Q2 FY2017

Cardinal Health, Inc. Earnings Investor/Analyst call
February 7, 2017



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Forward-looking statements and GAAP reconciliation

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Q2 FY2017 results



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Q2 FY17 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q2 FY17	Q2 FY16	Q2 FY17	Q2 FY16
Revenue *% change*	**$33,150** *5% increase YoY*	**$31,445** *23% increase YoY*	N/A	N/A
Gross Margin *% change* *Ratio to revenue*	**$1,602** *0% decrease YoY* *4.83%*	**$1,609** *11% increase YoY* *5.12%*	**$1,611** *2% decrease YoY* *4.86%*	**$1,648** *13% increase YoY* *5.24%*
Operating Earnings *% change* *Ratio to revenue*	**$542** *4% decrease YoY* *1.63%*	**$563** *3% increase YoY* *1.79%*	**$701** *4% decrease YoY* *2.11%*	**$726** *14% increase YoY* *2.31%*
Net Earnings[1] *% change* *Ratio to revenue*	**$324** *0% decrease YoY* *0.98%*	**$326** *13% increase YoY* *1.04%*	**$427** *1% decrease YoY* *1.29%*	**$430** *7% increase YoY* *1.37%*
Diluted EPS[1] *% change*	**$1.02** *4% increase YoY*	**$0.98** *14% increase YoY*	**$1.34** *3% increase YoY*	**$1.30** *8% increase YoY*

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

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Q2 FY17 Pharmaceutical segment business analysis

	Q2 FY17 ($M)	Q2 FY16 ($M)	YoY Change
Revenue	$29,743	$28,287	5%
Segment Profit	$537	$627	(14)%
Segment Profit Margin	1.81%	2.22%	-41 bps

Highlights:

- **Revenue** for the Pharmaceutical segment increased 5 percent to $29.7 billion due to growth from existing Pharmaceutical Distribution customers and strong performance from the Specialty business.
- **Segment profit** for the quarter decreased 14 percent to $537 million. This decrease was driven by generic pharmaceutical pricing and, to a lesser extent, 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.

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

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Q2 FY17 Medical segment business analysis

	Q2 FY17 ($M)	Q2 FY16 ($M)	YoY Change
Revenue	$3,410	$3,162	8%
Segment Profit	$159	$106	50%
Segment Profit Margin	4.68%	3.36%	+132 bps

Highlights:

- **Revenue** for the Medical segment increased 8 percent to $3.4 billion driven by contributions from net new and existing customers.
- **Segment profit** increased 50 percent to $159 million due to the contribution from Cardinal Health Brand products, which includes Cordis. The increase reflects the $21 million unfavorable impact of the Cordis-related inventory fair value step-up in the second quarter of fiscal year 2016. Excluding this step-up, year-over-year Medical segment profit growth was 25 percent.
- **Segment profit margin rate** increased due to Cardinal Health Brand products, which includes Cordis.

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

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Q2 FY17 GAAP to non-GAAP adjustments[1]

	Q2 FY 2017				Q2 FY 2016			
	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	**$1,602**	**$542**	**$324**	**$1.02**	**$1,609**	**$563**	**$326**	**$0.98**
LIFO charges/(credits)	9	9	5	0.02	39	39	24	0.07
Restructuring and employee severance	-	7	5	0.01	-	2	1	-
Amortization and other acquisition-related costs	-	115	76	0.24	-	114	73	0.22
Impairments and (gain)/loss on disposal of assets	-	9	6	0.02	-	17	10	0.03
Litigation (recoveries)/charges, net	-	19	12	0.04	-	(9)	(4)	(0.01)
Non-GAAP	**$1,611**	**$701**	**$427**	**$1.34**	**$1,648**	**$726**	**$430**	**$1.30**
Amortization of acquisition-related intangible assets[3]	-	$95	$63	$0.20	-	$100	$65	$0.20

[1]Please see appendix for GAAP to Non-GAAP reconciliations.
[2]Attributable to Cardinal Health, Inc.
[3]Amortization of acquisition-related intangible assets is included in Amortization and other acquisition-related costs

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

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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. As previously disclosed, 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	$5.35 to $5.50	$5.24

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FY17 corporate assumptions

	FY2017 Outlook	FY2016 Actual
Non-GAAP effective tax rate	35% - 37%[1]	36.0%[3]
Diluted weighted average Shares outstanding	320M - 321M	330M
Interest and other, net	$190M - $205M	$183M
Capital expenditures	$400M - $450M	$465M
Acquisition-related intangible amortization	~$384M or ~$0.77[2]	$355M or $0.70

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

[2]Includes only acquisitions closed as of December 31, 2016.

[3]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 high-single to low-double digits versus prior year**

Key assumptions

- Loss of a large pharmaceutical distribution customer contract, which expired on March 31, 2016
- Generic drug price assumption of 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; growth is on a U.S. dollar basis
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Medical segment FY17(E)

- **Mid to high-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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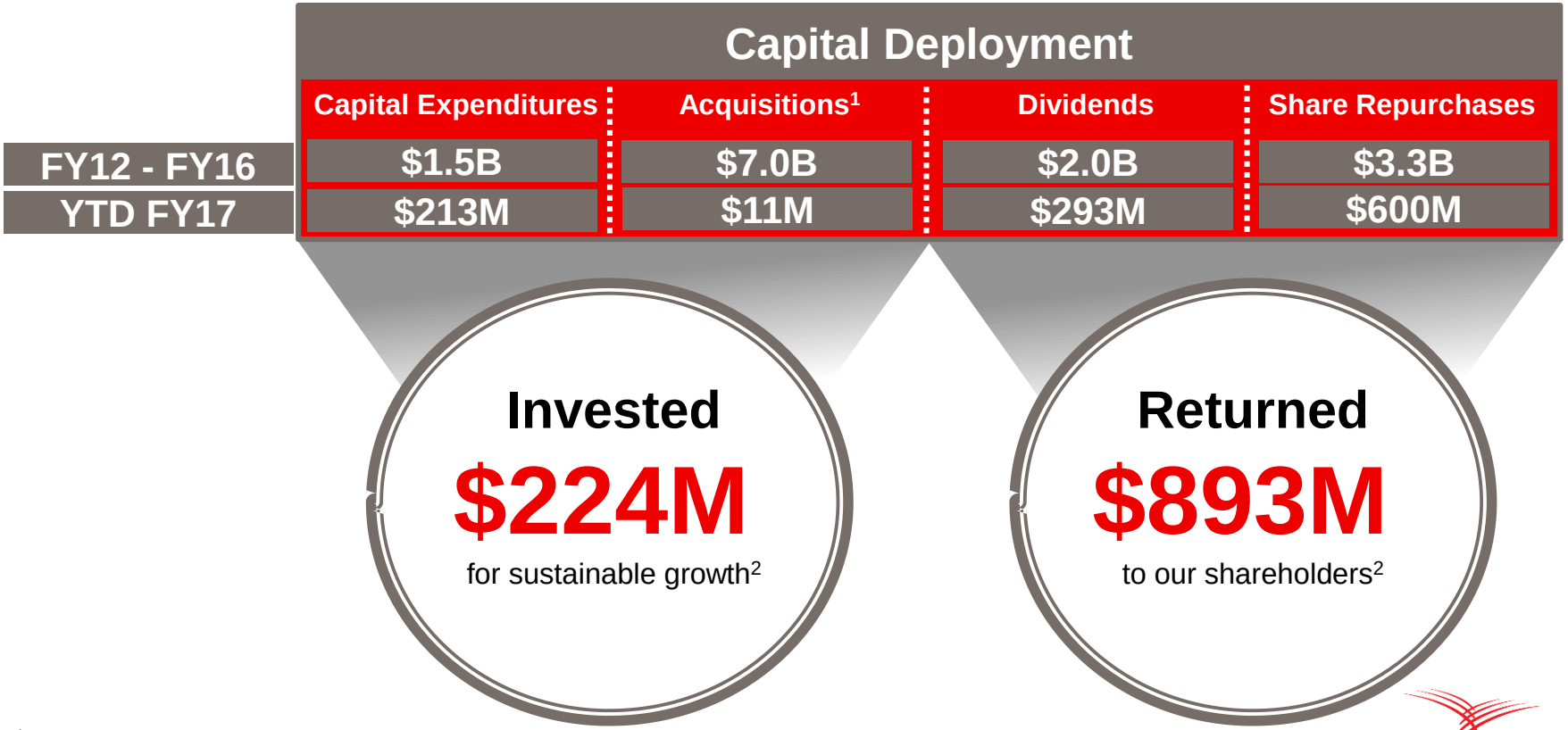
A balanced approach with capital



[1]*Acquisitions are net of divestitures.*
[2]*Six months ended 12/31/2016*

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Appendix

Q2 FY2017 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information

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Q2 FY2017 segment analysis

Pharmaceutical segment

	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
Revenue ($M)	28,287	27,527	28,177	28,762	29,743
Segment Profit ($M)	627	660	542	534	537

Medical segment

	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
Revenue ($M)	3,162	3,138	3,210	3,279	3,410
Segment Profit ($M)	106	128	122	127	159

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Year-to-date financial summary[1]

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	H1 FY17	H1 FY16	H1 FY17	H1 FY16
Revenue *% change*	**$65,189** *10% increase YoY*	**$59,499** *20% increase YoY*	N/A	N/A
Gross Margin *% change* *Ratio to revenue*	**$3,192** *0% increase YoY* *4.90%*	**$3,188** *14% increase YoY* *5.36%*	**$3,201** *1% decrease YoY* *4.91%*	**$3,227** *15% increase YoY* *5.42%*
Operating Earnings *% change* *Ratio to revenue*	**$1,076** *9% decrease YoY* *1.65%*	**$1,183** *17% increase YoY* *1.99%*	**$1,370** *6% decrease YoY* *2.10%*	**$1,463** *22% increase YoY* *2.46%*
Net Earnings[2] *% change* *Ratio to revenue*	**$633** *11% decrease YoY* *0.97%*	**$709** *28% increase YoY* *1.19%*	**$826** *7% decrease YoY* *1.27%*	**$889** *20% increase YoY* *1.49%*
Diluted EPS[2] *% change*	**$1.97** *8% decrease YoY*	**$2.14** *30% increase YoY*	**$2.57** *4% decrease YoY*	**$2.68** *22% increase YoY*

[1] Six months ended 12/31/2016
[2] Attributable to Cardinal Health, Inc.
Please see appendix for GAAP to Non-GAAP reconciliations.

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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 Before Income Taxes	Provision for Income Taxes	Net Earnings[2]	Net Earnings[2] Growth Rate	Diluted EPS[2,3,4]	Diluted EPS[2] Growth Rate
	Second Quarter 2017									
GAAP	**$ 1,602**	**- %**	**$ 542**	**(4)%**	**$ 491**	**$ 167**	**$ 324**	**- %**	**$ 1.02**	**4 %**
LIFO charges/(credits)	**9**		**9**		**9**	**4**	**5**		**0.02**	
Restructuring and employee severance	**-**		**7**		**7**	**2**	**5**		**0.01**	
Amortization and other acquisition-related costs	**-**		**115**		**115**	**39**	**76**		**0.24**	
Impairments and (gain)/loss on disposal of assets	**-**		**9**		**9**	**3**	**6**		**0.02**	
Litigation (recoveries)/charges, net	**-**		**19**		**19**	**7**	**12**		**0.04**	
Non-GAAP	**$ 1,611**	**(2)%**	**$ 701**	**(4)%**	**$ 650**	**$ 222**	**$ 427**	**(1)%**	**$ 1.34**	**3 %**
					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 %

[1] For more information on these measures, refer to the Use of Non-GAAP Financial Measures and Definitions schedules

[2] Attributable to Cardinal Health, Inc.

[3] GAAP diluted EPS for the three months ended December 31, 2016 compared to the prior year period was favorably impacted by $0.09, which includes $0.05 due to change in the effective tax rate and $0.04 due to the change in weighted average shares outstanding. The change in GAAP diluted EPS due to the effective tax rate is calculated as ((GAAP Earnings before Income Taxes for the current period times (one minus the current period GAAP Effective Tax Rate)) minus (GAAP Earnings before Income Taxes for the current period times (one minus the prior period GAAP Effective Tax Rate))) divided by the current period weighted average shares outstanding. The change in GAAP diluted EPS due to the weighted average shares outstanding is calculated as (GAAP Net Earnings for the current period divided by the current period weighted average shares outstanding) minus (GAAP Net Earnings for the current period divided by the prior period weighted average shares outstanding).

[4] Non-GAAP diluted EPS for the three months ended December 31, 2016 compared to the prior year period was favorably impacted by $0.11, which includes $0.06 due to change in the effective tax rate and $0.05 due to the change in weighted average shares outstanding. The change in Non-GAAP diluted EPS due to the effective tax rate is calculated as ((Non-GAAP Earnings before Income Taxes for the current period times (one minus the current period Non-GAAP Effective Tax Rate)) minus (Non-GAAP Earnings before Income Tax for the current period times (one minus the prior period Non-GAAP Effective Tax Rate))) divided by the current period weighted average shares outstanding. The change in Non-GAAP diluted EPS due to the weighted average shares outstanding is calculated as (Non-GAAP Net Earnings for the current period divided by the current period weighted average shares outstanding) minus (Non-GAAP Net Earnings for the current period divided by the prior period weighted average shares outstanding).

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 losses on extinguishment of debt during the periods presented.

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 Before Income Taxes	Provision for Income Taxes	Net Earnings[2]	Net Earnings[2] Growth Rate	Diluted EPS[2]	Diluted EPS[2] Growth Rate
					Year-to-Date 2017					
GAAP	**$ 3,192**	**- %**	**$ 1,076**	**(9)%**	**$ 985**	**$ 351**	**$ 633**	**(11)%**	**$ 1.97**	**(8)%**
LIFO charges/(credits)	**9**		**9**		**9**	**4**	**5**		**0.02**	
Restructuring and employee severance	**-**		**16**		**16**	**6**	**10**		**0.03**	
Amortization and other acquisition-related costs	**-**		**237**		**237**	**79**	**158**		**0.49**	
Impairments and (gain)/loss on disposal of assets	**-**		**12**		**12**	**4**	**8**		**0.02**	
Litigation (recoveries)/charges, net	**-**		**20**		**20**	**8**	**12**		**0.04**	
Non-GAAP	**$ 3,201**	**(1)%**	**$ 1,370**	**(6)%**	**$ 1,279**	**$ 452**	**$ 826**	**(7)%**	**$ 2.57**	**(4)%**
					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 %

[1] For more information on these measures, refer to the Use of Non-GAAP Financial Measures and Definitions schedules
[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.
There were no 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 %**
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	**$ 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)	Second Quarter 2017	Second Quarter 2016	Non-GAAP Second Quarter 2017	Non-GAAP Second Quarter 2016
Revenue				
Amount	**$ 33,150**	$ 31,445		
Growth rate	**5 %**	23 %		
Gross margin				
Amount	**$ 1,602**	$ 1,609	**$ 1,611**	$ 1,648
Growth rate	**- %**	11 %	**(2)%**	13 %
Operating earnings				
Amount	**$ 542**	$ 563	**$ 701**	$ 726
Growth rate	**(4)%**	3 %	**(4)%**	14 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 324**	$ 326	**$ 427**	$ 430
Growth rate	**- %**	13 %	**(1)%**	7 %
Return on equity	**20.2 %**	19.7 %	**26.6 %**	26.0 %
Effective tax rate	**34.0 %**	37.3 %	**34.2 %**	37.1 %
Debt to total capital	**46 %**	45 %		
Net debt to capital			**36 %**	32 %

(in millions)	Year-to-Date 2017	Year-to-Date 2016	Non-GAAP Year-to-Date 2017	Non-GAAP Year-to-Date 2016
Revenue				
Amount	**$ 65,189**	$ 59,499		
Growth rate	**10 %**	20 %		
Gross margin				
Amount	**$ 3,192**	$ 3,188	**$ 3,201**	$ 3,227
Growth rate	**- %**	14 %	**(1)%**	15 %
Operating earnings				
Amount	**$ 1,076**	$ 1,183	**$ 1,370**	$ 1,463
Growth rate	**(9)%**	17 %	**(6)%**	22 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 633**	$ 709	**$ 826**	$ 889
Growth rate	**(11)%**	28 %	**(7)%**	20 %
Return on equity	**19.6 %**	21.8 %	**25.6 %**	27.4 %
Effective tax rate	**35.6 %**	34.7 %	**35.3 %**	35.0 %

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 2017	2016
Pharmaceutical		
Revenue		
Amount	**$ 29,743**	$ 28,287
Growth rate	**5 %**	25 %
Segment profit		
Amount	**$ 537**	$ 627
Growth rate	**(14)%**	16 %
Segment profit margin	**1.81 %**	2.22 %

(in millions)	Second Quarter 2017	2016
Medical		
Revenue		
Amount	**$ 3,410**	$ 3,162
Growth rate	**8 %**	9 %
Segment profit		
Amount	**$ 159**	$ 106
Growth rate[1]	**50 %**	(8)%
Segment profit margin	**4.68 %**	3.36 %

[1] Segment profit for three months ended December 31, 2015 includes a $21 million unfavorable impact of Cordis-related inventory fair value step-up. Excluding this step-up, year-over-year Medical segment profit growth was 25 percent and 10 percent for the three months ended December 31, 2016 and 2015, respectively.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended December 31, 2016 was $33,150 million, which included total segment revenue of $33,153 million and Corporate revenue of $(3) million. 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. 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, 2016 were $542 million, which included total segment profit of $696 million and Corporate costs of $(154) million. 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. 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 2017	2016
Pharmaceutical		
Revenue		
Amount	**$ 58,505**	$ 53,427
Growth rate	**10 %**	22 %
Segment profit		
Amount	**$ 1,071**	$ 1,285
Growth rate	**(17)%**	29 %
Segment profit margin	**1.83 %**	2.41 %

(in millions)	Year-to-Date 2017	2016
Medical		
Revenue		
Amount	**$ 6,690**	$ 6,081
Growth rate	**10 %**	5 %
Segment profit		
Amount	**$ 286**	$ 207
Growth rate[1]	**39 %**	(10)%
Segment profit margin	**4.28 %**	3.40 %

[1] Segment profit for the six months ended December 31, 2015 includes the $21 million unfavorable impact of the Cordis-related inventory step-up. Excluding this step-up, year-over-year Medical segment profit growth was 25 percent and flat for the six months ended December 31, 2016 and 2015, respectively.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the six months ended December 31, 2016 was $65,189 million, which included total segment revenue of $65,195 million and Corporate revenue of $(6) million. 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. 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, 2016 were $1,076 million, which included total segment profit of $1,357 million and Corporate costs of $(281) million. 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. 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)	**2017**	2016
GAAP return on equity	**20.2 %**	19.7 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 324**	$ 326
LIFO charges/(credits), net of tax	**5**	24
Restructuring and employee severance, net of tax	**5**	1
Amortization and other acquisition-related costs, net of tax	**76**	73
Impairments and (gain)/loss on disposal of assets, net of tax	**6**	10
Litigation (recoveries)/charges, net, net of tax	**12**	(4)
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 427**	$ 430
Annualized	**$ 1,710**	$ 1,720

	Second Quarter	**First Quarter**	Second Quarter	First Quarter
	2017	**2017**	2016	2016
Total Cardinal Health, Inc. shareholders' equity	**$ 6,323**	**$ 6,512**	$ 6,711	$ 6,505
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,418**		$ 6,608	
Non-GAAP return on equity	**26.6 %**		26.0 %	

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
GAAP / Non-GAAP Reconciliation

	Year-to-Date	
(in millions)	**2017**	2016
GAAP return on equity	**19.6 %**	21.8 %
Non-GAAP return on equity		
Net earnings from continuing operations attributable to Cardinal Health, Inc.	**$ 633**	$ 709
LIFO charges/(credits), net of tax	**5**	24
Restructuring and employee severance, net of tax	**10**	9
Amortization and other acquisition-related costs, net of tax	**158**	141
Impairments and (gain)/loss on disposal of assets, net of tax	**8**	10
Litigation (recoveries)/charges, net, net of tax	**12**	(4)
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 826**	$ 889
Annualized	**$ 1,652**	$ 1,778

	Second Quarter	**First Quarter**	**Fourth Quarter**	Second Quarter	First Quarter	Fourth Quarter
	2017	**2017**	**2016**	2016	2016	2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,323**	**$ 6,512**	**$ 6,554**	$ 6,711	$ 6,505	$ 6,256
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,463**			$ 6,491		
Non-GAAP return on equity	**25.6 %**			27.4 %		

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)	Second Quarter 2017	Second Quarter 2016	Year-to-Date 2017	Year-to-Date 2016
GAAP effective tax rate	**34.0 %**	37.3 %	**35.6 %**	34.7 %
Non-GAAP effective tax rate				
Earnings before income taxes	**$ 491**	$ 520	**$ 985**	$ 1,087
LIFO charges/(credits)	**9**	39	**9**	39
Restructuring and employee severance	**7**	2	**16**	14
Amortization and other acquisition-related costs	**115**	114	**237**	219
Impairments and (gain)/loss on disposal of assets	**9**	17	**12**	17
Litigation (recoveries)/charges, net	**19**	(9)	**20**	(9)
Adjusted earnings before income taxes	**$ 650**	$ 683	**$ 1,279**	$ 1,368
Provision for income taxes	**$ 167**	$ 194	**$ 351**	$ 377
LIFO charges/(credits) tax benefit	**4**	15	**4**	15
Restructuring and employee severance tax benefit	**2**	1	**6**	5
Amortization and other acquisition-related costs tax benefit	**39**	41	**79**	78
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)	**3**	7	**4**	7
Litigation (recoveries)/charges, net tax benefit/(expense)	**7**	(5)	**8**	(5)
Adjusted provision for income taxes	**$ 222**	$ 253	**$ 452**	$ 479
Non-GAAP effective tax rate	**34.2 %**	37.1 %	**35.3 %**	35.0 %

	Second Quarter 2017	Second Quarter 2016
Debt to total capital	**46 %**	45 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 603**	$ 354
Long-term obligations, less current portion	**4,859**	5,171
Debt	**$ 5,462**	$ 5,525
Cash and equivalents	**(1,881)**	(2,324)
Net debt	**$ 3,581**	$ 3,201
Total Cardinal Health, Inc. shareholders' equity	**6,323**	6,711
Capital	**$ 9,904**	$ 9,912
Net debt to capital	**36 %**	32 %

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.