Q3 FY2017

Cardinal Health, Inc. Earnings Investor/Analyst call

May 1, 2017



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Forward-looking statements and GAAP reconciliation

Cautions Concerning Forward-Looking Statements

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 branded 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 complete the acquisition of the Patient Recovery businesses from Medtronic on a timely basis, including obtaining required regulatory approvals and the satisfaction of other conditions; the conditions of the credit markets and our ability to issue debt to fund the acquisition on acceptable terms; if the acquisition of the Patient Recovery businesses is completed, the ability to retain the acquired businesses' customers and employees, the ability to successfully integrate the acquired businesses into our operations and the ability to achieve the expected synergies as well as accretion in earnings; risks associated with the anticipated increase of indebtedness and potential limitations on our ability to use our cash for other purposes; our 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 proposals to modify or repeal the Affordable Care Act; uncertainties with respect to U.S. tax or trade laws, including proposals relating to a "border adjustment tax" or new import tariffs; 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 May 1, 2017. 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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Q3 FY2017 results

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Q3 FY17 financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q3 FY17	Q3 FY16	Q3 FY17	Q3 FY16
Revenue *% change*	**$31,821** *4% increase YoY*	**$30,662** *21% increase YoY*	N/A	N/A
Gross Margin *% change* *Ratio to revenue*	**$1,728** *2% increase YoY* *5.43%*	**$1,689** *16% increase YoY* *5.51%*	**$1,719** *1% increase YoY* *5.40%*	**$1,702** *17% increase YoY* *5.55%*
Operating Earnings *% change* *Ratio to revenue*	**$605** *8% decrease YoY* *1.90%*	**$656** *11% increase YoY* *2.14%*	**$759** *4% decrease YoY* *2.39%*	**$788** *20% increase YoY* *2.57%*
Net Earnings[1] *% change* *Ratio to revenue*	**$381** *1% decrease YoY* *1.20%*	**$386** *6% increase YoY* *1.26%*	**$485** *3% increase YoY* *1.52%*	**$472** *19% increase YoY* *1.54%*
Diluted EPS[1] *% change*	**$1.20** *3% increase YoY*	**$1.17** *7% increase YoY*	**$1.53** *7% increase YoY*	**$1.43** *20% increase YoY*

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

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Q3 FY17 Pharmaceutical segment business analysis

	Q3 FY17 ($M)	Q3 FY16 ($M)	YoY Change
Revenue	$28,406	$27,527	3%
Segment Profit	$611	$660	(7)%
Segment Profit Margin	2.15%	2.40%	-25 bps

Highlights:

- **Revenue** for the Pharmaceutical segment increased 3 percent to $28.4 billion due to performance from the Specialty business and growth from Pharmaceutical Distribution customers.
- **Segment profit** for the quarter decreased 7 percent to $611 million. This decrease was driven by generic pharmaceutical pricing, the final quarterly impact of the loss of Safeway, and the company's ongoing investment in its pharmaceutical IT platform. These were 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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Q3 FY17 Medical segment business analysis

	Q3 FY17 ($M)	Q3 FY16 ($M)	YoY Change
Revenue	$3,418	$3,138	9%
Segment Profit	$148	$128	16%
Segment Profit Margin	4.34%	4.08%	+26 bps

Highlights:

- **Revenue** for the Medical segment increased 9 percent to $3.4 billion driven by contributions from new and existing customers.
- **Segment profit** 16 percent to $148 million, reflecting solid performance from naviHealth, Cardinal Health Branded products (excluding Cordis) and distribution services. A decline in Cordis performance reflected increased SG&A expenses and the net favorable impact of two larger inventory adjustments in the year-over-year comparison.
- **Segment profit margin rate** increased due to the same factors mentioned above.

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

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Q3 FY17 GAAP to non-GAAP adjustments[1]

	Q3 FY 2017				Q3 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	**$1,728**	**$605**	**$381**	**$1.20**	**$1,689**	**$656**	**$386**	**$1.17**
LIFO charges/(credits)	(9)	(9)	(5)	(0.02)	12	12	8	0.02
Restructuring and employee severance	-	15	9	0.03	-	6	4	0.01
Amortization and other acquisition-related costs	-	128	87	0.27	-	108	71	0.21
Impairments and (gain)/loss on disposal of assets	-	2	2	0.01	-	-	-	-
Litigation (recoveries)/charges, net	-	18	11	0.03	-	5	3	0.01
Non-GAAP	**$1,719**	**$759**	**$485**	**$1.53**	**$1,702**	**$788**	**$472**	**$1.43**
Amortization of acquisition-related intangible assets[3]	-	$96	$67	$0.21	-	$88	$57	$0.17

[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 and non-GAAP effective tax rate 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	Mid-to-high single digit percentage growth vs. PY	$121.5B
Non-GAAP Diluted EPS	$5.35 to $5.50	$5.24

Red font indicates a change since previous guidance.

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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	~$389M or ~$0.81[2]	$355M or $0.70

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

[2]Includes only acquisitions closed as of March 31, 2017.

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

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Pharmaceutical segment FY17(E)

- **Mid-to-high single digit percentage increase in revenue versus prior year**
- **Full-year segment profit down low-double digits versus prior year**

Key assumptions

- Loss of the Safeway contract, which expired on March 31, 2016
- Generic drug price assumption of low-double 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 local currency basis
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Medical segment FY17(E)

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

Key assumptions

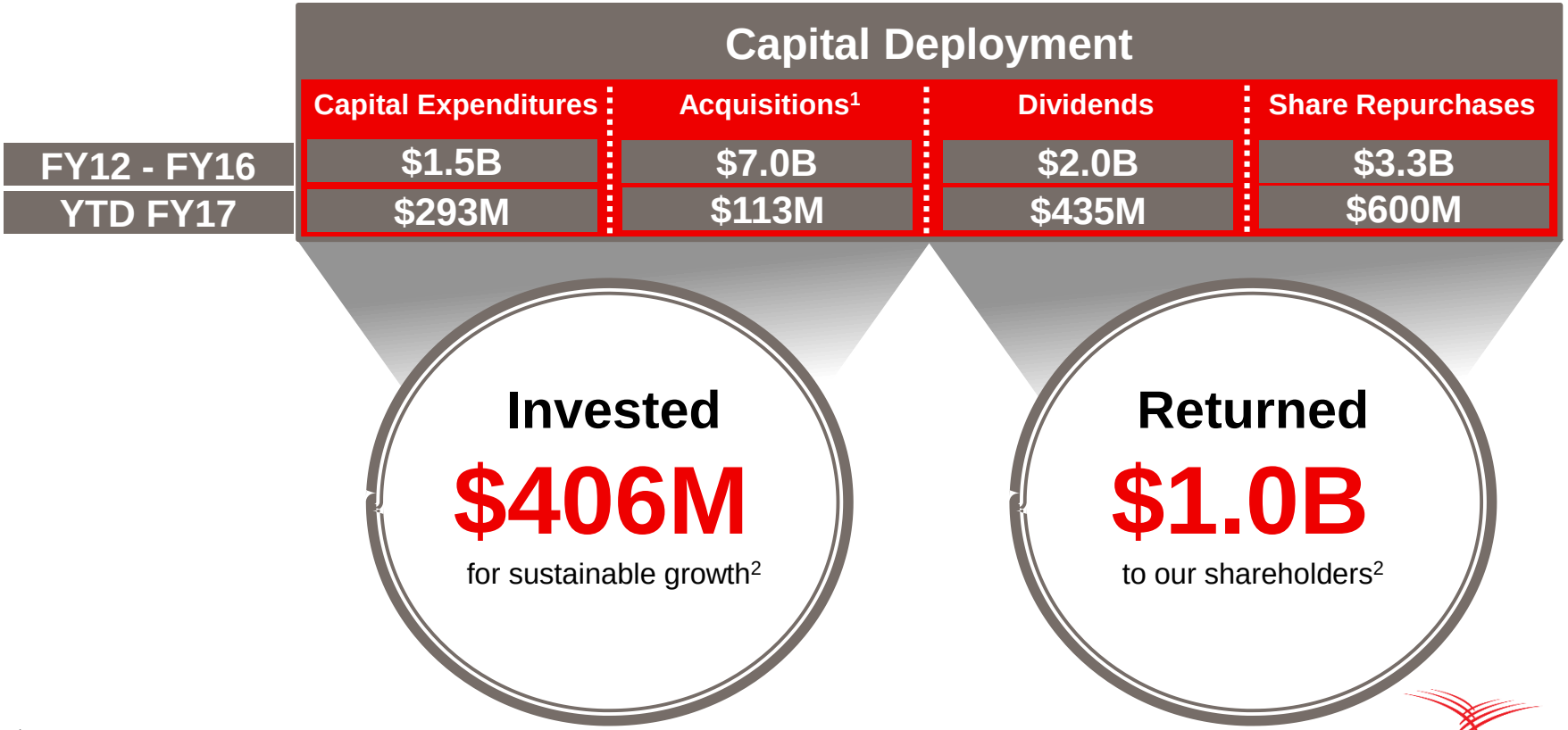
- Cordis accretive by >$0.15 vs. prior year; net of transaction-related interest expense of $0.07-$0.08; increasingly accretive thereafter
- Above-market revenue growth in Cardinal Health at Home
- Double-digit profit growth from Cardinal Health Brand products

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A balanced approach with capital



[1]*Acquisitions are net of divestitures.*
[2]*Nine months ended 3/31/2017*

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Appendix

Q3 FY2017 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information

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Q3 FY2017 segment analysis

Pharmaceutical segment

	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
Revenue ($M)	27,527	28,177	28,762	29,743	28,406
Segment Profit ($M)	660	542	534	537	611

Medical segment

	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
Revenue ($M)	3,138	3,210	3,279	3,410	3,418
Segment Profit ($M)	128	122	127	159	148

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Year-to-date financial summary[1]

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	YTD FY17	YTD FY16	YTD FY17	YTD FY16
Revenue *% change*	**$97,010** *8% increase YoY*	**$90,162** *20% increase YoY*	N/A	N/A
Gross Margin *% change* *Ratio to revenue*	**$4,921** *1% increase YoY* *5.07%*	**$4,877** *15% increase YoY* *5.41%*	**$4,921** *0% decrease YoY* *5.07%*	**$4,929** *16% increase YoY* *5.47%*
Operating Earnings *% change* *Ratio to revenue*	**$1,681** *9% decrease YoY* *1.73%*	**$1,839** *15% increase YoY* *2.04%*	**$2,129** *5% decrease YoY* *2.19%*	**$2,251** *21% increase YoY* *2.50%*
Net Earnings[2] *% change* *Ratio to revenue*	**$1,014** *7% decrease YoY* *1.05%*	**$1,095** *19% increase YoY* *1.21%*	**$1,311** *4% decrease YoY* *1.35%*	**$1,361** *20% increase YoY* *1.51%*
Diluted EPS[2] *% change*	**$3.17** *4% decrease YoY*	**$3.30** *20% increase YoY*	**$4.10** *0% decrease YoY*	**$4.10** *21% increase YoY*

[1] Nine months ended 3/31/2017
[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
	Third Quarter 2017									
GAAP	**$ 1,728**	**2 %**	**$ 605**	**(8)%**	**$ 564**	**$ 182**	**$ 381**	**(1)%**	**$ 1.20**	**3 %**
LIFO charges/(credits)	**(9)**		**(9)**		**(9)**	**(4)**	**(5)**		**(0.02)**	
Restructuring and employee severance	**-**		**15**		**15**	**6**	**9**		**0.03**	
Amortization and other acquisition-related costs	**-**		**128**		**128**	**41**	**87**		**0.27**	
Impairments and (gain)/loss on disposal of assets	**-**		**2**		**2**	**-**	**2**		**0.01**	
Litigation (recoveries)/charges, net	**-**		**18**		**18**	**7**	**11**		**0.03**	
Non-GAAP	**$ 1,719**	**1 %**	**$ 759**	**(4)%**	**$ 718**	**$ 232**	**$ 485**	**3 %**	**$ 1.53**	**7 %**
	Third Quarter 2016									
GAAP	$ 1,689	16 %	$ 656	11 %	$ 612	$ 226	$ 386	6 %	$ 1.17	7 %
LIFO charges/(credits)	12		12		12	4	8		0.02	
Restructuring and employee severance	-		6		6	2	4		0.01	
Amortization and other acquisition-related costs	-		108		108	37	71		0.21	
Impairments and (gain)/loss on disposal of assets	-		-		-	-	-		-	
Litigation (recoveries)/charges, net	-		5		5	2	3		0.01	
Non-GAAP	$ 1,702	17 %	$ 788	20 %	$ 744	$ 272	$ 472	19 %	$ 1.43	20 %

[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 March 31, 2017 compared to the prior year period was favorably impacted by $0.13, which includes $0.08 due to change in the effective tax rate and $0.05 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 March 31, 2017 compared to the prior year period was favorably impacted by $0.16, which includes $0.10 due to change in the effective tax rate and $0.06 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 w here it is incurred.
There w ere 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	**$ 4,921**	**1 %**	**$ 1,681**	**(9)%**	**$ 1,549**	**$ 533**	**$ 1,014**	**(7)%**	**$ 3.17**	**(4)%**
LIFO charges/(credits)	**-**		**-**		**-**	**-**	**-**		**-**	
Restructuring and employee severance	**-**		**31**		**31**	**12**	**19**		**0.06**	
Amortization and other acquisition-related costs	**-**		**365**		**365**	**120**	**245**		**0.76**	
Impairments and (gain)/loss on disposal of assets	**-**		**15**		**15**	**4**	**11**		**0.03**	
Litigation (recoveries)/charges, net	**-**		**37**		**37**	**14**	**23**		**0.07**	
Non-GAAP	**$ 4,921**	**- %**	**$ 2,129**	**(5)%**	**$ 1,997**	**$ 684**	**$ 1,311**	**(4)%**	**$ 4.10**	**- %**
	Year-to-Date 2016									
GAAP	$ 4,877	15 %	$ 1,839	15 %	$ 1,700	$ 604	$ 1,095	19 %	$ 3.30	20 %
LIFO charges/(credits)	51		51		51	20	31		0.10	
Restructuring and employee severance	-		19		19	7	12		0.04	
Amortization and other acquisition-related costs	-		327		327	115	212		0.64	
Impairments and (gain)/loss on disposal of assets	-		17		17	7	10		0.03	
Litigation (recoveries)/charges, net	-		(3)		(3)	(3)	-		-	
Non-GAAP	$ 4,929	16 %	$ 2,251	21 %	$ 2,112	$ 751	$ 1,361	20 %	$ 4.10	21 %

[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)	Third Quarter 2017	Third Quarter 2016	Non-GAAP Third Quarter 2017	Non-GAAP Third Quarter 2016
Revenue				
Amount	**$ 31,821**	$ 30,662		
Growth rate	**4 %**	21 %		
Gross margin				
Amount	**$ 1,728**	$ 1,689	**$ 1,719**	$ 1,702
Growth rate	**2 %**	16 %	**1 %**	17 %
Operating earnings				
Amount	**$ 605**	$ 656	**$ 759**	$ 788
Growth rate	**(8)%**	11 %	**(4)%**	20 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 381**	$ 386	**$ 485**	$ 472
Growth rate	**(1)%**	6 %	**3 %**	19 %
Return on equity	**23.6 %**	23.0 %	**29.9 %**	28.1 %
Effective tax rate	**32.3 %**	36.9 %	**32.3 %**	36.6 %
Debt to total capital	**45 %**	45 %		
Net debt to capital			**38 %**	31 %

(in millions)	Year-to-Date 2017	Year-to-Date 2016	Non-GAAP Year-to-Date 2017	Non-GAAP Year-to-Date 2016
Revenue				
Amount	**$ 97,010**	$ 90,162		
Growth rate	**8 %**	20 %		
Gross margin				
Amount	**$ 4,921**	$ 4,877	**$ 4,921**	$ 4,929
Growth rate	**1 %**	15 %	**- %**	16 %
Operating earnings				
Amount	**$ 1,681**	$ 1,839	**$ 2,129**	$ 2,251
Growth rate	**(9)%**	15 %	**(5)%**	21 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 1,014**	$ 1,095	**$ 1,311**	$ 1,361
Growth rate	**(7)%**	19 %	**(4)%**	20 %
Return on equity	**20.8 %**	22.3 %	**26.9 %**	27.7 %
Effective tax rate	**34.4 %**	35.5 %	**34.2 %**	35.6 %

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)	Third Quarter 2017	Third Quarter 2016
Pharmaceutical		
Revenue		
Amount	**$ 28,406**	$ 27,527
Growth rate	**3 %**	22 %
Segment profit		
Amount	**$ 611**	$ 660
Growth rate	**(7)%**	16 %
Segment profit margin	**2.15 %**	2.40 %

(in millions)	Third Quarter 2017	Third Quarter 2016
Medical		
Revenue		
Amount	**$ 3,418**	$ 3,138
Growth rate	**9 %**	13 %
Segment profit		
Amount	**$ 148**	$ 128
Growth rate[1]	**16 %**	26 %
Segment profit margin	**4.34 %**	4.08 %

Segment profit for three months ended March 31, 2016 includes a $21 million unfavorable impact of Cordis-related inventory fair value step-up. Excluding this step-up, year-over-year Medical segment profit declined 1 percent and grew 47 percent for the three months ended March 31, 2017 and 2016, respectively.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended March 31, 2017 was $31,821 million, which included total segment revenue of $31,824 million and Corporate revenue of $(3) million. Total consolidated revenue for the three months ended March 31, 2016 was $30,662 million, which included total segment revenue of $30,665 million and Corporate revenue of $(3) 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 March 31, 2017 were $605 million, which included total segment profit of $759 million and Corporate costs of $(154) million. Total consolidated operating earnings for the three months ended March 31, 2016 were $656 million, which included total segment profit of $788 million and Corporate costs of $(132) 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	**$ 86,911**	$ 80,954
Growth rate	**7 %**	22 %
Segment profit		
Amount	**$ 1,682**	$ 1,945
Growth rate	**(14)%**	25 %
Segment profit margin	**1.94 %**	2.40 %

(in millions)	Year-to-Date 2017	2016
Medical		
Revenue		
Amount	**$ 10,107**	$ 9,220
Growth rate	**10 %**	8 %
Segment profit		
Amount	**$ 435**	$ 335
Growth rate[1]	**30 %**	1 %
Segment profit margin	**4.30 %**	3.63 %

Segment profit for the six months ended March 31, 2016 includes the $43 million unfavorable impact of the Cordis-related inventory fair value step-up. Excluding this step-up, year-over-year Medical segment profit growth was 15 percent and 14 percent for the nine months ended March 31, 2017 and 2016, respectively.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the nine months ended March 31, 2017 was $97,010 million, which included total segment revenue of $97,018 million and Corporate revenue of $(8) million. Total consolidated revenue for the nine months ended March 31, 2016 was $90,162 million, which included total segment revenue of $90,174 million and Corporate revenue of $(12) million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the nine months ended March 31, 2017 were $1,681 million, which included total segment profit of $2,117 million and Corporate costs of $(436) million. Total consolidated operating earnings for the nine months ended March 31, 2016 were $1,839 million, which included total segment profit of $2,280 million and Corporate costs of $(441) 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

	Third Quarter	
(in millions)	**2017**	2016
GAAP return on equity	**23.6 %**	23.0 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 381**	$ 386
LIFO charges/(credits), net of tax	**(5)**	8
Restructuring and employee severance, net of tax	**9**	4
Amortization and other acquisition-related costs, net of tax	**87**	71
Impairments and loss on disposal of assets, net of tax	**2**	-
Litigation charges, net, net of tax	**11**	3
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 485**	$ 472
Annualized	**$ 1,940**	$ 1,889

	Third Quarter	**Second Quarter**	Third Quarter	Second Quarter
	2017	**2017**	2016	2016
Total Cardinal Health, Inc. shareholders' equity	**$ 6,646**	**$ 6,323**	$ 6,713	$ 6,711
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,485**		$ 6,712	
Non-GAAP return on equity	**29.9 %**		28.1 %	

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	**20.8 %**	22.3 %
Non-GAAP return on equity		
Net earnings from continuing operations attributable to Cardinal Health, Inc.	**$ 1,014**	$ 1,095
LIFO charges/(credits), net of tax	**-**	31
Restructuring and employee severance, net of tax	**19**	12
Amortization and other acquisition-related costs, net of tax	**245**	212
Impairments and (gain)/loss on disposal of assets, net of tax	**11**	10
Litigation (recoveries)/charges, net, net of tax	**23**	-
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 1,311**	$ 1,361
Annualized	**$ 1,748**	$ 1,815

	Third Quarter	**Second Quarter**	**First Quarter**	**Fourth Quarter**	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	2017	**2017**	**2017**	**2016**	2016	2016	2016	2015
Total Cardinal Health, Inc. shareholders' equity	**$ 6,646**	**$ 6,323**	**$ 6,512**	**$ 6,554**	$ 6,713	$ 6,711	$ 6,505	$ 6,256
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,509**				$ 6,546			
Non-GAAP return on equity	**26.9 %**				27.7 %			

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 where it is incurred.

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

(in millions)	Third Quarter 2017	Third Quarter 2016	Year-to-Date 2017	Year-to-Date 2016
GAAP effective tax rate	**32.3 %**	36.9 %	**34.4 %**	35.5 %
Non-GAAP effective tax rate				
Earnings before income taxes	**$ 564**	$ 612	**$ 1,549**	$ 1,700
LIFO charges/(credits)	**(9)**	12	**-**	51
Restructuring and employee severance	**15**	6	**31**	19
Amortization and other acquisition-related costs	**128**	108	**365**	327
Impairments and loss on disposal of assets	**2**	-	**15**	17
Litigation (recoveries)/charges, net	**18**	5	**37**	(3)
Adjusted earnings before income taxes	**$ 718**	$ 744	**$ 1,997**	$ 2,112
Provision for income taxes	**$ 182**	$ 226	**$ 533**	$ 604
LIFO charges/(credits) tax benefit/(expense)	**(4)**	4	**-**	20
Restructuring and employee severance tax benefit	**6**	2	**12**	7
Amortization and other acquisition-related costs tax benefit	**41**	37	**120**	115
Impairments and loss on disposal of assets tax benefit	**-**	-	**4**	7
Litigation (recoveries)/charges, net tax benefit/(expense)	**7**	2	**14**	(3)
Adjusted provision for income taxes	**$ 232**	$ 272	**$ 684**	$ 751
Non-GAAP effective tax rate	**32.3 %**	36.6 %	**34.2 %**	35.6 %

	Third Quarter 2017	Third Quarter 2016
Debt to total capital	**45 %**	45 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 607**	$ 351
Long-term obligations, less current portion	**4,854**	5,195
Debt	**$ 5,461**	$ 5,546
Cash and equivalents	**(1,368)**	(2,598)
Net debt	**$ 4,093**	$ 2,948
Total Cardinal Health, Inc. shareholders' equity	**6,646**	6,713
Capital	**$ 10,739**	$ 9,661
Net debt to capital	**38 %**	31 %

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.