

Special Notice – DEA Matter Update 9/2/08

Effective September 15, 2008, Cardinal Health will begin shipping controlled substances from the Stafford (Houston), Texas distribution center to retail independent pharmacy customers. Please note that in February 2008, Cardinal Health had voluntarily discontinued controlled substance shipments from the Stafford distribution center to retail independent pharmacy customers.

The Company continues to work through the process to reinstate its licenses to distribute controlled substances at three other distribution centers. For more information on the DEA matter, see Cardinal Health's 2008 Form 10-K filed on August 27, 2008.

Special Notice - August 18, 2008

*NOTE: Cardinal Health reissued the financial tables included in its Aug. 7 earnings release in a Form 8-K filed on Aug. 13. Readers should refer to the Form 8-K for an explanation of the changes in the numbers reported on Aug. 7.



Form 8-K

CARDINAL HEALTH INC - CAH

Filed: August 13, 2008 (period: August 13, 2008)

Report of unscheduled material events or corporate changes.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 13, 2008

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-11373
(Commission File Number)

31-0958666
(IRS Employer
Identification No.)

7000 Cardinal Place, Dublin, Ohio
(Address of principal executive offices)

43017
(Zip Code)

(614) 757-5000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

As previously reported, in a series of actions taken during November and December 2007, the U.S. Drug Enforcement Administration (the “DEA”) suspended the licenses to distribute controlled substances held by three of Cardinal Health, Inc.’s (the “Company’s”) distribution centers. The DEA matter is more fully described under the heading “DEA Matter” in Note 7 of “Notes to Condensed Consolidated Financial Statements” included in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

On August 7, 2008, the Company and the DEA staff reached an oral agreement in principle to resolve the license suspensions. The oral agreement is subject to the completion of definitive documentation as well as approval by the DEA Administrator and the U.S. Department of Justice. The Company expects that the license suspensions will be lifted during the quarter ending December 31, 2008. There can be no assurance, however, that the Company’s efforts to resolve the DEA matter will be successful within the expected timeframe or will be successful at all, and the Company cannot predict the final terms of any settlement.

When the Company released its earnings for the quarter and fiscal year ended June 30, 2008 on August 7, 2008, it announced that it had recorded a reserve of \$23.5 million for the DEA matter in special items on the Company’s consolidated statements of earnings. As a result of the developments discussed above, on August 11, 2008, the Company recorded an additional reserve of \$10.5 million for the quarter ended June 30, 2008 for a total reserve of \$34.0 million for the DEA matter. Separately, due to recent and unrelated developments in the Syncor ERISA litigation and other legal matters, the Company determined that a \$3.0 million reduction in those reserves was also appropriate. The additional reserve for the DEA matter and the reduction in the reserves for the Syncor ERISA litigation and other legal matters results in a net increase of special items for the quarter and fiscal year ended June 30, 2008 of \$7.5 million compared to the results reported on August 7, 2008.

Replacement financial tables for the tables included as part of the August 7, 2008 news release, updated to reflect the matters described in this Form 8-K, are included as Exhibit 99.1 to this report. A discussion of the reasons why management believes that the presentation of non-GAAP financial measures provides useful information to investors regarding the Company’s financial condition and results of operations is included as Exhibit 99.2 to this report. Further updates for the DEA matter may be disclosed under the “Special notices” tab on the Investors page at www.cardinalhealth.com.

Item 9.01 Financial Statements and Exhibits**(d) Exhibits**

99.1 Financial tables issued by Cardinal Health, Inc. on August 13, 2008 related to fourth quarter and full fiscal year results.

99.2 Information disclosed by Cardinal Health, Inc. on August 13, 2008.

EXHIBIT INDEX

- 99.1 Financial tables issued by Cardinal Health, Inc. on August 13, 2008 related to fourth quarter and full fiscal year results.
- 99.2 Information disclosed by Cardinal Health, Inc. on August 13, 2008.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

(in millions, except per Common Share amounts)	Fourth Quarter		% Change
	2008	2007	
Revenue	\$ 22,925.6	\$ 22,262.8	3%
Cost of products sold	21,456.2	20,905.4	3%
Gross margin	1,469.4	1,357.4	8%
Selling, general and administrative expenses	901.3	819.3	10%
Impairment charges and other	(10.0)	(0.6)	N.M.
Special items:			
Restructuring charges	10.9	11.7	N.M.
Acquisition integration charges	25.1	87.5	N.M.
Litigation and other	6.4	19.0	N.M.
Operating earnings	535.7	420.5	27%
Interest expense and other	47.4	19.1	148%
Earnings before income taxes and discontinued operations	488.3	401.4	22%
Provision for income taxes	166.7	163.7	2%
Earnings from continuing operations	321.6	237.7	35%
Earnings / (loss) from discontinued operations (net of tax expense of \$2.8 and \$448.3 for the fourth quarter of fiscal 2008 and 2007, respectively)	(3.6)	664.5	N.M.
Net earnings	\$ 318.0	\$ 902.2	(65)%
Basic earnings / (loss) per Common Share:			
Continuing operations	\$ 0.90	\$ 0.63	44%
Discontinued operations	(0.01)	1.76	N.M.
Net basic earnings per Common Share	\$ 0.89	\$ 2.39	(63)%
Diluted earnings / (loss) per Common Share:			
Continuing operations	\$ 0.89	\$ 0.61	46%
Discontinued operations	(0.01)	1.72	N.M.
Net diluted earnings per Common Share	\$ 0.88	\$ 2.33	(62)%
Weighted average number of Common Shares outstanding:			
Basic	355.5	378.2	
Diluted	359.8	387.4	

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

(in millions, except per Common Share amounts)	Fiscal Year		% Change
	2008	2007	
Revenue	\$ 91,091.4	\$ 86,852.0	5%
Cost of products sold	85,457.3	81,606.7	5%
Gross margin	5,634.1	5,245.3	7%
Selling, general and administrative expenses	3,414.8	3,082.3	11%
Impairment charges and other	(32.0)	17.3	N.M.
Special items:			
Restructuring charges	65.7	40.1	N.M.
Acquisition integration charges	44.9	101.5	N.M.
Litigation and other	19.5	630.4	N.M.
Operating earnings	2,121.2	1,373.7	54%
Interest expense and other	171.4	121.4	41%
Earnings before income taxes and discontinued operations	1,949.8	1,252.3	56%
Provision for income taxes	633.9	412.6	54%
Earnings from continuing operations	1,315.9	839.7	57%
Earnings / (loss) from discontinued operations (net of tax expense of \$31.9 and \$20.4 for fiscal 2008 and 2007, respectively)	(15.3)	1,091.4	N.M.
Net earnings	<u>\$ 1,300.6</u>	<u>\$ 1,931.1</u>	(33)%
Basic earnings / (loss) per Common Share:			
Continuing operations	\$ 3.67	\$ 2.13	73%
Discontinued operations	(0.04)	2.76	N.M.
Net basic earnings per Common Share	<u>\$ 3.63</u>	<u>\$ 4.89</u>	(26)%
Diluted earnings / (loss) per Common Share:			
Continuing operations	\$ 3.61	\$ 2.07	74%
Discontinued operations	(0.04)	2.70	N.M.
Net diluted earnings per Common Share	<u>\$ 3.57</u>	<u>\$ 4.77</u>	(25)%
Weighted average number of Common Shares outstanding:			
Basic	358.2	394.9	
Diluted	364.0	404.7	

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

**CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in millions)	June 30, 2008	June 30, 2007
Assets		
Cash and equivalents	\$ 1,291.3	\$ 1,308.8
Short-term investments available for sale	—	132.0
Trade receivables, net	5,006.9	4,714.4
Current portion of net investment in sales-type leases	383.7	354.8
Inventories	6,768.8	7,383.2
Prepaid expenses and other	593.1	651.3
Assets held for sale	140.4	—
Total current assets	<u>14,184.2</u>	<u>14,544.5</u>
Property and equipment, net	1,737.2	1,647.0
Net investment in sales-type leases, less current portion	916.8	820.7
Goodwill and other intangibles, net	6,225.9	5,860.9
Other assets	384.1	280.7
Total assets	<u>\$ 23,448.2</u>	<u>\$ 23,153.8</u>
Liabilities and Shareholders' Equity		
Current portion of long-term obligations and other short-term borrowings	\$ 159.0	\$ 16.0
Accounts payable	8,311.8	9,162.2
Other accrued liabilities	1,889.7	2,247.3
Liabilities from businesses held for sale and discontinued operations	15.4	34.2
Total current liabilities	<u>10,375.9</u>	<u>11,459.7</u>
Long-term obligations, less current portion and other short-term borrowings	3,687.4	3,457.3
Deferred income taxes and other liabilities	1,637.4	859.9
Total shareholders' equity	<u>7,747.5</u>	<u>7,376.9</u>
Total liabilities and shareholders' equity	<u>\$ 23,448.2</u>	<u>\$ 23,153.8</u>

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Fourth Quarter		Fiscal Year	
	2008	2007	2008	2007
Cash Flows From Operating Activities:				
Net earnings	\$ 318.0	\$ 902.2	\$ 1,300.6	\$ 1,931.1
(Earnings) / loss from discontinued operations	3.6	(664.5)	15.3	(1,091.4)
Earnings from continuing operations	321.6	237.7	1,315.9	839.7
Adjustments to reconcile earnings from continuing operations to net cash provided by / (used in) operating activities:				
Depreciation and amortization	96.3	85.0	381.3	322.1
Asset impairments and other	(10.6)	1.2	(31.4)	19.2
Purchased in-process research and development	18.0	84.5	18.0	84.5
Equity compensation	35.6	28.8	122.3	138.1
Provision for deferred income taxes	26.9	11.7	26.9	11.7
Provision for bad debts	3.8	7.0	26.1	24.0
Change in operating assets and liabilities, net of effects from acquisitions:				
(Increase) / decrease in trade receivables	(17.8)	36.6	(312.7)	(783.1)
Decrease in inventories	499.3	205.9	613.1	217.4
Increase in net investment in sales-type leases	(41.1)	(53.8)	(124.9)	(130.8)
Increase / (decrease) in accounts payable	(595.9)	(268.6)	(813.1)	224.4
Increase / (decrease) in other accrued liabilities and operating items, net	(89.4)	(667.6)	337.6	35.8
Net cash provided by / (used in) operating activities - continuing operations	246.7	(291.6)	1,559.1	1,003.0
Net cash provided by / (used in) operating activities - discontinued operations	(4.4)	104.9	(47.0)	220.1
Net cash provided by / (used in) operating activities	<u>242.3</u>	<u>(186.7)</u>	<u>1,512.1</u>	<u>1,223.1</u>
Cash Flows From Investing Activities:				
Acquisition of subsidiaries, net of divestitures and cash acquired	(475.9)	(1,480.9)	(514.9)	(1,629.8)
Proceeds from sale of property and equipment	22.4	5.6	32.6	9.2
Additions to property and equipment	(124.5)	(114.3)	(376.1)	(357.4)
Sale of investment securities available for sale, net	—	168.0	132.0	366.5
Net cash used in investing activities - continuing operations	(578.0)	(1,421.6)	(726.4)	(1,611.5)
Net cash provided by investing activities - discontinued operations	—	3,228.9	—	3,148.7
Net cash provided by / (used in) investing activities	<u>(578.0)</u>	<u>1,807.3</u>	<u>(726.4)</u>	<u>1,537.2</u>
Cash Flows From Financing Activities:				
Net change in commercial paper and short-term borrowings	(202.7)	(293.3)	(0.5)	(38.9)
Reduction of long-term obligations	(4.6)	(51.1)	(21.5)	(784.0)
Proceeds from long-term obligations, net of issuance costs	302.5	601.7	303.5	1,453.4
Proceeds from issuance of Common Shares	18.6	233.7	227.9	552.6
Tax benefits from exercises of stock options	26.8	1.1	42.1	29.9
Dividends on Common Shares	(42.6)	(34.9)	(173.1)	(144.4)
Purchase of Common Shares in treasury	—	(1,636.7)	(1,181.6)	(3,662.0)
Net cash provided by / (used in) financing activities - continuing operations	98.0	(1,179.5)	(803.2)	(2,593.4)
Net cash provided by / (used in) financing activities - discontinued operations	—	1.2	—	(45.4)
Net cash provided by / (used) in financing activities	<u>98.0</u>	<u>(1,178.3)</u>	<u>(803.2)</u>	<u>(2,638.8)</u>
Net increase / (decrease) in cash and equivalents	(237.7)	442.3	(17.5)	121.5
Cash and equivalents at beginning of period	<u>1,529.0</u>	<u>866.5</u>	<u>1,308.8</u>	<u>1,187.3</u>
Cash and equivalents at end of period	<u>\$ 1,291.3</u>	<u>\$ 1,308.8</u>	<u>\$ 1,291.3</u>	<u>\$ 1,308.8</u>

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

**CARDINAL HEALTH, INC. AND SUBSIDIARIES
BUSINESS ANALYSIS**

TOTAL COMPANY

(in millions)	Fourth Quarter		Non-GAAP Fourth Quarter	
	2008	2007	2008	2007
Revenue				
Amount	\$ 22,926	\$ 22,263		
Growth Rate	3%	5%		
Operating Earnings				
Amount	\$ 536	\$ 421	\$ 568	\$ 538
Growth Rate	27%	(14)%	6%	3%
Earnings from Continuing Operations				
Amount	\$ 322	\$ 238	\$ 348	\$ 345
Growth Rate	35%	(22)%	1%	5%
(in millions)	Fiscal Year		Non-GAAP Fiscal Year	
	2008	2007	2008	2007
Revenue				
Amount	\$ 91,091	\$ 86,852		
Growth Rate	5%	9%		
Operating Earnings				
Amount	\$ 2,121	\$ 1,374	\$ 2,219	\$ 2,163
Growth Rate	54%	(26)%	3%	12%
Earnings from Continuing Operations				
Amount	\$ 1,316	\$ 840	\$ 1,385	\$ 1,384
Growth Rate	57%	(28)%	—	13%

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

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

CARDINAL HEALTH, INC. AND SUBSIDIARIES
SEGMENT BUSINESS ANALYSIS

HEALTHCARE SUPPLY CHAIN SERVICES

(in millions)	Fourth Quarter	
	2008	2007
PHARMACEUTICAL		
Revenue		
Amount	\$ 19,819	\$ 19,556
Growth Rate	1%	4%
Mix	85%	86%
Segment Profit		
Amount	\$ 258	\$ 303
Growth Rate	(15)%	(3)%
Mix	44%	52%
Segment Profit Margin	1.30%	1.55%
MEDICAL		
Revenue		
Amount	\$ 2,082	\$ 1,929
Growth Rate	8%	5%
Mix	9%	9%
Segment Profit		
Amount	\$ 81	\$ 83
Growth Rate	(3)%	(2)%
Mix	14%	14%
Segment Profit Margin	3.89%	4.32%

CLINICAL AND MEDICAL PRODUCTS

(in millions)	Fourth Quarter	
	2008	2007
CLINICAL TECHNOLOGIES AND SERVICES		
Revenue		
Amount	\$ 780	\$ 756
Growth Rate	3%	17%
Mix	3%	3%
Segment Profit		
Amount	\$ 156	\$ 144
Growth Rate	8%	50%
Mix	26%	24%
Segment Profit Margin	20.01%	19.06%
MEDICAL PRODUCTS AND TECHNOLOGIES		
Revenue		
Amount	\$ 727	\$ 500
Growth Rate	46%	14%
Mix	3%	2%
Segment Profit		
Amount	\$ 95	\$ 58
Growth Rate	63%	27%
Mix	16%	10%
Segment Profit Margin	13.01%	11.60%

Refer to definitions for an explanation of calculations.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
SEGMENT BUSINESS ANALYSIS

HEALTHCARE SUPPLY CHAIN SERVICES

(in millions)	Fiscal Year	
	2008	2007
PHARMACEUTICAL		
Revenue		
Amount	\$ 79,284	\$ 76,573
Growth Rate	4%	9%
Mix	85%	86%
Segment Profit		
Amount	\$ 1,122	\$ 1,300
Growth Rate	(14)%	14%
Mix	50%	59%
Segment Profit Margin	1.41%	1.70%
MEDICAL		
Revenue		
Amount	\$ 8,084	\$ 7,514
Growth Rate	8%	4%
Mix	9%	9%
Segment Profit		
Amount	\$ 303	\$ 318
Growth Rate	(5)%	1%
Mix	14%	14%
Segment Profit Margin	3.75%	4.23%

CLINICAL AND MEDICAL PRODUCTS

(in millions)	Fiscal Year	
	2008	2007
CLINICAL TECHNOLOGIES AND SERVICES		
Revenue		
Amount	\$ 2,890	\$ 2,687
Growth Rate	8%	11%
Mix	3%	3%
Segment Profit		
Amount	\$ 497	\$ 386
Growth Rate	29%	20%
Mix	22%	18%
Segment Profit Margin	17.18%	14.35%
MEDICAL PRODUCTS AND TECHNOLOGIES		
Revenue		
Amount	\$ 2,696	\$ 1,836
Growth Rate	47%	12%
Mix	3%	2%
Segment Profit		
Amount	\$ 300	\$ 198
Growth Rate	52%	20%
Mix	14%	9%
Segment Profit Margin	11.14%	10.76%

Refer to the definitions for an explanation of how the Company calculates segment profit.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
ASSET MANAGEMENT ANALYSIS

	<u>Fourth Quarter</u>		<u>Fiscal Year</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Receivable Days	20.9	20.5		
Days Inventory on Hand	25	28		
Debt to Total Capital	33%	32%		
Net Debt to Capital	25%	22%		
Return on Equity	16.8%	47.3%	17.7%	23.5%
Non-GAAP Return on Equity	18.4%	17.3%	19.0%	16.9%
Return on Invested Capital	6.72%	18.43%	6.97%	9.38%
Non-GAAP Return on Invested Capital	8.00%	7.00%	8.06%	7.14%
Effective Tax Rate from Continuing Operations	34.1%	40.8%	32.5%	33.0%
Non-GAAP Effective Tax Rate from Continuing Operations	33.7%	33.5%	32.6%	32.4%

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

Refer to the GAAP / Non-GAAP Reconciliation for non-GAAP calculations.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
SCHEDULE OF NOTABLE ITEMS

(in millions, except per Common Share amounts)	Fourth Quarter		Fiscal Year	
	2008	2007	2008	2007
Special Items				
Restructuring charges	\$ (10.9)	\$ (11.7)	\$ (65.7)	\$ (40.1)
Acquisition integration charges	(25.1)	(87.5)	(44.9)	(101.5)
Litigation and other	(6.4)	(19.0)	(19.5)	(630.4)
Total special items	(42.4)	(118.2)	(130.1)	(772.0)
Tax benefit	12.0	10.4	43.8	243.1
Special items, net of tax	\$ (30.4)	\$ (107.8)	\$ (86.3)	\$ (528.9)
Decrease to diluted EPS from continuing operations	\$ (0.09)	\$ (0.28)	\$ (0.24)	\$ (1.31)
Impairment Charges and Other				
Impairment charges and other	\$ 10.0	\$ 0.6	\$ 32.0	\$ (17.3)
Tax benefit / (expense)	(6.0)	(0.2)	(14.4)	1.6
Impairment charges and other, net of tax	\$ 4.0	\$ 0.4	\$ 17.6	\$ (15.7)
Increase / (decrease) to diluted EPS from continuing operations	\$ 0.01	\$ —	\$ 0.05	\$ (0.04)
Weighted Average Number of Diluted Shares Outstanding	359.8	387.4	364.0	404.7

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CARDINAL HEALTH, INC. AND SUBSIDIARIES
GAAP / NON-GAAP RECONCILIATION

(in millions, except per Common Share amounts)	Fourth Quarter 2008				Fiscal Year 2008			
	GAAP	Special Items	Impairment Charges and Other	Non-GAAP	GAAP	Special Items	Impairment Charges and Other	Non-GAAP
Operating Earnings								
Amount	\$ 536	\$ 42	\$ (10)	\$ 568	\$ 2,121	\$ 130	\$ (32)	\$ 2,219
Growth Rate	27%			6%	54%			3%
Provision for Income Taxes	\$ 167	\$ 12	\$ (6)	\$ 173	\$ 634	\$ 44	\$ (14)	\$ 663
Earnings from Continuing Operations								
Amount	\$ 322	\$ 30	\$ (4)	\$ 348	\$ 1,316	\$ 86	\$ (18)	\$ 1,385
Growth Rate	35%			1%	57%			—
Diluted EPS from Continuing Operations								
Amount	\$ 0.89	\$ 0.09	\$ (0.01)	\$ 0.97	\$ 3.61	\$ 0.24	\$ (0.05)	\$ 3.80
Growth Rate	46%			9%	74%			11%
	Fourth Quarter 2007				Fiscal Year 2007			
	GAAP	Special Items	Impairment Charges and Other	Non-GAAP	GAAP	Special Items	Impairment Charges and Other	Non-GAAP
Operating Earnings								
Amount	\$ 421	\$ 118	\$ (1)	\$ 538	\$ 1,374	\$ 772	\$ 17	\$ 2,163
Growth Rate	(14)%			3%	(26)%			12%
Provision for Income Taxes	\$ 164	\$ 10	—	\$ 174	\$ 413	\$ 243	\$ 2	\$ 657
Earnings from Continuing Operations								
Amount	\$ 238	\$ 108	—	\$ 345	\$ 840	\$ 529	\$ 16	\$ 1,384
Growth Rate	(22)%			5%	(28)%			13%
Diluted EPS from Continuing Operations								
Amount	\$ 0.61	\$ 0.28	—	\$ 0.89	\$ 2.07	\$ 1.31	\$ 0.04	\$ 3.42
Growth Rate	(15)%			14%	(24)%			20%

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.
The sum of the components may not equal the total due to rounding

CARDINAL HEALTH, INC. AND SUBSIDIARIES
GAAP / NON-GAAP RECONCILIATION

(in millions)	Fourth Quarter		Fiscal Year	
	2008	2007	2008	2007
GAAP Return on Equity	16.8%	47.3%	17.7%	23.5%
Non-GAAP Return on Equity				
Net earnings	\$ 318.0	\$ 902.2	\$ 1,300.6	\$ 1,931.1
Special items, net of tax, in continuing operations	30.4	107.8	86.3	528.9
Special items, net of tax, in discontinued operations	—	—	—	4.4
(Gain)/loss on sale of PTS, net of tax, in discontinued operations	—	(679.5)	7.6	(1,072.4)
Adjusted net earnings	\$ 348.4	\$ 330.5	\$ 1,394.5	\$ 1,392.0
Annualized	\$ 1,393.6	\$ 1,322.0	\$ 1,394.5	\$ 1,392.0
Divided by average shareholders' equity ¹	\$ 7570.4	\$ 7,623.2	\$ 7,338.8	\$ 8,213.2
Non-GAAP return on equity	18.4%	17.3%	19.0%	16.9%
GAAP Return on Invested Capital				
Non-GAAP Return on Invested Capital				
Net earnings	\$ 318.0	\$ 902.2	\$ 1,300.6	\$ 1,931.1
Special items, net of tax, in continuing operations	30.4	107.8	86.3	528.9
Special items, net of tax, in discontinued operations	—	—	—	4.4
Interest expense and other, net of tax	30.4	12.2	109.7	77.7
(Gain)/loss on sale of PTS, net of tax, in discontinued operations	—	(679.5)	7.6	(1,072.4)
Adjusted net earnings	\$ 378.8	\$ 342.7	\$ 1,504.2	\$ 1,469.7
Annualized	\$ 1,515.2	\$ 1,370.8	\$ 1,504.2	\$ 1,469.7
Divided by average total invested capital ²	\$ 18,935.7	\$ 19,583.8	\$ 18,664.2	\$ 20,580.7
Non-GAAP return on invested capital	8.00%	7.00%	8.06%	7.14%

The results above reflect changes described in the Company's August 13, 2008 Form 8-K.

¹ The average shareholders' equity shown above is calculated using the average of the prior and current quarters except for fiscal year which is calculated as the average of shareholders' equity at the end of the prior years' fourth quarter plus each of the current year quarters.

² Total invested capital is calculated as the sum of the current portion of long-term obligations and other short-term borrowings, long-term obligations, current portion of long-term obligations and other short-term borrowings in discontinued operations, long-term obligations in discontinued operations, total shareholders' equity and unrecorded goodwill. The average total invested capital is calculated using the average of total invested capital at the end of the prior and current quarters except for year-to-date which is calculated as the average of the prior years' fourth quarter plus each of the current year quarters. Unrecorded goodwill is \$7.5 billion for all periods presented. Current portion of long-term obligations and other short-term borrowings in discontinued operations, and long-term obligations in discontinued operations were \$59.2 million, \$46.6 million, \$41.3 million and \$12.3 million at June 30, 2006, September 30, 2006, December 31, 2006 and March 31, 2007, respectively.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
GAAP / NON-GAAP RECONCILIATION

(in millions)	Fiscal Year	
	2008	2007
Revenue		
Clinical Technologies and Services	\$ 2,890	\$ 2,687
Medical Products and Technologies	2,696	1,836
Combined Revenue	\$ 5,586	\$ 4,523
Combined Growth Rate	24%	
Segment Profit		
Clinical Technologies and Services	\$ 497	\$ 386
Medical Products and Technologies	300	198
Combined Profit	\$ 797	\$ 584
Combined Growth Rate	36%	
	Fourth Quarter	
	2008	2007
Clinical Technologies and Services revenue growth		
	3%	
Clinical Technologies and Services revenue	\$ 779.8	\$ 755.8
Less: Pharmacy Services business unit revenue	(194.8)	(218.7)
Clinical Technologies and Services revenue excluding Pharmacy Services business unit revenue	\$ 585.0	\$ 537.1
Clinical Technologies and Services revenue growth excluding Pharmacy Services business unit revenue	9%	

CARDINAL HEALTH, INC. AND SUBSIDIARIES
DEFINITIONS

GAAP

Debt: long-term obligations plus short-term borrowings

Debt to Total Capital: debt divided by (debt plus total shareholders' equity)

Diluted EPS from Continuing Operations: earnings from continuing operations divided by diluted weighted average shares outstanding

Effective Tax Rate from Continuing Operations: provision for income taxes divided by earnings before income taxes and discontinued operations

Operating Cash Flow: net cash provided by / (used in) operating activities from continuing operations

Segment Profit: segment revenue minus (segment cost of products sold and segment selling, general and administrative expenses)

Segment Profit Margin: segment profit divided by segment revenue

Segment Profit Mix: segment profit divided by total segment profit for all segments

Return on Equity: annualized net earnings divided by average shareholders' equity

Return on Invested Capital: annualized net earnings divided by (average total shareholders' equity plus debt plus unrecorded goodwill)

Revenue Mix: segment revenue divided by total segment revenue for all segments

NON-GAAP

Net Debt to Capital: net debt divided by (net debt plus total shareholders' equity)

Net Debt: debt minus (cash and equivalents and short-term investments available for sale)

Non-GAAP Diluted EPS from Continuing Operations: non-GAAP earnings from continuing operations divided by diluted weighted average shares outstanding

Non-GAAP Diluted EPS from Continuing Operations Growth Rate: (current period non-GAAP diluted EPS from continuing operations minus prior period non-GAAP diluted EPS from continuing operations) divided by prior period non-GAAP diluted EPS from continuing operations

Non-GAAP Earnings from Continuing Operations: earnings from continuing operations excluding special items and impairment charges and other, both net of tax

Non-GAAP Earnings from Continuing Operations Growth Rate: (current period non-GAAP earnings from continuing operations minus prior period non-GAAP earnings from continuing operations) divided by prior period non-GAAP earnings from continuing operations

Non-GAAP Effective Tax Rate from Continuing Operations: (provision for income taxes adjusted for special items) divided by (earnings before income taxes and discontinued operations adjusted for special items)

Non-GAAP Operating Earnings: operating earnings excluding special items and impairment charges and other

Non-GAAP Operating Earnings Growth Rate: (current period non-GAAP operating earnings minus prior period non-GAAP operating earnings) divided by prior period non-GAAP operating earnings

Non-GAAP Return on Equity: (annualized current period net earnings plus special items minus special items tax benefit) divided by average shareholders' equity¹

Non-GAAP Return on Invested Capital: (annualized net earnings plus special items minus special items tax benefit plus interest expense and other) divided by (average total shareholders' equity plus debt plus unrecorded goodwill)¹

¹ For the three months ended June 30, 2007, the numerator in calculating this non-GAAP financial measure also excludes the \$679.5 million gain, net of tax, on the sale of PTS recorded in discontinued operations in the fourth quarter of fiscal 2007. For the fiscal year ended June 30, 2008 and 2007 the numerator in calculating this non-GAAP financial measure also excludes the respective \$7.6 million and \$(1,072.4) million (gain) / loss, net of tax, on the sale of PTS recorded in discontinued operations.

Use of Non-GAAP Financial Measures

In addition to disclosing financial results calculated in accordance with U.S. generally accepted accounting principles (“GAAP”), Cardinal Health, Inc.’s (the “Company’s”) Form 8-K filed on August 13, 2008 contains non-GAAP financial measures. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company has provided reconciliations of the historical non-GAAP financial measures to the most directly comparable historical GAAP financial measures. Management encourages readers to rely upon the GAAP numbers, but includes the non-GAAP financial measures as supplemental metrics to assist readers. Definitions of the non-GAAP financial measures are included in the earnings release.

Non-GAAP operating earnings and presentations derived from it (growth rate calculation). The Company presents the non-GAAP financial measure “non-GAAP operating earnings” and presentations derived from this measure. This non-GAAP financial measure excludes special items and impairment charges and other.

The Company classifies restructuring charges, acquisition integration charges and certain litigation and other items as special items. A restructuring activity is a program whereby the Company fundamentally changes its operations such as closing facilities, moving a product to another location or outsourcing the production of a product. Restructuring activities may also involve substantial re-alignment of the management structure of a business unit in response to changing market conditions. Restructuring charges include employee-related costs, facility exit and other costs and asset impairments.

Acquisition integration charges include costs to integrate acquired companies. Acquisition integration charges include employee-related costs, asset impairments and other exit costs, in-process research and development costs and other integration costs.

The Company recognizes income from the favorable outcome of legal settlements, judgments or other resolution of legal and regulatory matters as special items on the consolidated financial statements when the associated cash or assets are received. Generally, expenses due to the unfavorable outcome of legal settlements, judgments or other resolution of legal and regulatory matters (“litigation settlement losses”) are charged to the segment to which the matter relates and, as a result, are classified as selling, general and administrative expense on the Company’s consolidated financial statements. In certain circumstances, significant litigation settlement losses are classified in special items on the consolidated statement of earnings. Factors considered in determining whether a particular litigation settlement loss should be classified in special items include the nature of the matter (i.e., significant matters that are infrequent, non-recurring or unusual in nature are classified as special items), the age of the matter and the pervasiveness of the matter to the entire organization. The Company also classifies legal fees and document preservation and production costs incurred in connection with the previously-disclosed SEC investigation and related Audit Committee internal review and related matters as special items.

Asset impairments and gains and losses from the sale of assets not eligible to be classified as special items or discontinued operations are classified within impairment charges and other within the consolidated statements of earnings.

For further discussion of items classified as special items and impairment charges and other, see the notes to the consolidated financial statements contained in the Company’s Annual and Quarterly Reports on Form 10-K and Form 10-Q.

Management uses non-GAAP operating earnings to evaluate the Company’s performance. As the Company’s core business is providing healthcare products and services to the healthcare industry,

management finds it useful to use financial measures that do not include charges and gains associated with restructuring activities, integrating acquisitions, significant litigation settlements, asset impairments and gains and losses from the sale of assets. While these special items and impairment charges and other may be recurring, management believes that these items and charges are not reflective of the day-to-day offering of its products and services and relate more to strategic, multi-year corporate actions, without predictable trends, that may obscure the trends and financial performance of the Company's core business.

The limitation associated with using this non-GAAP measure is that the measure excludes items that impact the Company's current period operating results. In most cases, the excluded items include transactions that reflect cash costs to the Company. This limitation is best addressed by using this non-GAAP measure in combination with operating earnings (the most comparable GAAP measure) because the non-GAAP measure does not reflect items that impact current period operating results and may be higher than the most comparable GAAP measure. Management believes that investors may find it useful to evaluate the components of special items and impairment charges and other separately and in the aggregate when reviewing the Company's performance.

Non-GAAP earnings from continuing operations and presentations derived from it (per share and growth rate calculations). The Company presents the non-GAAP financial measure "non-GAAP earnings from continuing operations" and presentations derived from this measure. This non-GAAP financial measure excludes special items, net of tax, and impairment charges and other, net of tax. See the discussion of special items and impairment charges and other above under the heading "non-GAAP operating earnings and presentations derived from it (growth rate calculation)" for information regarding the components of the Company's special items and impairment charges and other classifications.

Management uses this non-GAAP measure to evaluate the Company's performance. As the Company's core business is providing healthcare products and services to the healthcare industry, management finds it useful to use financial measures that do not include charges and gains associated with restructuring activities, integrating acquisitions, significant litigation settlements, asset impairments and gains and losses from the sale of assets. While these special items and impairment charges and other may be recurring, management believes that these items and charges are not reflective of the day-to-day offering of its products and services and relate more to strategic, multi-year corporate actions, without predictable trends, that may obscure the trends and financial performance of the Company's core business.

The limitation associated with using this non-GAAP measure is that this measure excludes items that impact the Company's current period operating results. In most cases, the excluded items include transactions that reflect cash costs to the Company. This limitation is best addressed by using this non-GAAP measure in combination with earnings from continuing operations (the most comparable GAAP measure) because the non-GAAP measure does not reflect items that impact current period operating results and may be higher than the most comparable GAAP measure. Management believes that investors may find it useful to evaluate the components of special items and impairment charges and other separately and in the aggregate when reviewing the Company's performance.

Non-GAAP return on equity. The Company presents the non-GAAP financial measure "non-GAAP return on equity." This non-GAAP financial measure excludes special items, net of tax, from the numerator of the calculation. See the discussion of special items above under the heading "non-GAAP operating earnings and presentations derived from it (growth rate calculation)" for information regarding the components of the Company's special items classification. Due to the classification of the Company's former Pharmaceutical Technologies and Services segment ("PTS") as discontinued operations during the second quarter of fiscal 2007, for the three months ended June 30, 2007, the numerator in calculating this non-GAAP financial measure also excludes a gain of \$679.5 million on the sale of PTS recorded, net of tax, in discontinued operations. For the fiscal years ended June 30, 2008 and 2007, the numerator in calculating this non-GAAP financial measure also excludes a loss of \$7.6 million and a gain of \$1,072.4 million, respectively, on the sale of PTS recorded, net of tax, in discontinued operations. The adjustments related to the PTS sale for each of the three months ended June 30, 2007 and the fiscal years ended June 30, 2008 and 2007 are referred to hereinafter as the "PTS Adjustments."

Management uses this non-GAAP measure to evaluate the Company's performance. As the Company's core business is providing healthcare products and services to the healthcare industry, management finds it useful to use a financial measure that does not include charges and gains associated with restructuring activities, integrating acquisitions and significant litigation settlements. While these special items may be recurring, management believes that these items are not reflective of the day-to-day offering of its products and services and relate more to strategic, multi-year corporate actions, without predictable trends, that may obscure the trends and financial performance of the Company's core business. The PTS Adjustments are excluded for similar reasons.

The limitation associated with using this non-GAAP measure is that this measure excludes items that impact the Company's current period operating results. In most cases, the excluded special items include transactions that reflect cash costs to the Company. This limitation is best addressed by using this non-GAAP measure in combination with return on equity (the most comparable GAAP measure) because the non-GAAP measure does not reflect items that impact current period operating results and may be higher than the most comparable GAAP measure. Management believes that investors may find it useful to evaluate the components of special items separately and in the aggregate when reviewing the Company's performance, as well as the PTS Adjustments.

Non-GAAP return on invested capital. The Company presents the non-GAAP financial measure "non-GAAP return on invested capital." This non-GAAP financial measure excludes special items, net of tax, from the numerator of the calculation. See the discussion of special items above under the heading "non-GAAP operating earnings and presentations derived from it (growth rate calculation)" for information regarding the components of the Company's special items classification. The numerator in calculating this non-GAAP financial measure also excludes interest expense and other, net of tax, because invested capital includes both debt and equity. Due to the classification of the Company's former PTS segment as discontinued operations during the second quarter of fiscal 2007, the numerator in calculating this non-GAAP financial measure also excludes the PTS Adjustments.

Management uses this non-GAAP measure to evaluate the Company's performance. As the Company's core business is providing healthcare products and services to the healthcare industry, management finds it useful to use a financial measure that does not include charges and gains associated with restructuring activities, integrating acquisitions and significant litigation settlements. While these special items may be recurring, management believes that these items are not reflective of the day-to-day offering of its products and services and relate more to strategic, multi-year corporate actions, without predictable trends, that may obscure the trends and financial performance of the Company's core business. The PTS Adjustments are excluded for similar reasons.

The limitation associated with using this non-GAAP measure is that this measure excludes items that impact the Company's current period operating results. In most cases, the excluded special items include transactions that reflect cash costs to the Company. This limitation is best addressed by using this non-GAAP measure in combination with return on invested capital (the most comparable GAAP measure) because the non-GAAP measure does not reflect items that impact current period operating results and may be higher than the most comparable GAAP measure. Management believes that investors may find it useful to evaluate the components of special items separately and in the aggregate when reviewing the Company's performance, as well as the PTS Adjustments.

Non-GAAP effective tax rate from continuing operations. The Company presents the non-GAAP financial measure "non-GAAP effective tax rate from continuing operations." This non-GAAP financial measure excludes special items from the denominator of the calculation and the tax effect of special items from the numerator of the calculation. See the discussion of special items above under the heading "non-GAAP operating earnings and presentations derived from it (growth rate calculation)" for information regarding the components of the Company's special items classification. Management uses this non-GAAP measure to evaluate the Company's performance because special items may be taxed differently than other items.

The limitation associated with using this non-GAAP measure is that this measure excludes items that impact the Company's current period operating results. In most cases, the excluded special items include transactions that reflect cash costs to the Company. This limitation is best addressed by using this non-GAAP measure in combination with effective tax rate from continuing operations (the most comparable GAAP measure) because the non-GAAP measure does not reflect items that impact current period operating results and may be lower than the most comparable GAAP measure. Management believes that investors may find this non-GAAP measure useful to evaluate the Company's future performance because special items may have a different tax impact than other items.

Net debt to capital. The Company also presents the non-GAAP financial measure "net debt to capital," which is net debt divided by capital (net debt plus total shareholders' equity). "Net debt," also a non-GAAP financial measure, is debt (the most comparable GAAP measure, calculated as long-term obligations plus short-term borrowings) minus cash and equivalents and short-term investments available for sale. Management believes that net debt to capital is an important measure to monitor leverage and evaluate the balance sheet. With respect to net debt, cash and equivalents and short-term investments available for sale are subtracted from the GAAP measure because they could be used to reduce the Company's debt obligations.

The limitation associated with using net debt is that it subtracts cash and equivalents and short-term investments available for sale and therefore may imply that there is less Company debt than the most comparable GAAP measure indicates. This limitation is best addressed by using net debt in combination with debt because net debt may be lower than the most comparable GAAP measure. Management believes that investors may find it useful to monitor leverage and evaluate the balance sheet.

Clinical Technologies and Services segment and Medical Products and Technologies segment combined revenue and segment profit and presentations derived from them (growth rate calculations). The Company presents the non-GAAP financial measures "Clinical Technologies and Services segment and Medical Products and Technologies segment combined revenue and segment profit" and presentations derived from them. These non-GAAP financial measures are calculated by adding together revenue and segment profit for each segment as reported in the notes to the Company's consolidated financial statements. Information about interest income and expense and income taxes is not provided at the segment level. In addition, special items, impairment charges and other and costs associated with certain strategic investments that require the approval of executive management are not allocated to the segments. Further, segment profit does not reflect the elimination of revenue and profit on inter-segment sales.

Management uses these non-GAAP measures to monitor the operating performance of the Clinical and Medical Products sector and compare their results with other businesses with similar operations. The businesses within the Clinical and Medical Products sector have revenue and profit characteristics that contrast with the high revenue and low margin characteristics of the Company's businesses comprising the Healthcare Supply Chain Services sector.

The limitation associated with using these non-GAAP measures is that these measures are not necessarily representative of the financial results that would have been obtained if the businesses had been operated as a single segment and do not represent the financial results that will be obtained under the new Clinical and Medical Products reportable segment. This limitation is best addressed by evaluating these non-GAAP measures on a historical basis and in combination with Clinical Technologies and Services segment revenue and segment profit and Medical Products and Technologies segment revenue and segment profit (the most comparable GAAP measures). Management believes that investors may find these non-GAAP measures useful to evaluate the Company's performance on a sector basis comprising businesses that have revenue and profit characteristics that contrast with the high revenue and low margin characteristics of the Company's businesses comprising the Healthcare Supply Chain Services sector.

Clinical Technologies and Services segment revenue growth rate excluding Pharmacy Services revenue. The Company presents the non-GAAP financial measure "Clinical Technologies and Services segment revenue growth rate excluding Pharmacy Services revenue." This non-GAAP financial measure excludes revenue from this segment's Pharmacy Services business that provides outsourced hospital pharmacy management services. Management uses this non-GAAP measure to evaluate the revenue growth trends of the higher growth businesses within the Clinical Technologies and Services segment. Although the Pharmacy Services business constitutes a

substantial percentage of this segment's revenue, it is more mature and slower growing than the segment's other businesses and its results may obscure revenue trends in other businesses within this segment. Thus, management finds it useful to exclude Pharmacy Services revenue when reviewing revenue growth and trends for the segment.

The limitation associated with using this non-GAAP measure is that it is not representative of revenue and revenue growth for the entire Clinical Technologies and Services segment. This limitation is best addressed by using this non-GAAP measure in combination with Clinical Technologies and Services segment revenue (the most comparable GAAP measure). Management believes that investors may find it useful to evaluate Clinical Technologies and Services revenue excluding Pharmacy Services revenue when reviewing the segment's performance because its revenue may obscure revenue trends in other businesses within this segment.