliations.

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Q1 FY17 Pharmaceutical segment business analysis

	Q1 FY17 ($M)	Q1 FY16 ($M)	YoY Change
Revenue	$28,762	$25,140	14%
Segment Profit	$534	$657	(19)%
Segment Profit Margin	1.86%	2.62%	-76 bps

Highlights:

- **Revenue** for the Pharmaceutical segment increased 14 percent to $28.8 billion due to growth from net new and existing Pharmaceutical Distribution customers and, to a lesser extent, performance from the Specialty business.
- **Segment profit** for the quarter decreased 19 percent to $534 million. This decrease was driven by generic pharmaceutical pricing and, to a lesser extent, reduced levels of branded inflation and the previously announced loss of a large Pharmaceutical Distribution customer. This was partially offset by solid performance from Red Oak Sourcing.
- **Segment profit margin rate** decreased largely due to generic pharmaceutical pricing and changes in product and customer mix.

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

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Q1 FY17 Medical segment business analysis

	Q1 FY17 ($M)	Q1 FY16 ($M)	YoY Change
Revenue	$3,279	$2,919	12%
Segment Profit	$127	$101	26%
Segment Profit Margin	3.87%	3.45%	+42 bps

Highlights:

- **Revenue** for the Medical segment increased 12 percent to $3.3 billion driven by contributions from acquisitions and net new and existing customers.
- **Segment profit** increased 26 percent to $127 million due to contributions from acquisitions and Cardinal Health Brand products.
- **Segment profit margin rate** increased due to contributions from acquisitions and Cardinal Health Brand products. This was partially offset by the accelerated onboarding of a new large distribution customer.

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Q1 FY17 GAAP to non-GAAP adjustments[1,2]

	Q1 FY 2017			Q1 FY 2016		
	Operating Earnings ($M)	Net Earnings[3] ($M)	Diluted EPS[3]	Operating Earnings ($M)	Net Earnings[3] ($M)	Diluted EPS[3]
GAAP	**$535**	**$309**	**$0.96**	**$620**	**$383**	**$1.15**
Restructuring and employee severance	9	5	0.02	12	7	0.02
Amortization and other acquisition-related costs	122	82	0.25	105	68	0.21
Impairments and (gain)/loss on disposal of assets	3	2	0.01	-	-	-
Litigation (recoveries)/charges, net	1	1	-	-	-	-
Non-GAAP	**$669**	**$399**	**$1.24**	**$737**	**$458**	**$1.38**
Amortization of acquisition-related intangible assets	$101	$69	$0.21	$67	$42	$0.13

[1]Please see appendix for GAAP to Non-GAAP reconciliations.
[2]There were no LIFO charges/credits or losses on extinguishment of debt during the periods presented.
[3]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	$5.40 to $5.60	$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	320M – 322M[2]	330M
Interest and other, net	$190M - $205M	$183M
Capital expenditures	$400M - $450M	$465M
Acquisition-related intangible amortization	~$385M or ~$0.79[3]	$355M or $0.70

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

[2]Reflects the impact from a total of $250M of share repurchases in Q1FY17 and potential additional repurchases.

[3]Includes only acquisitions closed as of September 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 down mid-to-high single digits versus prior year and back half-weighted**
- **Q2FY17 segment profit decline expected to be relatively in line with Q1FY17 segment profit decline on a percentage basis**

Key assumptions

- Loss of a large pharmaceutical distribution customer contract, which expired on March 31, 2016
- Generic drug price assumption of mid-to-high single digit deflation for full fiscal year
- Brand drug manufacturer price assumption of 7% to 9% 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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Cardinal Health outlook

	FY17 non-GAAP EPS growth contribution
Business growth[1]	0% - 3%
Capital deployment	3% - 4%
Total company growth	3% - 7%

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

[1]Defined as growth excluding acquisitions and share repurchase completed in FY17
[2]Defined as a percentage of non-GAAP EPS

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Appendix

Q1 FY2017 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information

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Q1 FY2017 segment analysis

Pharmaceutical segment

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
Revenue ($M)	25,140	28,287	27,527	28,177	28,762
Segment Profit ($M)	657	627	660	542	534

Medical segment

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
Revenue ($M)	2,919	3,162	3,138	3,210	3,279
Segment Profit ($M)	101	106	128	122	127

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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	Provision for Income Taxes	Net Earnings[1]	Net Earnings[1] Growth Rate	Diluted EPS[1]	Diluted EPS[1] Growth Rate
	First Quarter 2017							
GAAP	**$ 535**	**(14)%**	**$ 494**	**$ 184**	**$ 309**	**(19)%**	**$ 0.96**	**(17)%**
Restructuring and employee severance	**9**		**9**	**4**	**5**		**0.02**	
Amortization and other acquisition-related costs	**122**		**122**	**40**	**82**		**0.25**	
Impairments and (gain)/loss on disposal of assets	**3**		**3**	**1**	**2**		**0.01**	
Litigation (recoveries)/charges, net	**1**		**1**	**-**	**1**		**-**	
Non-GAAP	**$ 669**	**(9)%**	**$ 629**	**$ 229**	**$ 399**	**(13)%**	**$ 1.24**	**(10)%**
	First Quarter 2016							
GAAP	$ 620	33 %	$ 568	$ 184	$ 383	44 %	$ 1.15	47 %
Restructuring and employee severance	12		12	5	7		0.02	
Amortization and other acquisition-related costs	105		105	37	68		0.21	
Impairments and (gain)/loss on disposal of assets	-		-	-	-		-	
Litigation (recoveries)/charges, net	-		-	-	-		-	
Non-GAAP	$ 737	30 %	$ 685	$ 226	$ 458	35 %	$ 1.38	38 %

[1] 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.

There were no LIFO charges/(credits) or losses on extinguishment of debt during the periods presented.

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

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings[1] Before Income Taxes	Provision for Income Taxes	Net Earnings from Continuing Operations[2]	Net Earnings from Continuing Operations[2] Growth Rate	Diluted EPS[1,2]	Diluted EPS[1,2] Growth Rate
	Fiscal Year 2016							
GAAP	**$ 2,459**	**14 %**	**$ 2,276**	**$ 845**	**$ 1,427**	**18 %**	**$ 4.32**	**20 %**
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	**$ 2,895**	**17 %**	**$ 2,711**	**$ 976**	**$ 1,732**	**18 %**	**$ 5.24**	**20 %**

[1] From continuing operations

[2] 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)	First Quarter		Non-GAAP First Quarter	
	2017	2016	**2017**	2016
Revenue				
Amount	**$ 32,039**	$ 28,055		
Growth rate	**14 %**	17 %		
Operating earnings				
Amount	**$ 535**	$ 620	**$ 669**	$ 737
Growth rate	**(14)%**	33 %	**(9)%**	30 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 309**	$ 383	**$ 399**	$ 458
Growth rate	**(19)%**	44 %	**(13)%**	35 %
Return on equity	**19 %**	24.0 %	**24.4 %**	28.7 %
Effective tax rate	**37.3 %**	32.3 %	**36.4 %**	32.9 %
Debt to total capital	**46 %**	46 %		
Net debt to capital			**35 %**	28 %

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)	First Quarter 2017	2016
Pharmaceutical		
Revenue		
Amount	**$ 28,762**	$ 25,140
Growth rate	**14 %**	19 %
Segment profit		
Amount	**$ 534**	$ 657
Growth rate	**(19)%**	46 %
Segment profit margin	**1.86 %**	2.62 %

(in millions)	First Quarter 2017	2016
Medical		
Revenue		
Amount	**$ 3,279**	$ 2,919
Growth rate	**12 %**	2 %
Segment profit		
Amount	**$ 127**	$ 101
Growth rate	**26 %**	(11)%
Segment profit margin	**3.87 %**	3.45 %

Total consolidated revenue for the three months ended September 30, 2016 was $32,039 million, which included total segment revenue of $32,041 million and Corporate revenue of $(2) million. Total consolidated revenue for the three months ended September 30, 2015 was $28,055 million, which included total segment revenue of $28,059 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 September 30, 2016 were $535 million, which included total segment profit of $661 million and Corporate costs of $(126) million. Total consolidated operating earnings for the three months ended September 30, 2015 were $620 million, which included total segment profit of $758 million and Corporate costs of $(138) 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

	First Quarter	
(in millions)	**2017**	2016
GAAP return on equity	**19.0 %**	24.0 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 309**	$ 383
Restructuring and employee severance, net of tax	**5**	7
Amortization and other acquisition-related costs, net of tax	**82**	68
Impairments and (gain)/loss on disposal of assets, net of tax	**2**	-
Litigation (recoveries)/charges, net, net of tax	**1**	-
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 399**	$ 458
Annualized	**$ 1,596**	$ 1,832

	First Quarter	**Fourth Quarter**	First Quarter	Fourth Quarter
	2017	**2016**	2016	2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,512**	**$ 6,554**	$ 6,505	$ 6,256
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,533**		$ 6,380	
Non-GAAP return on equity	**24.4 %**		28.7 %	

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)	First Quarter 2017	2016
GAAP effective tax rate	**37.3 %**	32.3 %
Non-GAAP effective tax rate		
Earnings before income taxes	**$ 494**	$ 568
Restructuring and employee severance	**9**	12
Amortization and other acquisition-related costs	**122**	105
Impairments and (gain)/loss on disposal of assets	**3**	-
Litigation (recoveries)/charges, net	**1**	-
Adjusted earnings before income taxes	**$ 629**	$ 685
Provision for income taxes	**$ 184**	$ 184
Restructuring and employee severance tax benefit	**4**	5
Amortization and other acquisition-related costs tax benefit	**40**	37
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**1**	-
Adjusted provision for income taxes	**$ 229**	$ 226
Non-GAAP effective tax rate	**36.4 %**	32.9 %

	First Quarter 2017	2016
Debt to total capital	**46 %**	46 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 616**	$ 319
Long-term obligations, less current portion	**4,916**	5,231
Debt	**$ 5,532**	$ 5,550
Cash and equivalents	**(2,001)**	(2,974)
Net debt	**$ 3,531**	$ 2,576
Total Cardinal Health, Inc. shareholders' equity	**6,512**	6,505
Capital	**$ 10,043**	$ 9,081
Net debt to capital	**35 %**	28 %

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 2016
GAAP effective tax rate		**37.1 %**
Non-GAAP effective tax rate		
Earnings before income taxes	**$**	**2,276**
Restructuring and employee severance		**25**
Amortization and other acquisition-related costs		**459**
Impairments and (gain)/loss on disposal of assets		**21**
Litigation (recoveries)/charges, net		**(69)**
Adjusted earnings before income taxes	**$**	**2,711**
Provision for income taxes	**$**	**845**
Restructuring and employee severance tax benefit		**9**
Amortization and other acquisition-related costs tax benefit		**143**
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)		**6**
Litigation (recoveries)/charges, net tax benefit/(expense)		**(27)**
Adjusted provision for income taxes	**$**	**976**
Non-GAAP effective tax rate		**36.0 %**

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).

[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.

Cardinal Health, Inc. and Subsidiaries

Definitions

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.