

Q1 FY2018

Cardinal Health, Inc. Earnings Investor/Analyst call
November 6, 2017



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 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 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; risks associated with the recently completed acquisition of the Patient Recovery business, including 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; 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; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of any investigation or action by any governmental or regulatory authority, including litigation relating to opioid distribution; 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 November 6, 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 this webcast will be available at ir.cardinalhealth.com.

Q1 FY18 results



Q1 FY18 financial summary

GAAP Basis (\$M)

	Q1 FY18	Q1 FY17
Revenue	\$32,641	\$32,039
% change	2% increase YoY	14% increase YoY
Operating Earnings	\$262	\$535
% change	51% decrease YoY	14% decrease YoY
Ratio to revenue	0.80%	1.67%
Net Earnings¹	\$115	\$309
% change	63% decrease YoY	19% decrease YoY
Ratio to revenue	0.35%	0.96%
Diluted EPS¹	\$0.36	\$0.96
% change	63% decrease YoY	17% decrease YoY

Non-GAAP Basis (\$M)

	Q1 FY18	Q1 FY17
	N/A	N/A
	\$610	\$669
	9% decrease YoY	9% decrease YoY
	1.87%	2.09%
	\$346	\$399
	13% decrease YoY	13% decrease YoY
	1.06%	1.24%
	\$1.09	\$1.24
	12% decrease YoY	10% decrease YoY

¹Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q1 FY18 Pharmaceutical segment business analysis

	Q1 FY18 (\$M)	Q1 FY17 (\$M)	YoY Change
Revenue	\$28,920	\$28,762	1%
Segment Profit	\$467	\$534	(13)%
Segment Profit Margin	1.61%	1.86%	-24 bps

Highlights:

- **Revenue** increase was due to sales growth from specialty and pharmaceutical distribution customers, which was partially offset by the previously announced May 2017 expiration of a large, mail-order customer contract.
- **Segment profit** decrease was driven by generics program performance, which includes the negative impact of generic pharmaceutical pricing changes partially offset by the benefits from Red Oak Sourcing. The costs related to the company's ongoing investment in its Pharmaceutical IT platform also contributed to the decrease.

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

Q1 FY18 Medical segment business analysis

	Q1 FY18 (\$M)	Q1 FY17 (\$M)	YoY Change
Revenue	\$3,724	\$3,279	14%
Segment Profit	\$129	\$127	1%
Segment Profit Margin	3.45%	3.87%	-42 bps

Highlights:

- **Revenue** increase was primarily driven by contributions from acquisitions and, to a lesser extent, new and existing customers.
- **Segment profit** increase was primarily driven by contributions from acquisitions, which were mostly offset by the previously disclosed reduced contribution from a Veterans Affairs contract. Segment profit for the quarter includes the impact of the Patient Recovery business inventory fair value step-up. Excluding the \$42 million step-up in the quarter, year-over-year Medical segment profit growth was 34 percent.

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

Q1 FY18 GAAP to non-GAAP adjustments¹

	Q1 FY 2018		
	Operating Earnings (\$M)	Net Earnings ² (\$M)	Diluted EPS ²
GAAP	\$262	\$115	\$0.36
Restructuring and employee severance	132	85	0.27
Amortization and other acquisition-related costs	183	125	0.40
Impairments and (gain)/loss on disposal of assets	1	1	-
Litigation (recoveries)/charges, net	32	19	0.06
Non-GAAP	\$610	\$346	\$1.09

Amortization of acquisition-related intangible assets ³	\$135	\$90	\$0.28
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	Q1 FY 2017		
	Operating Earnings (\$M)	Net Earnings ² (\$M)	Diluted EPS ²
GAAP	\$535	\$309	\$0.96
Restructuring and employee severance	9	5	0.02
Amortization and other acquisition-related costs	122	82	0.25
Impairments and (gain)/loss on disposal of assets	3	2	0.01
Litigation (recoveries)/charges, net	1	1	-
Non-GAAP	\$669	\$399	\$1.24

Amortization of acquisition-related intangible assets ³	\$101	\$69	\$0.21
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¹Please see appendix for GAAP to Non-GAAP reconciliations.

²Attributable to Cardinal Health, Inc.

³Amortization 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.

FY2018 Outlook

The company presents its outlook for fiscal 2018 non-GAAP EPS and non-GAAP effective tax rate 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.



FY18 financial expectations

	FY2018 Outlook	FY2017 Actual
Revenue	Mid-single digit percentage growth vs. PY	\$130.0B
Non-GAAP Diluted EPS	\$4.85 to \$5.10	\$5.40

FY18 corporate assumptions

	FY2018 Outlook	FY2017 Actual
Non-GAAP effective tax rate	35% - 37% ¹	32.6% ³
Diluted weighted average Shares outstanding	318M - 319M	320M
Interest and other, net	\$340M - \$360M	\$197M
Capital expenditures	\$500M - \$540M	\$387M
Acquisition-related intangible amortization	~\$560M or ~\$1.17 ²	\$392M or ~\$0.85

¹May fluctuate quarterly due to unique items affecting periods.

²Includes only acquisitions closed as of September 30, 2017

³FY2017 GAAP ETR 32.7%, Please see appendix for GAAP to Non-GAAP reconciliations.

Red font indicates a change since 8/2/17.

Pharmaceutical segment FY18(E)

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

Key assumptions

- Generic drug price assumption of mid-single digit deflation for full fiscal year
- Brand drug manufacturer price assumption of 7% to 8% inflation for full fiscal year
- Incremental expense increase 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 less
- Double-digit revenue and profit growth from our Specialty business
- Full-year contribution from Cardinal Health China¹

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

Medical segment FY18(E)

- **High-teens percentage increase in revenue versus prior year**
- **Strong double-digit segment profit growth versus prior year**

Key assumptions

- Patient Recovery business acquisition completed in July 2017, accretive to FY18; integrated into Cardinal Health Branded products upon closing
- Excluding Patient Recovery business, solid growth from remaining Medical businesses
- Second-half segment profit margin rate exceeds 6%
- Significantly reduced portion of a Veterans Affairs contract, the full effect of which began in Q4FY17
- No reinstatement of a medical device tax

Q1 FY18 trailing five quarters, GAAP to Non-GAAP reconciliation statements and supplemental financial information



Q1 FY18 segment analysis

Pharmaceutical segment

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Revenue (\$M)	28,762	29,743	28,406	29,552	28,920
Segment Profit (\$M)	534	537	611	505	467

Medical segment

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Revenue (\$M)	3,279	3,410	3,418	3,416	3,724
Segment Profit (\$M)	127	159	148	138	129

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

	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
<i>(in millions, except per common share amounts)</i>								
	First Quarter 2018							
GAAP	\$ 262	(51)%	\$ 178	\$ 61	\$ 115	(63)%	\$ 0.36	(63)%
Restructuring and employee severance	132		132	47	85		0.27	
Amortization and other acquisition-related costs	183		183	58	125		0.40	
Impairments and (gain)/loss on disposal of assets	1		1	-	1		-	
Litigation (recoveries)/charges, net	32		32	13	19		0.06	
Loss on extinguishment of debt	-		1	1	-		-	
Non-GAAP	\$ 610	(9)%	\$ 527	\$ 180	\$ 346	(13)%	\$ 1.09	(12)%
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)%

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

²Attributable to Cardinal Health, Inc.

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

We generally 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 First Quarter 2017.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

	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
Fiscal Year 2017										
(in millions, except per common share amounts)										
GAAP	\$ 6,544	- %	\$ 2,120	(14)%	\$ 1,924	\$ 630	\$ 1,288	(10)%	\$ 4.03	(7)%
Restructuring and employee severance	-		56		56	20	36		0.11	
Amortization and other acquisition-related costs	-		527		527	165	362		1.13	
Impairments and (gain)/loss on disposal of assets	-		18		18	6	12		0.04	
Litigation (recoveries)/charges, net	-		48		48	19	29		0.09	
Loss on extinguishment of debt	-		-		-	-	-		-	
Non-GAAP	\$ 6,544	- %	\$ 2,769	(4)%	\$ 2,572	\$ 839	\$ 1,727	-	\$ 5.40	3 %

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

²Attributable to Cardinal Health, Inc.

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

We generally 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
Total Company Information

<u>(in millions)</u>	First Quarter		Non-GAAP First Quarter	
	2018	2017	2018	2017
Revenue				
Amount	\$ 32,641	\$ 32,039		
Growth rate	2 %	14 %		
Gross margin				
Amount	\$ 1,672	\$ 1,590	\$ 1,672	\$ 1,590
Growth rate	5 %	1 %	5 %	1 %
Operating earnings				
Amount	\$ 262	\$ 535	\$ 610	\$ 669
Growth rate	(51)%	(14)%	(9)%	(9)%
Net earnings attributable to Cardinal Health, Inc.				
Amount	\$ 115	\$ 309	\$ 346	\$ 399
Growth rate	(63)%	(19)%	(13)%	(13)%
Return on equity	6.8 %	19.0 %	20.4 %	24.4 %
Effective tax rate	34.2 %	37.3 %	34.1 %	36.4 %
Debt to total capital	60 %	46 %		
Net debt to capital			57 %	35 %

Refer to the GAAP/Non-GAAP reconciliation for definitions and calculations supporting the Non-GAAP balances.

Cardinal Health, Inc. and Subsidiaries
Segment Information

<u>(in millions)</u>	First Quarter		<u>(in millions)</u>	First Quarter	
	2018	2017		2018	2017
Pharmaceutical			Medical		
Revenue			Revenue		
Amount	\$ 28,920	\$ 28,762	Amount	\$ 3,724	\$ 3,279
Growth rate	1 %	14 %	Growth rate	14 %	12 %
Segment profit			Segment profit		
Amount	\$ 467	\$ 534	Amount	\$ 129	\$ 127
Growth rate	(13)%	(19)%	Growth rate ¹	1 %	26 %
Segment profit margin	1.61 %	1.86 %	Segment profit margin	3.45 %	3.87 %

¹ Segment profit includes a \$42 million impact from the roll-out of the inventory fair value step up related to the Patient Recovery acquisition for the three months ended September 30, 2017. Excluding the impact of the inventory fair value step up, Medical segment profit would have increased 34% for the three months ended September 30, 2017.

Supplemental Consolidated Information

Total consolidated revenue for the three months ended September 30, 2017 was \$32,641 million, which included total segment revenue of \$32,644 million and Corporate revenue of \$(3) million. 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. 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, 2017 were \$262 million, which included total segment profit of \$596 million and Corporate costs of \$(334) million. 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. 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)	2018	2017
GAAP return on equity	6.8 %	19.0 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	\$ 115	\$ 309
Restructuring and employee severance, net of tax	85	5
Amortization and other acquisition-related costs, net of tax	125	82
Impairments and loss on disposal of assets, net of tax	1	2
Litigation charges, net, net of tax	19	1
Adjusted net earnings attributable to Cardinal Health, Inc.	\$ 346	\$ 399
Annualized	\$ 1,384	\$ 1,596
	First Quarter	Fourth Quarter
	2018	2017
Total Cardinal Health, Inc. shareholders' equity	\$ 6,678	\$ 6,828
Divided by average Cardinal Health, Inc. shareholders' equity	\$ 6,762	\$ 6,533
Non-GAAP return on equity	20.4 %	24.4 %

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

We generally 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	
	2017	2016
GAAP return on equity	19.6 %	21.9 %

Non-GAAP return on equity

Net earnings from continuing operations attributable to Cardinal Health, Inc.	\$ 1,288	\$ 1,427
Restructuring and employee severance, net of tax	36	16
Amortization and other acquisition-related costs, net of tax	362	316
Impairments and (gain)/loss on disposal of assets, net of tax	12	15
Litigation (recoveries)/charges, net, net of tax	29	(42)
Adjusted net earnings attributable to Cardinal Health, Inc.	\$ 1,727	\$ 1,732

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	2017	2017	2017	2017	2016	2016	2016	2015
Total Cardinal Health, Inc. shareholders' equity	\$ 6,808	\$ 6,646	\$ 6,323	\$ 6,512	\$ 6,554	\$ 6,713	\$ 6,712	\$ 6,505
Divided by average Cardinal Health, Inc. shareholders' equity	\$ 6,569				\$ 6,548			
Non-GAAP return on equity	26.3 %				26.4 %			

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

We generally 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)	First Quarter	
	2018	2017
GAAP effective tax rate	34.2 %	37.3 %
Non-GAAP effective tax rate		
Earnings/(loss) before income taxes	\$ 178	\$ 494
Restructuring and employee severance	132	9
Amortization and other acquisition-related costs	183	122
Impairments and loss on disposal of assets	1	3
Litigation (recoveries)/charges, net	32	1
Loss on extinguishment of debt	1	-
Adjusted earnings before income taxes	\$ 527	\$ 629
Provision for income taxes	\$ 61	\$ 184
Restructuring and employee severance tax benefit	47	4
Amortization and other acquisition-related costs tax benefit	58	40
Impairments and loss on disposal of assets tax benefit	-	1
Litigation (recoveries)/charges, net tax benefit/(expense)	13	-
Loss on extinguishment of debt tax benefit	1	-
Adjusted provision for income taxes	\$ 180	\$ 229
Non-GAAP effective tax rate	34.1 %	36.4 %
	First Quarter	
	2018	2017
Debt to total capital	60 %	46 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	\$ 935	\$ 616
Long-term obligations, less current portion	9,068	4,916
Debt	\$ 10,003	\$ 5,532
Cash and equivalents	(1,181)	(2,001)
Net debt	\$ 8,822	\$ 3,531
Total Cardinal Health, Inc. shareholders' equity	6,678	6,512
Capital	\$ 15,500	\$ 10,043
Net debt to capital	57 %	35 %

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

We generally 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
	2017
GAAP effective tax rate	32.7 %
Non-GAAP effective tax rate	
Earnings before income taxes	\$ 1,924
LIFO charges/(credits)	-
Restructuring and employee severance	56
Amortization and other acquisition-related costs	527
Impairments and loss on disposal of assets	18
Litigation (recoveries)/charges, net	48
Adjusted earnings before income taxes	\$ 2,572
Provision for income taxes	\$ 630
LIFO charges/(credits) tax benefit/(expense)	-
Restructuring and employee severance tax benefit	20
Amortization and other acquisition-related costs tax benefit	165
Impairments and loss on disposal of assets tax benefit	6
Litigation (recoveries)/charges, net tax benefit/(expense)	19
Adjusted provision for income taxes	\$ 839
Non-GAAP effective tax rate	32.6 %

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

We generally 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 2018 non-GAAP EPS and non-GAAP ETR. The Company does not provide EPS or ETR outlook, which are the most directly comparable GAAP measure to non-GAAP EPS and non-GAAP ETR, respectively, because changes in the items that the Company excludes from these non-GAAP 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 an EPS or ETR outlook.

The timing and amount of any of the excluded items could significantly impact the Company's fiscal 2018 EPS and ETR. Over the past five fiscal years, the excluded items have lowered the Company's EPS from \$0.47 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 severance², (3) amortization and other acquisition-related costs³, (4) impairments and (gain)/loss on disposal of assets⁴, (5) litigation (recoveries)/charges, net⁵, and (6) loss on extinguishment of debt⁶) divided by (earnings before income taxes adjusted for the same six items).

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

¹The 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.

²Programs 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).

³Costs that consist primarily of amortization of acquisition-related intangible assets, transaction costs, integration costs, and changes in the fair value of contingent consideration obligations.

⁴Asset 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.

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

⁶Charges 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.