



Investor Relations Conference

FY 2007

Safer and more productive healthcare

September 20, 2006

Forward-looking and adjusted information

Except for historical information, all other information in the following presentations consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the following: competitive pressures; the loss of one or more key customer or supplier relationships or changes to the terms of those relationships; changes in the distribution patterns or reimbursement rates for health-care products and/or services; the results, consequences, effects or timing of any inquiry or investigation by or settlement discussions with any regulatory authority or any legal and administrative proceedings; costs and effects of shareholder litigation and other legal proceedings; difficulties in opening new facilities or fully utilizing existing capacity; the costs, difficulties and uncertainties related to the integration of acquired businesses; with respect to future dividends, the decision by the board of directors to declare such dividends, which is expected to consider Cardinal Health's surplus, earnings, cash flows, financial condition and prospects at the time any such action is considered; with respect to future share repurchases, the approval of the board of directors, which is expected to consider Cardinal Health's then-current stock price, earnings, cash flows, financial condition and prospects as well as alternatives available to Cardinal Health at the time any such action is considered; and general economic and market conditions. Except to the limited extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In addition, statements in these presentations include adjusted financial measures governed by SEC Regulation G. A reconciliation of these measures is included with the presentations and has been posted on the Company's investor relations page at www.cardinalhealth.com.

CARDINAL HEALTH, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

The following table provides certain financial ratios and reconciles all non-GAAP measures to their GAAP equivalent.

(in millions, except per Common Share amounts)	Fiscal year ended June 30,	
	2006	2005
Return on equity	14.4%	13.2%
Return on equity, excluding special items and equity compensation		
Earnings from continuing operations	\$ 1,244.7	\$ 1,108.3
Special items, net of tax benefit	66.7	153.9
Equity compensation, net of tax benefit	154.7	6.3
Earnings from continuing operations, excluding special items and equity compensation	\$ 1,466.1	\$ 1,268.5
Divided by average shareholders' equity, excluding special items and equity compensation ¹	\$ 8,671.2	\$ 8,439.2
Return on equity, excluding special items and equity compensation	16.9%	15.0%
Return on invested capital	6.31%	5.64%
Return on invested capital, excluding special items and equity compensation		
Operating earnings	\$ 1,966.7	\$ 1,824.3
Special items	94.7	218.0
Equity compensation	237.3	10.1
Operating earnings, excluding special items and equity compensation	\$ 2,298.7	\$ 2,052.4
Effective tax rate from continuing operations, excluding special items and equity compensation	32.3%	34.0%
Operating earnings multiplied by (1 minus the effective tax rate from continuing operations, excluding special items and equity compensation)	\$ 1,556.2	\$ 1,354.8
Divided by:		
Current portion of long-term obligations and other short-term borrowings	\$ 229.2	\$ 307.9
Long-term obligations, less current portion and other short-term borrowings	2,599.7	2,319.9
Unrecorded goodwill	9,700.3	9,700.3
Total shareholders' equity	8,490.7	8,593.0
Subtotal	\$ 21,019.9	\$ 20,921.1
Adjusted ¹	\$ 21,141.3	\$ 21,160.5
Return on invested capital, excluding special items and equity compensation	7.36%	6.40%
Effective tax rate from continuing operations	32.2%	34.6%
Effective tax rate from continuing operations, excluding special items and equity compensation		
Earnings before income taxes and discontinued operations	\$ 1,835.0	\$ 1,694.3
Special items	94.7	218.0
Equity compensation	237.3	10.1
Adjusted earnings before income taxes and discontinued operations	\$ 2,167.0	\$ 1,922.4
Earnings from continuing operations	\$ 1,244.7	\$ 1,108.3
Special items, net of tax benefit	66.7	153.9
Equity compensation, net of tax benefit	154.7	6.3
Adjusted earnings from continuing operations	\$ 1,466.1	\$ 1,268.5
Effective tax rate from continuing operations, excluding special items and equity compensation	32.3%	34.0%

¹ The average shown above is calculated as the average of the prior year fourth quarter plus each of the current year quarters.

Forward-Looking Non-GAAP Financial Measures

The Company presents non-GAAP financial measures on a forward-looking basis. These measures include fiscal 2007 earnings per share guidance and long-term earnings per share growth rate, excluding special items and impairment charges and other, and return on equity, excluding special items. The Company is unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most comparable forward-looking GAAP measures because the Company cannot reliably forecast special items and impairment charges and other, which are difficult to predict and estimate and are primarily dependent on future events. Please note that the unavailable reconciling items could significantly impact the Company's future net earnings and cash flows.

September 20 Investor Conference

Agenda

8:30

Welcome and Introductions

Jason Strohm, Vice President –
Investor Relations

CEO Overview

Kerry Clark, Chief Executive Officer

Financial Overview

Jeff Henderson, Chief Financial Officer

Healthcare Supply Chain Services

Mark W. Parrish, Group President
Thomas M. Slagle, Group President

Healthcare Supply Chain Services –

Pharmaceutical

Mark W. Parrish, Group President

Healthcare Supply Chain Services – Medical

Thomas M. Slagle, Group President

9:45

Break

Pharmaceutical and Medical Products

Dave Schlotterbeck, Chief Executive Officer

Pharmaceutical Technologies and Services

Dave Schlotterbeck, Chief Executive Officer

Medical Products Manufacturing

Michael A. Lynch, Group President

Clinical Technologies and Services

Dwight Winstead, Group President

11:00

Closing Remarks

Kerry Clark, Chief Executive Officer

Q&A

11:45

Lunch – Gallery 8



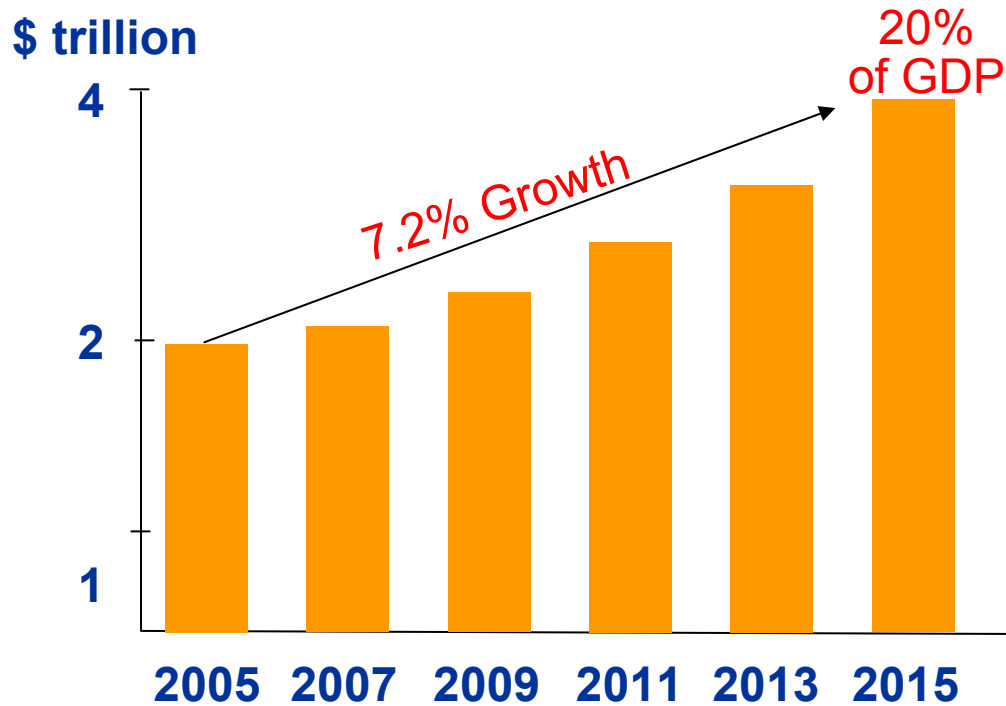
Safer and more productive healthcare

R. Kerry Clark
President and CEO

September 20, 2006

Healthcare industry

Global market is \$4 trillion today
U.S. market alone will reach \$4 trillion by 2015



Cardinal Health can help

Hospitals

- Operating margins under pressure
- 1.5 million harmed or killed from medication errors
- 1 of 20 admitted to a hospital contract an infection

Pharmacies

- 90% of prescriptions filled are paid through third-party payers

Pharma manufacturers

- Cost to develop new pharmaceutical has quadrupled to almost \$1 billion
- Generics growing twice the rate of overall drug market

Broad healthcare offerings

- Distribute 1/3 of all medicine prescribed in the U.S.
- Manage 275 hospital pharmacies
- Dispense 5 million doses every day through Alaris[®] and Pyxis[®] products
- Manufacture or distribute products used in 50% of all surgeries
- Products used by 90% of hospitals
- Manufacture or package 100 billion doses of medicine every year



Broad healthcare offerings

Our mission: *To make the practice and delivery of healthcare safer and more productive*



Key strategies

1 Improve supply chain productivity



Key strategies

- 1 Improve supply chain productivity
- 2 Use technology to improve patient safety



Key strategies

- 1 Improve supply chain productivity
- 2 Use technology to improve patient safety
- 3 Help drug companies lower their costs



Improve supply chain productivity

Cardinal Health:

- Consolidate support services
- Streamline warehouse networks
- Integrate logistics functions

Customers:

- CardinalASSIST[®]
- Pharmacy management
- Presource[®]
- Private-label medical products
- Leader[®]



Use technology to improve patient safety

- Alaris[®] products
- Pyxis[®] products
- MedMined

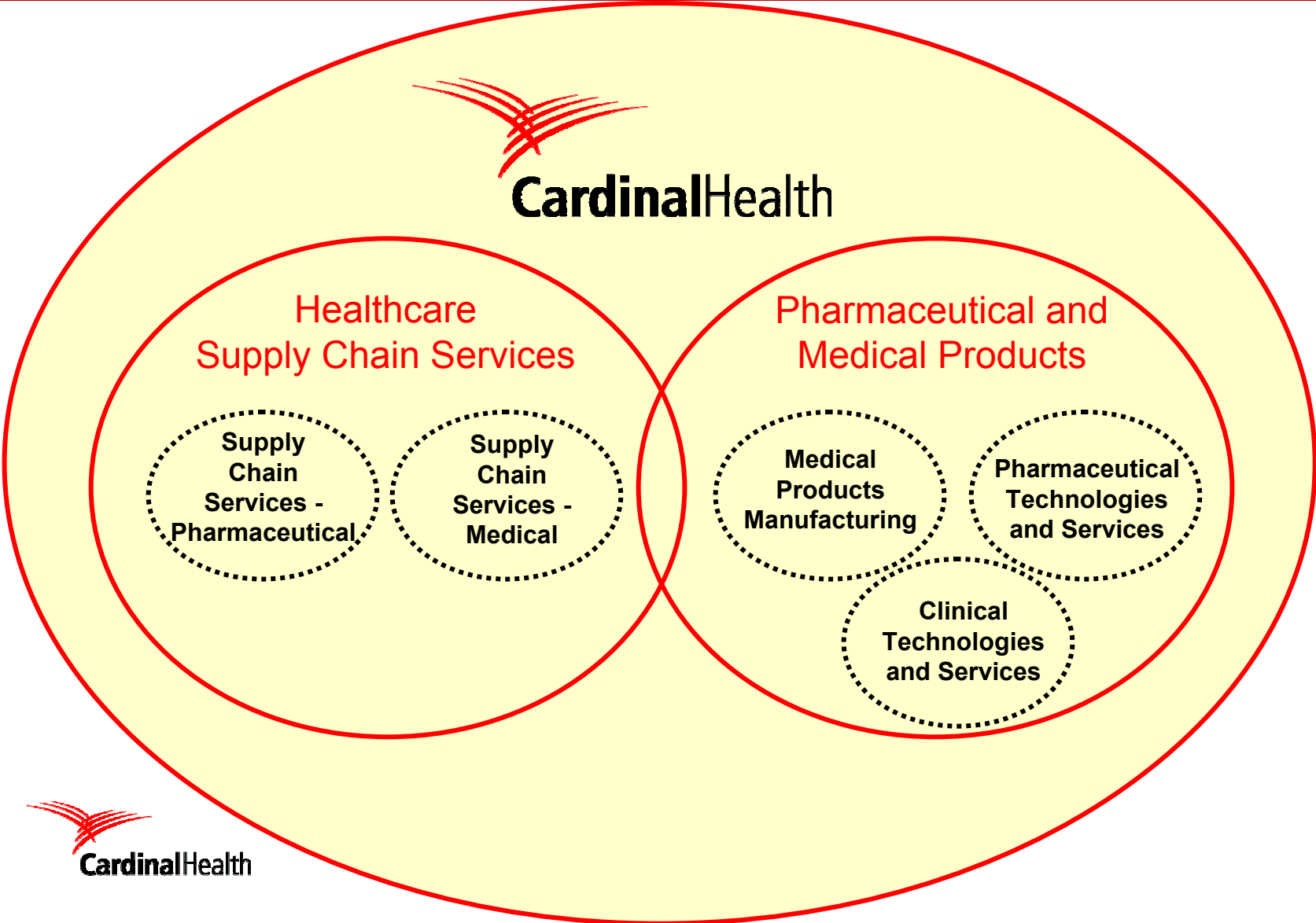


Help drug companies lower their costs

- Development, manufacturing and packaging services
- Extend the life of mature products
- Improve time-to-market



One Cardinal Health



CardinalHealth

**Healthcare
Supply Chain Services**

**Pharmaceutical and
Medical Products**

**Supply
Chain
Services -
Pharmaceutical**

**Supply
Chain
Services -
Medical**

**Medical
Products
Manufacturing**

**Pharmaceutical
Technologies
and Services**

**Clinical
Technologies
and Services**



CardinalHealth

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions
- Integrated Provider Solutions

One Cardinal Health: Priorities for '07

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- Innovation
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- Integrated Provider Solutions
- International

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions
- Integrated Provider Solutions
- International

2 Leveraging scale and Operational Excellence

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions
- Integrated Provider Solutions
- International

2 Leveraging scale and Operational Excellence

- Cost structure

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions
- Integrated Provider Solutions
- International

2 Leveraging scale and Operational Excellence

- Cost structure
- Lean Six Sigma projects

One Cardinal Health: Priorities for '07

1 Customer-driven organic growth

- Innovation
- Tuck-in acquisitions
- Integrated Provider Solutions
- International

2 Leveraging scale and Operational Excellence

- Cost structure
- Lean Six Sigma projects
- Consolidation

Fiscal 2007 Recap

Key Strategies

- 1 Improve supply chain productivity
- 2 Use technology to improve patient safety
- 3 Help drug companies lower their costs

One Cardinal Health Priorities

- 1 Customer-driven organic growth
- 2 Leveraging scale and Operational Excellence



CardinalHealth



Financial Overview

Jeff Henderson
Chief Financial Officer

September 20, 2006

Agenda

Fiscal 2006 Highlights

Fiscal 2007 Performance Drivers

- Organic operating growth
- Balance sheet management
- Capital deployment

Financial Targets and Goals

A year of
transition...

FY 2006 Highlights

- Re-established growth momentum
- Completed pharma distribution model transition
- Continued journey to One Cardinal Health
- Established improved controls
- Strong balance sheet management and capital deployment discipline
- Delivered 12% shareholder returns

FY 2006 Consolidated results

GAAP Basis

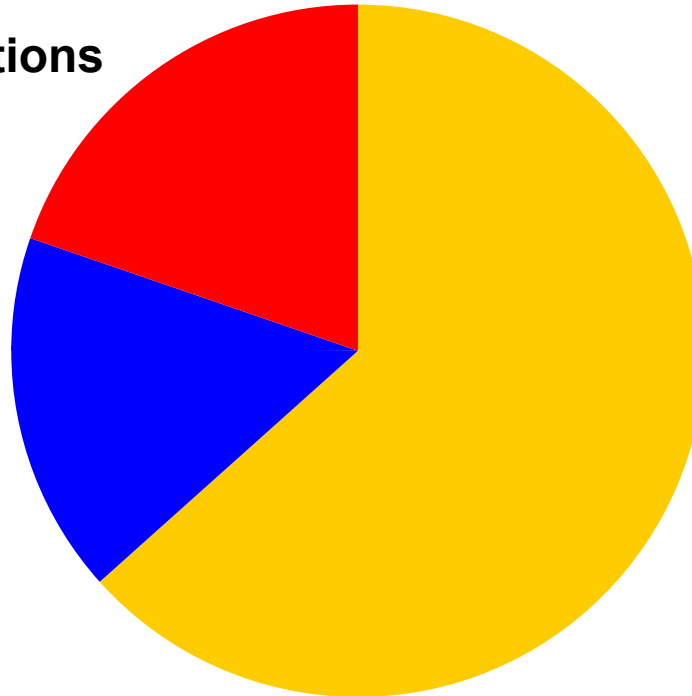
	<u>FY 2005</u>	<u>FY 2006</u>	<u>% Change</u>
Revenue	\$74,272	\$81,364	10%
Operating earnings	\$ 1,824	\$ 1,967	8%
Earnings from continuing operations	\$ 1,108	\$ 1,245	12%
Diluted EPS	\$ 2.54	\$ 2.90	14%

FY 2006 Capital deployment

Total capital deployed = \$2.4 Billion

16% - Acquisitions

**20% - Capital
investments**



**64% - Returned to
shareholders**

Portfolio optimization

Acquisitions

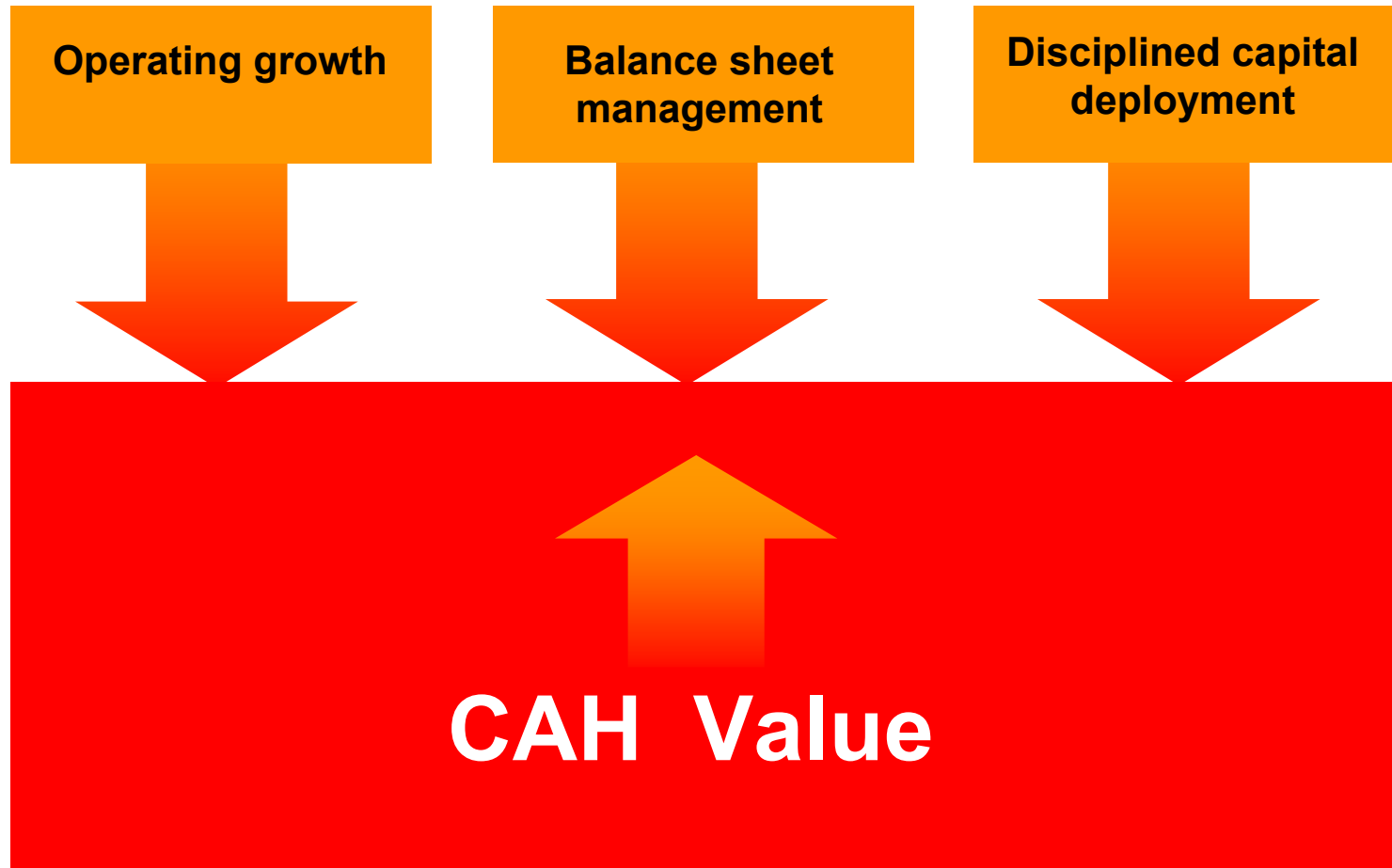
- Source Medical Corporation
- ParMed Pharmaceutical, Inc.
- Denver Biomedical, Inc.
- F. Dohmen Co.
- MedMined, Inc.



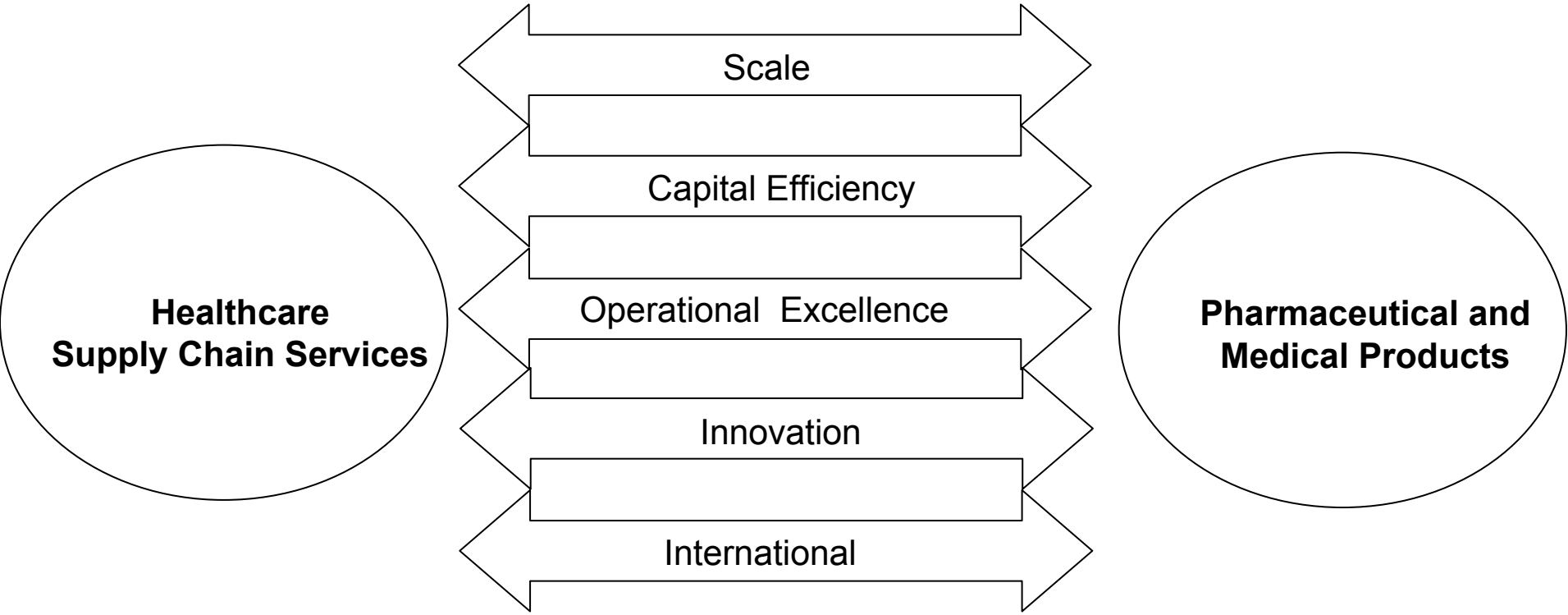
Divestitures

- Healthcare marketing services
- UK-based Intercare pharmaceutical distribution business
- Majority of specialty distribution business to OTN
- Pharmacy staffing business
- Fort Worth PTS manufacturing facility

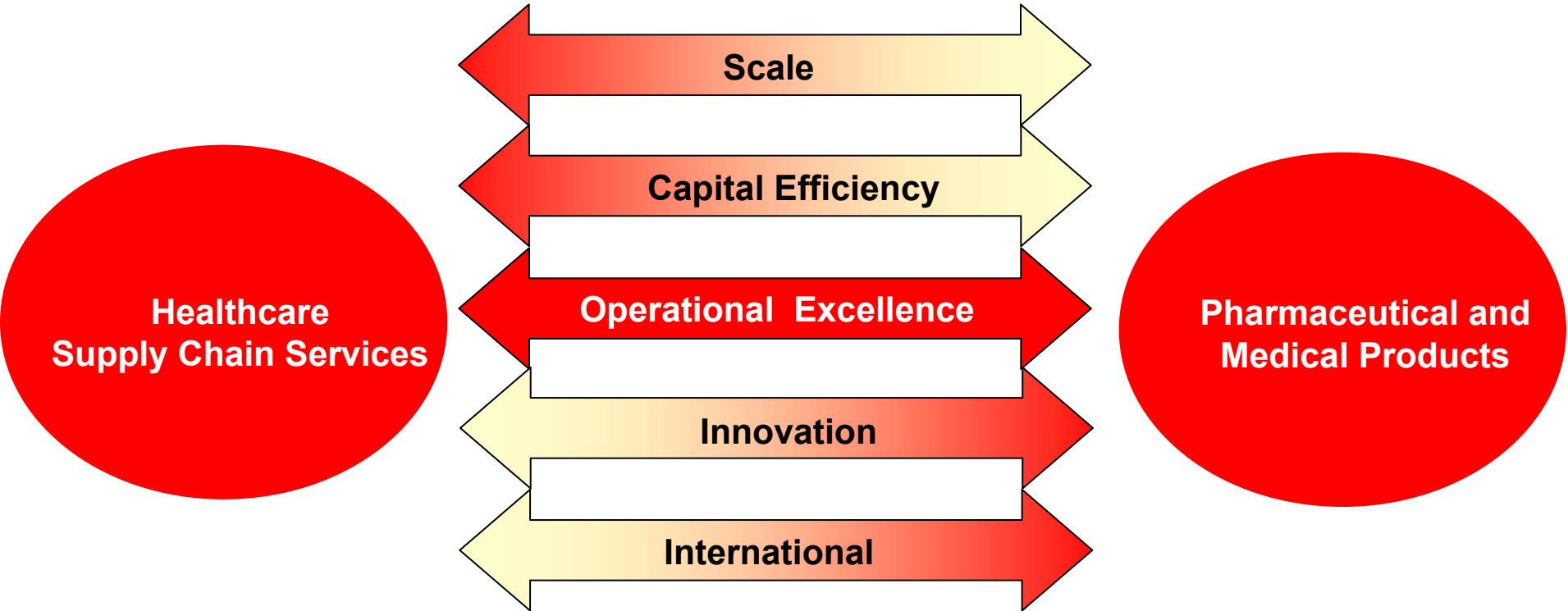
FY 2007 – Value drivers



Operating growth



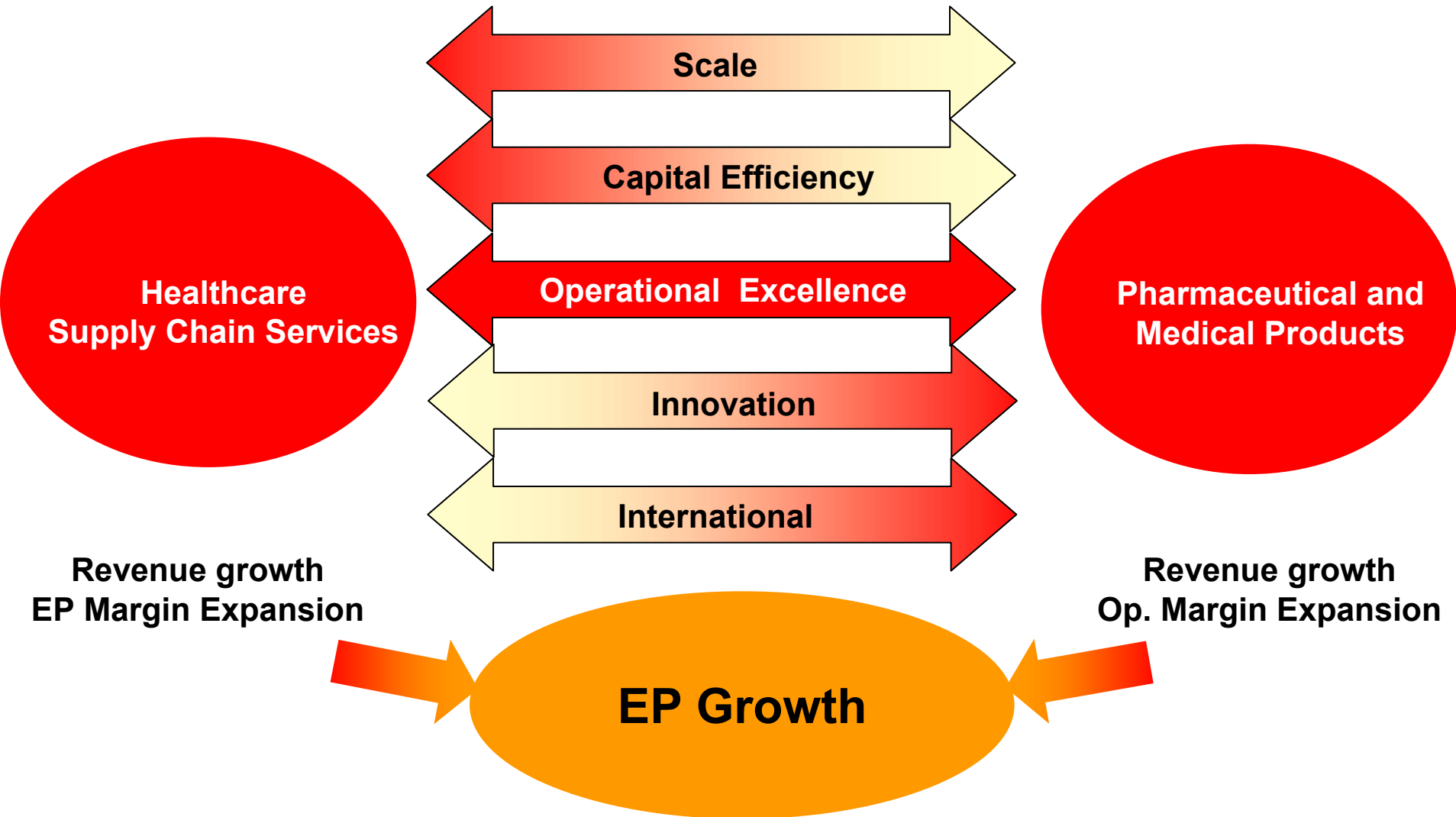
Operating growth



Healthcare
Supply Chain Services

Pharmaceutical and
Medical Products

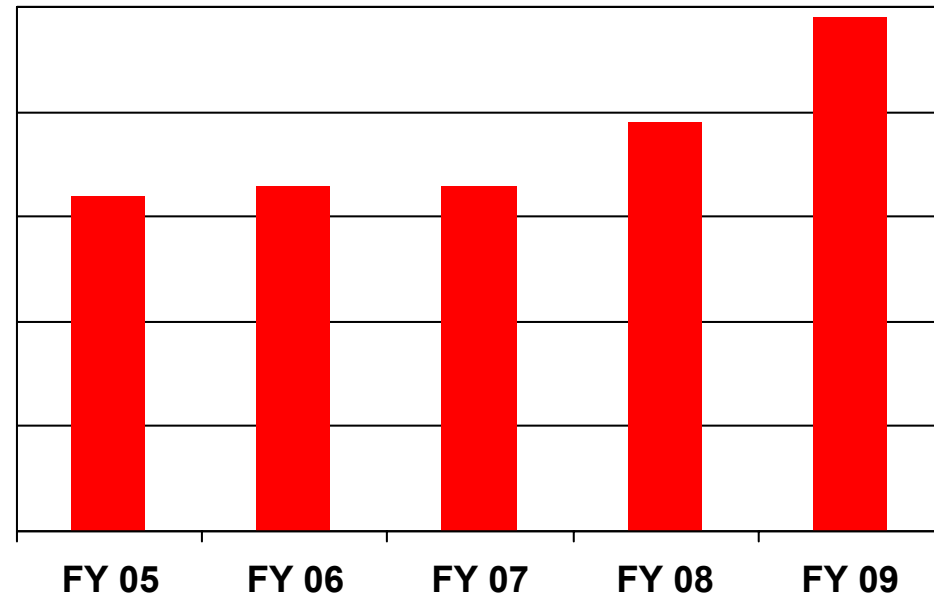
Operating growth



Economic Profit Margin

- **Definition:**
 - Economic Profit divided by Revenue
 - EP: after tax operating profit less tangible capital cost
- **Why we measure:**
 - Creates disciplined focus on both operating margins and capital management

Healthcare Supply Chain Services EP Margin Trend



FY 2007 Financial targets and goals

Healthcare Supply Chain Services

	Long-term		FY 2007
	Revenue Growth	Operating Earnings Growth	Operating Earnings Growth
Pharma	+ 7 - 10%	+ 7 - 10%	In range
Medical	+ 4 - 7%	+ 6 - 9%	In range

Themes

- EP margins stable to expanding; EP growth
- Intense cost focus
- Capital management, cash flow generation



FY 2007 Financial targets and goals

Pharma and Medical Products

	Long-term		FY 2007
	Revenue Growth	Operating Earnings Growth	Operating Earnings Growth
MPM	+ 6 - 8%	+ 10 - 12%	Above range
PTS	+ 6 - 9%	+ 8 - 15%	Low end of range
CTS	+ 10 - 15%	+ 15 - 20%	In range

Themes

- Margin expansion
- Investment for innovation
- International growth

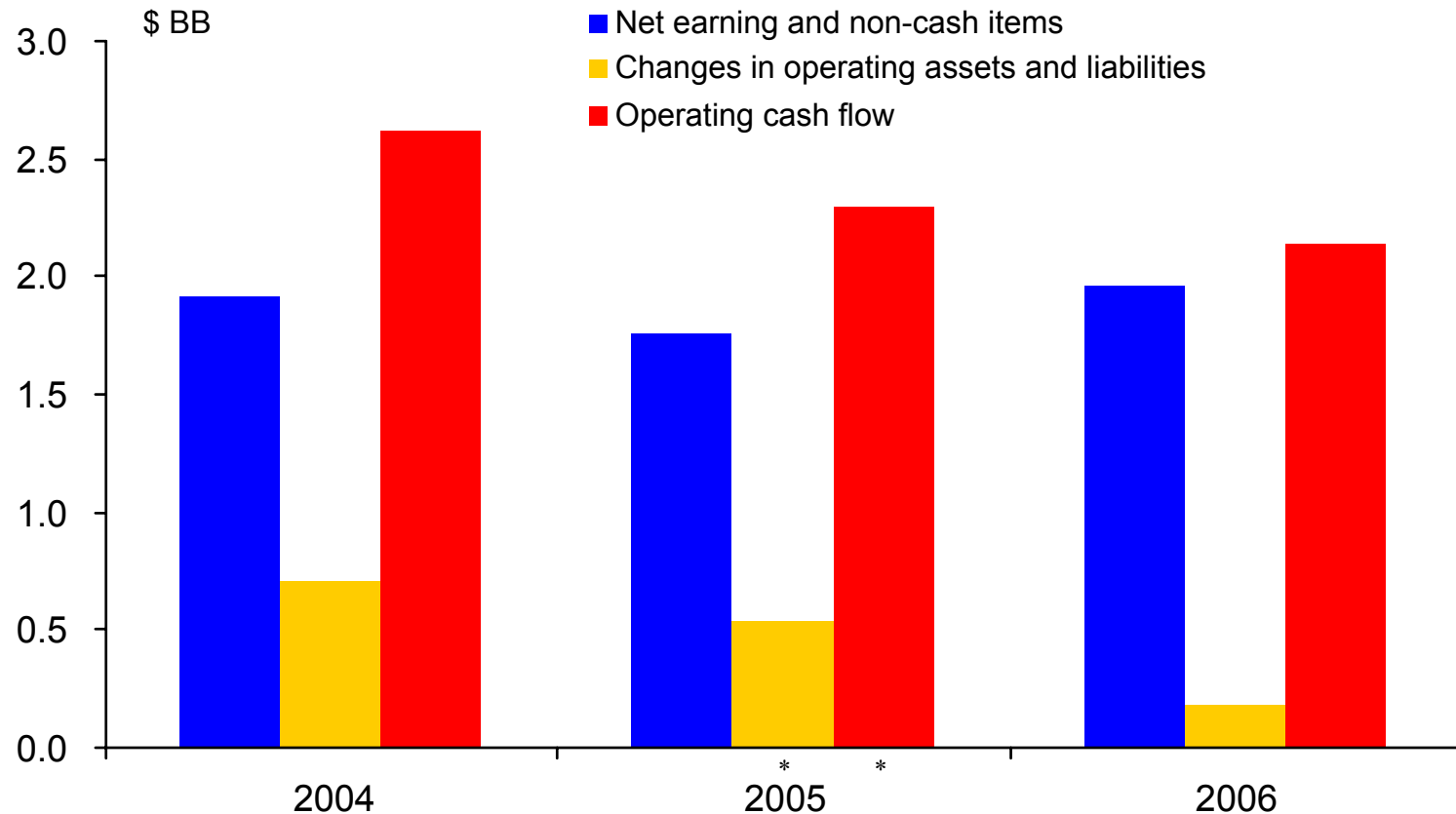
FY 2007 – Other EPS drivers

- SG&A moderation
 - Back office consolidations
 - Facility restructuring
- Equity expense
 - 20% decline year-over-year
- Capital deployment
 - Share count reduction
- Tax rate

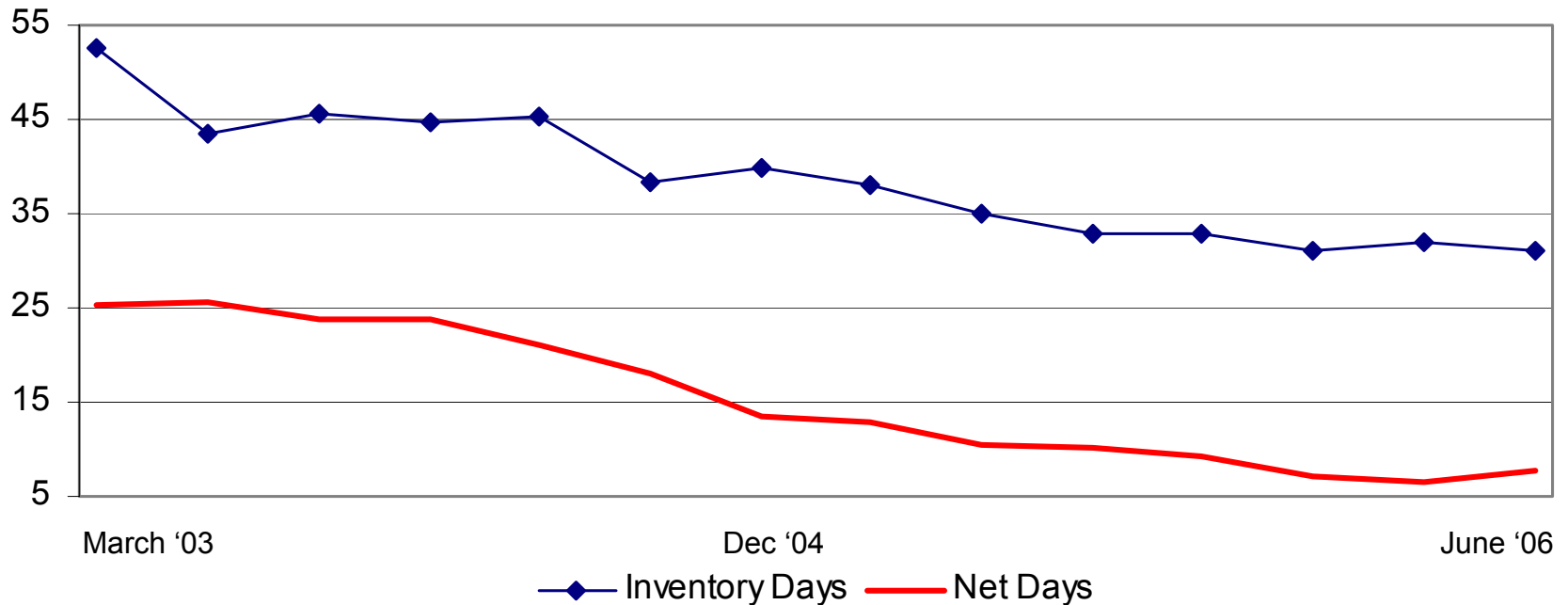
Balance sheet management

- Focus on return on capital, economic profit margin and economic profit
- Portfolio optimization
- Opportunistic financing

Operating Cash Flow Trends



Working capital trend



Although pharma business model transition is complete, focus on Operational Excellence continues to improve the supply chain

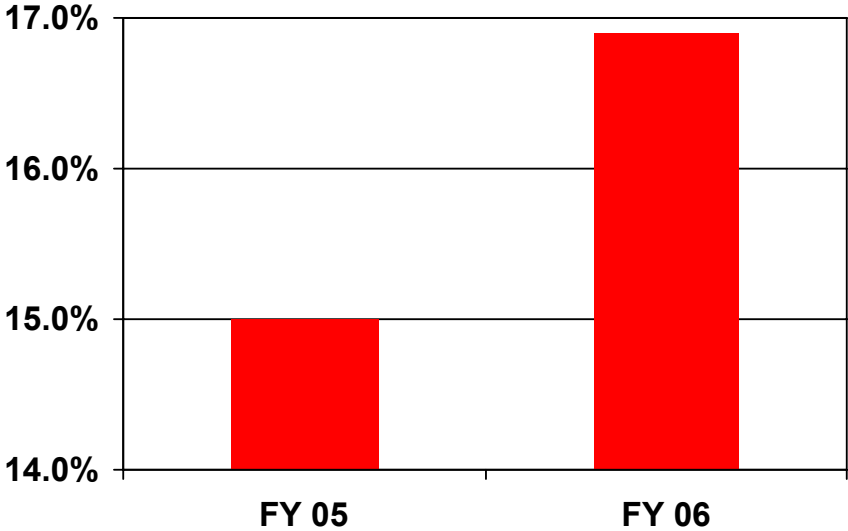
Capital deployment

- Capital expenditures - ~ 25% of operating cash flow
- Tuck-in acquisitions - ~ 20% of operating cash flow
- Cash returned to shareholders - ~ 50% of OCF

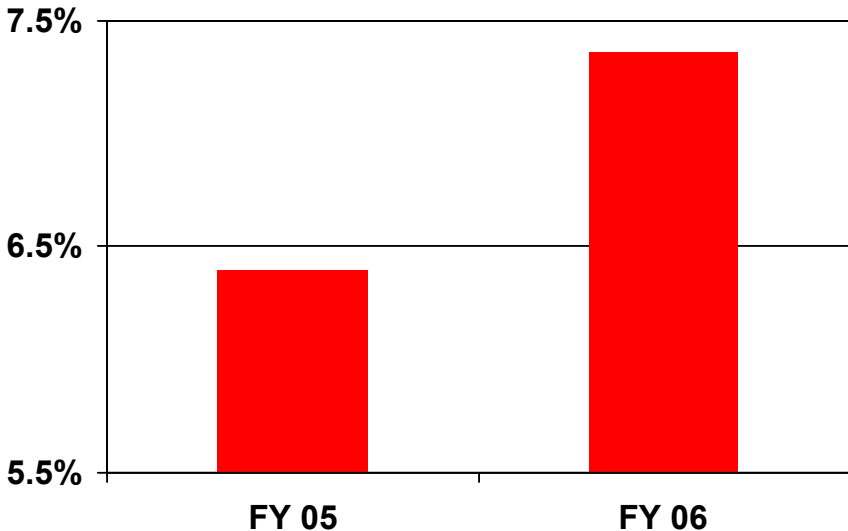
- Maintain flexibility for opportunistic acquisition opportunities

Increasing returns

Return On Equity ¹



Return On Invested Capital ¹



Note: ¹ Excluding special items and equity compensation

Financial targets and goals

Long-term financial goals defined over FY '07 - FY '09 3-year period

Consolidated results	<u>Long- term target</u>	<u>FY 2007 target</u>
Revenue	+ 8 – 10%	At or above high end
Diluted EPS*	+ 12 – 15%	\$3.50 - \$3.70
Return on equity**	15 – 20%	In line
Operating Cash Flow	> 100% of net income	In line
Cash returned to shareholders	~ 50% of OCF	In line
Credit rating	Strong investment grade	Continued progress from BBB

* Excludes special items and impairment charges and other

** Excludes special items

2007 Financial targets and goals

Long-Term Financial Goals Over FY'07 - FY'09 3 Year Period:			One Year Targets Fiscal Year 2007	
Revenue: + 8 - 10%			At or above the high end of long-term goal	
EPS ¹ : + 12 - 15%			\$3.50 - \$3.70 per share (includes equity compensation expense)	
Segment	Revenue	Operating Earnings ²	FY07 OE ² growth vs. long-term target	Drivers
SCS - Pharma	+ 7 - 10%	+ 7-10%	In range	<ul style="list-style-type: none"> * Strong bulk growth; generic launches; cost control; stable to increasing EP margins driven by efficient capital usage * Sell margin pressure; stable to declining operating margins due to sales mix (driven by lower-margin bulk revenue growth)
SCS - Medical	+ 4 - 7%	+ 6 - 9%	In range	<ul style="list-style-type: none"> * Strong corporate brand sales growth; cost control; stable to increasing operating margins; stable EP margins * Launch of IPS and customer service consolidations
MPM	+ 6 - 8%	+ 10 - 12%	Above range	<ul style="list-style-type: none"> * New contracts; product innovation; international growth; impact of restructuring and sourcing initiatives; impact of DBI acquisition
PTS	+ 6 - 9%	+ 8 - 15%	Low end of range	<ul style="list-style-type: none"> * Packaging growth; value pricing; increasing operating margins due to operational improvements * Opening of N. Raleigh and Brussels facilities; stable Oral
CTS	+ 10 - 15%	+ 15 - 20%	In range	<ul style="list-style-type: none"> * Strong product demand for Alaris and Pyxis products; new product launches; continued impact of operational improvements; international expansion * Increased investment in innovation, quality and service; impact of SE pump issue
Return on Equity ³ : 15% - 20%			In line with long-term goal	
Operating Cash Flow: > 100% of net earnings			In line with long-term goal	
Cash Returned to Shareholders: up to 50% of OCF, via share repurchase and dividends			<ul style="list-style-type: none"> - Quarterly dividend increased 50% to \$0.09 per share - Announced \$2 billion multi-year repurchase in August 2006 	
Credit Rating: Strong investment grade			Continued progress from BBB	

¹ Diluted earnings per share excluding special items and impairment charges and other. This is a non-GAAP financial measure.

² Segment operating earnings growth rates represent organic growth only.

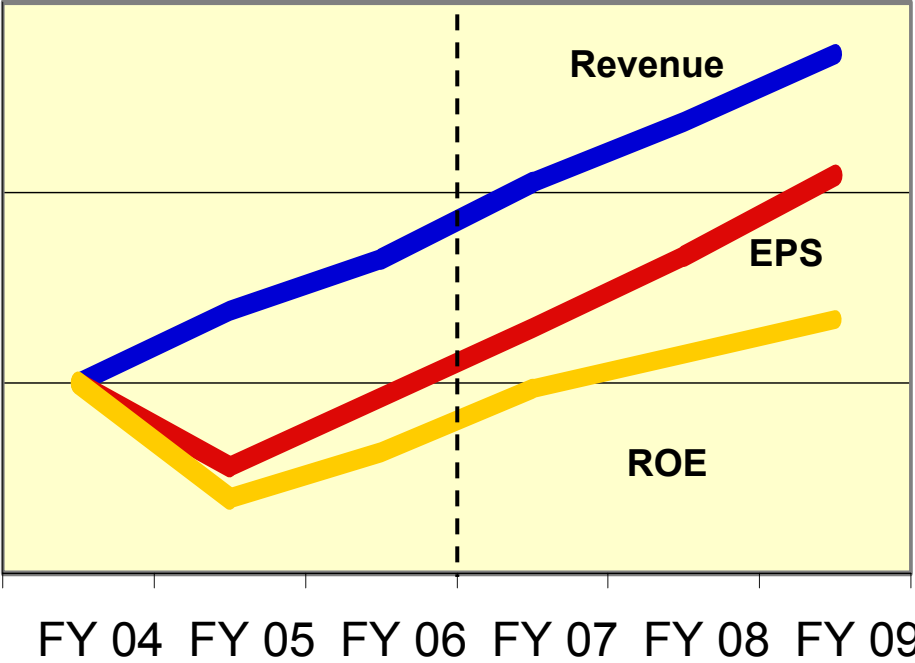
³ Return on equity excluding special items. This is a non-GAAP financial measure.

Our future

Operating growth →

Balance sheet management →

Disciplined capital deployment →





CardinalHealth



Healthcare Supply Chain Services

Mark W. Parrish
Group President

Thomas M. Slagle
Group President

September 20, 2006

Healthcare Supply Chain Services

**Healthcare
Supply Chain Services –
Pharmaceutical
Revenue \$70 B**

Retail/Alternate Care
Hospital Pharmaceuticals
Nuclear Pharmacy Services
Medicine Shoppe/Medicap
Specialty Pharmaceutical
Services
Specialty Pharmaceutical
Distribution – Therapeutic
Plasma

**Global Sourcing
Operations and Shared
Services**

Warehousing/Distribution
Sourcing/Procurement
Customer Service
Inventory Management
Transportation
Pharmaceutical Repackaging
Shared Services

**Healthcare
Supply Chain Services –
Medical
Revenue \$7.2 B**

Presource®
Products and Services
Hospital Supplies
Scientific Products
and Services
Ambulatory Care
Integrated
Supply Solutions
Source Medical

Advantages

For the customer

- Superior customer service
- Access to a broader range of technology
- Increased integrated solutions
- Breadth of logistics service opportunities for manufacturers

For Cardinal Health

- Leveraged scale
- Shared best practices
- Improved capital efficiency
- Simplicity in operating model
- Integrated customer information
- Technology platform advantages

Healthcare Supply Chain Services: Progress

Strategy development	Complete
Organization model	Complete
New selling process/focus for IDNs	Complete
Strategy deployment	Executing
Cost structures and capabilities leverage	Executing
Solutions implementation	Roll-out 2H FY '07

Healthcare

Supply Chain Services: Next steps

- Organic growth
- Leveraging scale and Operational Excellence
- Accelerating pace of execution



Healthcare Supply Chain Services – Pharmaceutical

Mark W. Parrish
Group President

September 20, 2006

Healthcare Supply Chain Services – Pharmaceutical

Major businesses

Pharmaceutical Distribution

Business Unit

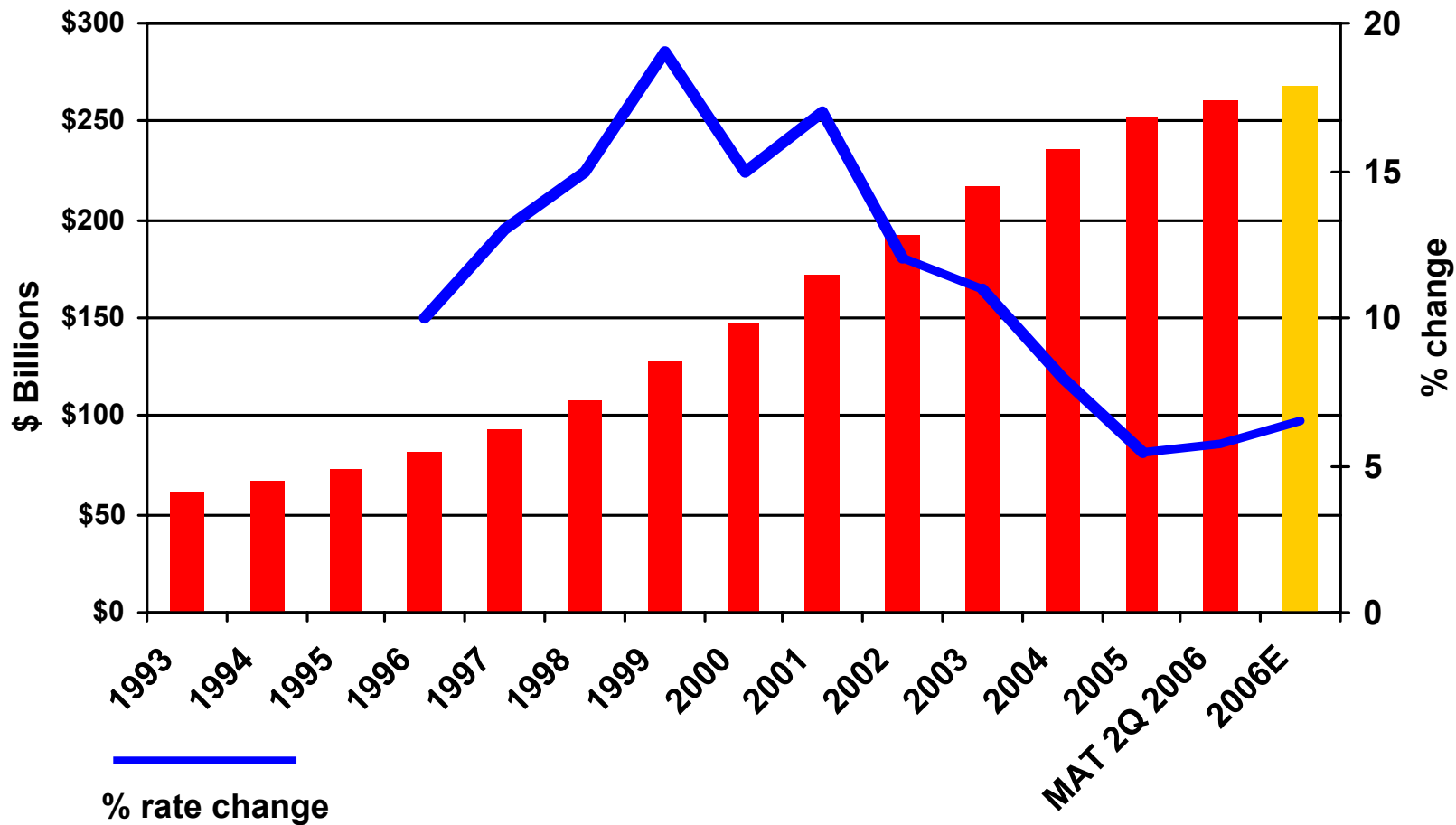
Key Attributes

Sources of Advantage

Retail/Alternate Care	<ul style="list-style-type: none"> • Favorable customer mix • Broad product portfolio
Hospital Pharmaceuticals	<ul style="list-style-type: none"> • Strong GPO relationships • Durable Prime Vendor relationships
Medicine Shoppe	<ul style="list-style-type: none"> • Professional pharmacy format • Unique, favorable demographics
Specialty Pharmaceutical Services Specialty Pharmaceutical Distribution – Therapeutic Plasma	<ul style="list-style-type: none"> • 3PL services to emerging mfrs. • Specialty pharmaceutical expertise
Nuclear Pharmacy Services	<ul style="list-style-type: none"> • Diversified customer mix • National capabilities

- **Lowest cost distribution model**
- **Superior set of services to help customers contain costs and grow**
- **Channel leader**
- **Strategic manufacturer relationships**
- **Applied technology leader**

Pharmaceutical Distribution Market opportunities



Achievements from FY 2006

- Completed fee-for-service transition
- Acquired F. Dohmen and ParMed
- Expanded manufacturer participation in National Logistics Center
- Established sole-source customer relationships with United Drug and NetRx
- Renewed hospital GPO relationships
- Improved capital efficiency
- New service offerings

Pharmaceutical Distribution

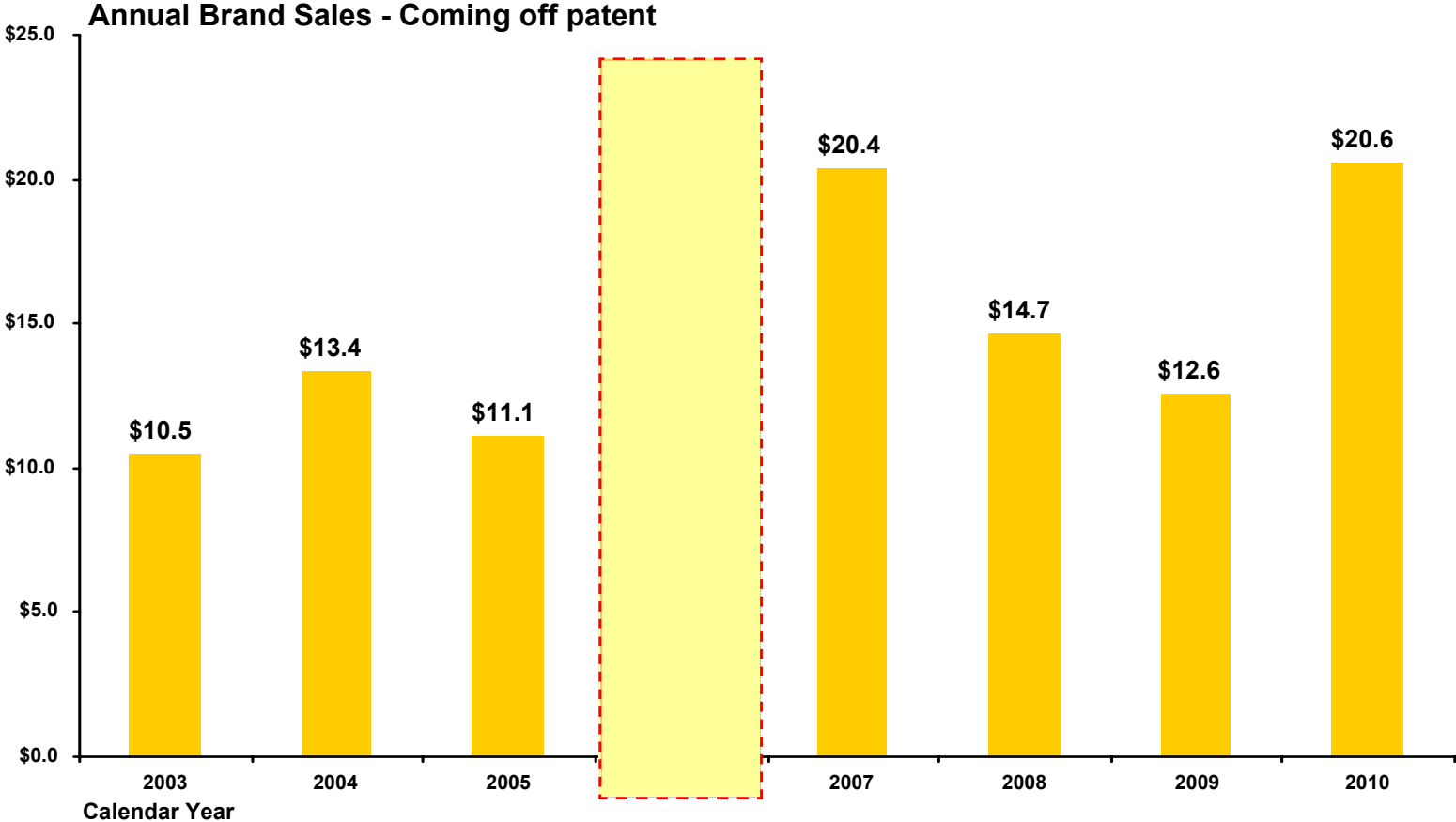
Strategic priorities

- Generics strategy
- Differentiated customer offers
- Value-added manufacturer offers
- Cost controls and improved capital efficiencies



Pharmaceutical Distribution

Generics opportunity



Source: Merrill Lynch, 11 December 2005. Additional sources: FDA Orange Book, SEC Filings, IMS Health, USPTO

Pharmaceutical Distribution

Generics strategy

- Source at lowest cost
- Expand sales to existing and new customers
- Product participation
- ParMed



Pharmaceutical Distribution

Differentiated customer offers

Leader® Total Pharmacy Manager



**Customized solutions affecting P&L or Balance Sheet,
sold by specialists in sales**

Value-added manufacturer offerings

*Value-added solutions beyond
fee-for-service*

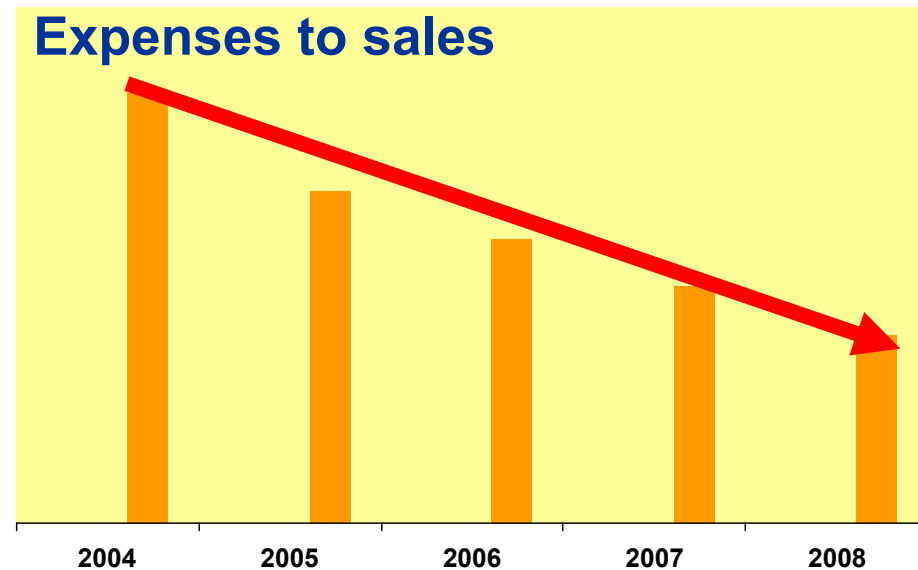
*A unique collection of assets
and capabilities*



Healthcare Supply Chain Services – Pharmaceutical

Cost controls/improved efficiencies

- Extend our cost leadership position
- Leverage scale and Operational Excellence
- Pursue continued capital efficiencies



FY 2007 Growth drivers

- Successful renewal of fee-for-service contracts
- Generic launches
- Strong bulk growth
- Efficient capital utilization



Solid earnings growth



Stable to increasing EP margins



CardinalHealth



Healthcare Supply Chain Services – Medical

Thomas M. Slagle
Group President

September 20, 2006

Healthcare Supply Chain Services – Medical

To be the best global supply chain partner, creating and implementing integrated solutions that improve the delivery and economics of healthcare

- Sustain industry's lowest cost distribution model, leveraging scale and efficiency
- Expand tailored services with fee-for-service pricing model
- Introduce integrated solutions that meet growing need for clinical and economic efficiency
- Optimize product portfolio advantage

Healthcare Supply Chain Services – Medical

Major businesses

Business Unit

Key Attributes

Sources of Advantage

Hospital Supplies	<ul style="list-style-type: none"> • Broad/deep product portfolio • Unique cost management offers 	<ul style="list-style-type: none"> • Market leadership • Lowest cost distribution model • Superior set of distribution services to help contain customer costs • Portfolio advantage of branded and proprietary products • Channel leader • Strategic manufacturer relationships • Applied technology leader
Scientific Products	<ul style="list-style-type: none"> • Growing product portfolio • Exclusive business partners 	
Ambulatory Care	<ul style="list-style-type: none"> • Formulary product portfolio • Supply chain efficiencies 	
Presource®	<ul style="list-style-type: none"> • Portfolio of procedural kits • Clinical optimization expertise 	
Source Medical (Canada)	<ul style="list-style-type: none"> • National capabilities • Unique cost management offers 	

Achievements from FY 2006

- Completed Source Medical acquisition
- Consolidated customer service and transitioning to shared services model
- Renewed major Med/Surg and Lab GPO contracts
- Corporate-branded product growth
- Presource[®] standard/select business model change
- Channel growth with prime vendor wins
- Launched Integrated Provider Solutions

Healthcare Supply Chain Services – Medical Market opportunities

(\$ Billions)

	<u>Domestic Market Opportunity*</u>	<u>Forecast Growth Rate*</u>
Hospital	\$ 48.0B	4-7%
Ambulatory Care**	\$ 9.4B	6-8%
Clinical Laboratory	\$ 13.3B	6-7%
<hr/>		
Canada (C\$)	\$ 4.2B	4-5%

* Refers to 2006 estimates in \$B. Includes both distribution and direct channel(s)

** Includes Physician Office MedSurg & Pharmaceuticals (\$8.4B) and Surgery Center MedSurg (\$1.0B) products

Source: CMS, HPIS, Lab Industry Outlook, Company Reports, CAH Analysis

Strategic priorities

- Extend cost leadership position
- Expand product portfolio advantage
- Enhance supply chain value proposition
- Improve capital efficiency
- Launch integrated supply solutions
- New market expansion

FY 2007 Growth drivers

- Cost leadership initiatives
- Operational Excellence
- Research market opportunities
- Organic growth/channel expansion
- Expand product portfolio advantage
- Canadian platform expansion





CardinalHealth



Pharmaceutical and Medical Products

Dave Schlotterbeck
CEO, Pharmaceutical and Medical Products

September 20, 2006

Pharmaceutical and Medical Products



San Diego, CA

**Clinical
Technologies
and Services**



Chicago, IL

**Medical
Products
Manufacturing**



Somerset, NJ

**Pharmaceutical
Technologies
and Services**

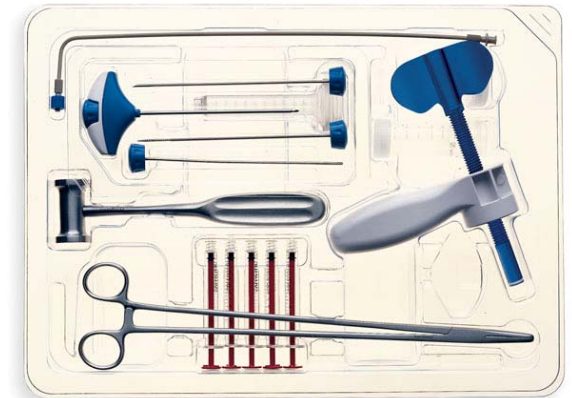
Clinical Technologies and Services

- Revenue \$2.4 billion
- 5,000 employees
- 5 manufacturing centers in 4 countries
 - Infusion instruments
 - Drug and supply dispensing equipment
 - Pharmacy management services



Medical Products Manufacturing

- Revenue \$1.6 billion
- 13,000 employees
- 18 manufacturing centers in 6 countries
 - Surgical instruments
 - Surgical apparel
 - Suction and irrigation products
 - Respiratory therapy
 - Radiology products



Pharmaceutical Technologies and Services

- Revenue \$1.8 billion
- 11,000 employees
- 38 facilities in 12 countries
 - Contract services
 - Oral dose forms
 - Injectable forms
 - Biotech and sterile products
 - Topical products



Pharmaceutical and Medical Products

- Aggregates Cardinal Health manufacturing businesses
 - Shared manufacturing systems and philosophy
 - Over time, results in improved ROTC
- Promotes development of cross segment strategies
 - Pre-filled syringe opportunity between PTS and CTS
 - Focus on infection prevention MPM and CTS
- Allows sharing of best practices across like segments
- Relentless focus on margin expansion



CardinalHealth



Pharmaceutical Technologies and Services

Dave Schlotterbeck
Chief Executive Officer
Pharmaceutical and Medical Products

September 20, 2006

Business overview

- The leading provider of manufacturing services and technologies to the pharma and biotech industry
- Long-standing, comprehensive customer relationships
 - 43 of top 50 global pharma and more than 500 others
 - More than 80% of the top 200 selling drug compounds globally
 - Facilities outside the U.S. contribute nearly half of our revenue
- History of compliance with regulators' and customers' requirements
- Three offerings – oral dose forms, sterile delivery systems and packaging

Major businesses

Business Unit	Key Attributes	Sources of Advantage
Encapsulation	<ul style="list-style-type: none"> • Recognized leader, formulation to manufacturing • Global network and formulation advantages 	<ul style="list-style-type: none"> • Leading provider of outsourced services • Proprietary technologies, formulation and development, manufacturing know how and innovation • Extensive relationships with global Pharma and Biotech • Global manufacturing network • Superior quality/regulatory and customer service
Modified Release Technologies	<ul style="list-style-type: none"> • Clinical to commercial scale • Zydis, best in class fast dissolve 	
Packaging and Printing	<ul style="list-style-type: none"> • Wide range of formats and offerings • Capacity and network of facilities 	
Injectables	<ul style="list-style-type: none"> • Broad offering and range of services • New capacity - Belgium, pre-filled syringe - North Raleigh, liquid and lyo vials 	
Blow-Fill-Seal	<ul style="list-style-type: none"> • Recognized leader • Track record for regulatory and service 	
Martindale	<ul style="list-style-type: none"> • Niche generic and specialty manufacturer • Platform for European and new product growth 	

The brutal PTS facts

FY '06

- Declining operating earnings
- Historic growth through acquisition
- Complex business structure
- Operational issues in sterile

FY '07

- Operating earnings remain challenged
- Focus on organic performance
- Business structure simplified
- Operational issues in sterile

Pharma Technologies and Services: Progress

2006: Sharpened the focus

- Exited unprofitable business areas
- Organized functionally – demand and supply
- Flattened the organization structure
- Enhanced critical competencies
 - Regulatory compliance
 - On time delivery
 - Sales and marketing
 - Product management
 - Project management
 - Innovation
 - Pricing
 - Contracting
- Initiated a strong focus on Operational Excellence
- Developed enhanced product participation strategies

Pharma Technologies and Services: Progress

Early 2007 indicators

- Supply-demand global organization effective Q1
- Cross-selling teams identifying new opportunities – sales funnel expansion
- Cross-site project management improving customer satisfaction
- Operational Excellence driving real savings and improvements
- Substantial contribution from value pricing improvements
- Regulatory compliance – continuing favorable trend
- Execution – On time delivery trends positive

Sharpening our focus: The future

We need to increase the velocity of progress:

- Operational Excellence will drive cost and execution improvements
- Quarter to quarter improvements in the deal funnel
- Increasing sales of “bundled” solutions to customers
- Accelerate sterile operational improvements
- New sterile facilities ramp-up to deliver profitable growth
- Continuing evaluation of business portfolio and facility network strategies to drive better returns

Quarterly update

- Quarterly update to investment community on progress leading to improved financial performance
 - Operational Excellence progress
 - Pipeline comparison
 - On time delivery

Market opportunity

- Pharma and biotech spend nearly \$120 billion outsourcing each year
 - PTS Target market: approximately \$12 billion
- Outsourcing growth expected to outpace overall spending growth by nearly 50%
- Significant Rx outsourcing share in play *globally* due to regulatory shifts and economics
- Large pharma companies consolidating outsourced manufacturing supplier base
- U.S. reimbursement environment could drive increased demand for outsourcing
- Sterile outsourcing market growth expected at 8% annually through 2010

Strategic priorities

- **Operational Excellence** – improving execution, reducing costs, and increasing productivity
 - With focused attention on sterile
- **Organic Growth** – increase pipeline value
- **Innovation** – market-centric, product and process
- **Product participation** – seek opportunities to gain more lifetime value
- **Integration** – continuously refine organizational model to improve results and customer satisfaction

FY 2007 Growth drivers

- Specific drivers of FY 2007 operating earnings growth
 - Sterile operational performance
 - Operational Excellence benefits
 - Early benefits of pipeline growth
 - Packaging demand
 - Value based pricing





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Medical Products Manufacturing

Michael A. Lynch
Group President

September 20, 2006

Overview

- Wide range of market leading products, manufactured and sourced
- Operating room focused portfolio
- 18 plants in 6 countries, >13,000 employees
- FY '06 sales \$1.6 billion

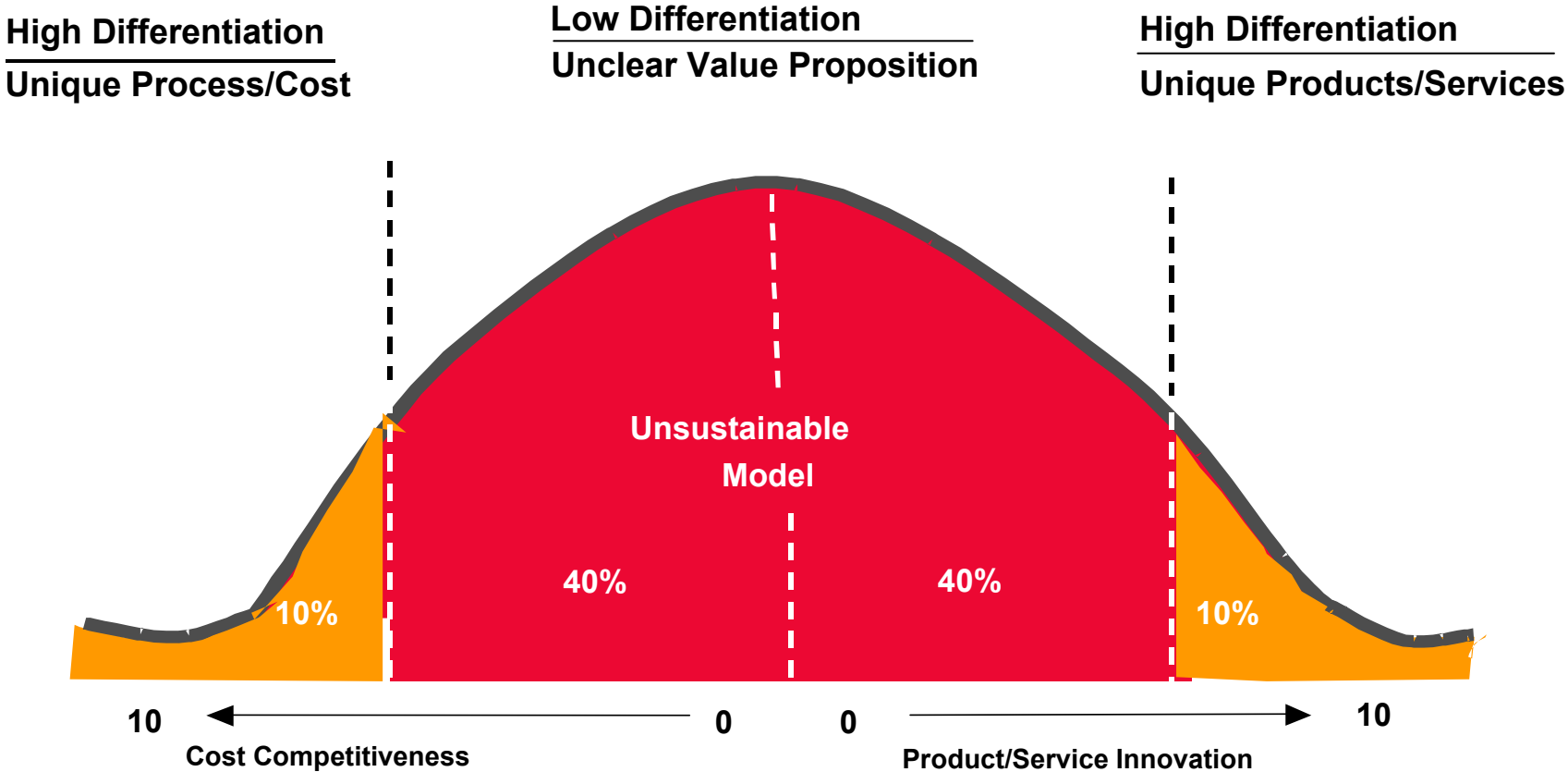


Medical Products Manufacturing

Major businesses

	Business Unit	Key Attributes	Sources of Advantage
Infection Prevention	Gloves	<ul style="list-style-type: none"> • Leader in hand protection • Broad and deep product lines 	<ul style="list-style-type: none"> • Product Innovation • Operational Excellence <ul style="list-style-type: none"> – Manufacturing – Sourcing • Integrated Sales Organization • Expansive O.R. product portfolio • Product mix shift opportunities
	Convertors	<ul style="list-style-type: none"> • Leader in surgical drapes, gowns and facial protection • Global sourcing expertise 	
	Surgical	<ul style="list-style-type: none"> • Leader in surgical products • Cost leadership 	
Medical Specialties	Respiratory	<ul style="list-style-type: none"> • Leader in respiratory products • Full portfolio of innovative products 	
	Special Procedures	<ul style="list-style-type: none"> • Leader in interventional radiology products • New, innovative product focus 	
	V. Mueller and OnSite Services	<ul style="list-style-type: none"> • Leader in surgical instrumentation and instrument management 	

Evolution of a strategy: Phase 1 (2005)

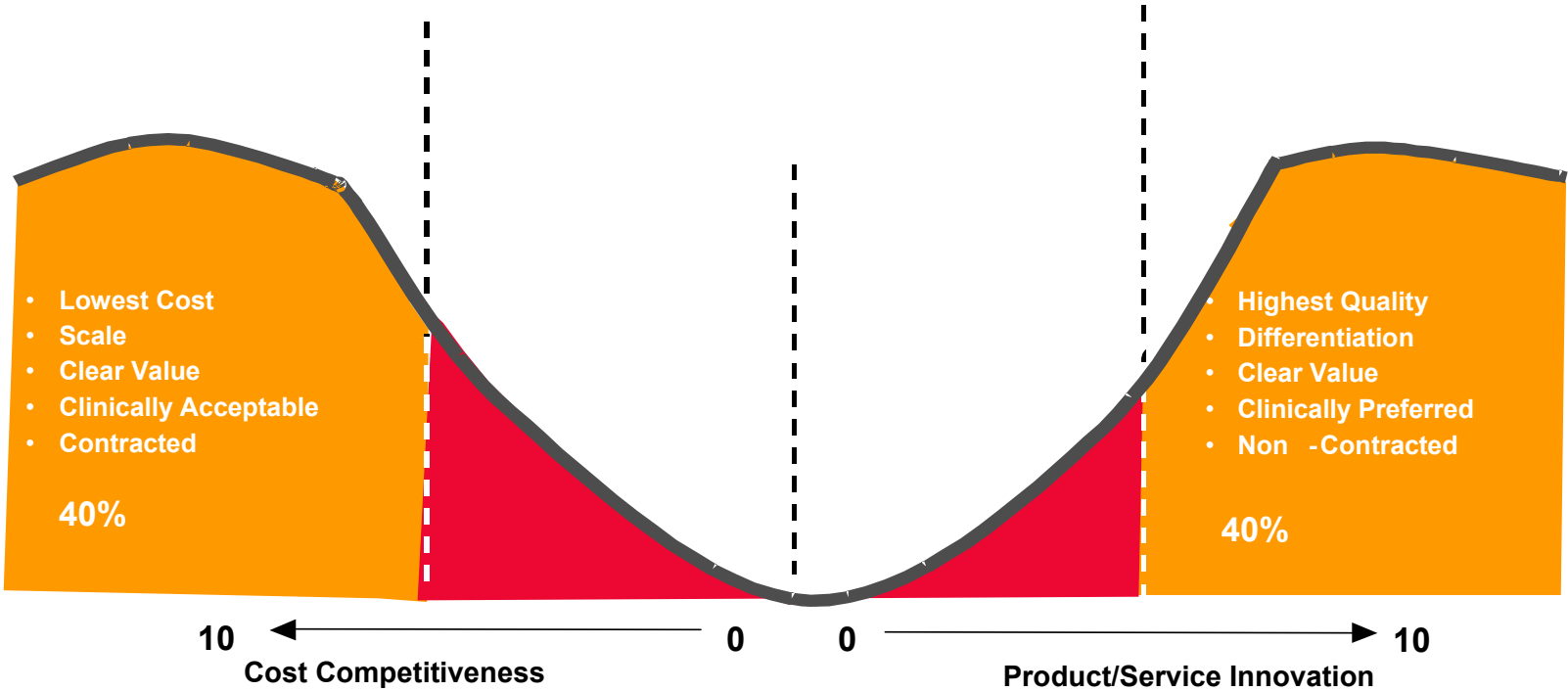


Evolution of a strategy: Phase 1 (Today)

Innovative Process
High Barriers to Entry

Low Barriers to Entry

Innovative Products/Services
High Barriers to Entry



Evolution of a strategy: Phase 2 (2006)

Sharpen and deepen our focus in each line of business

- Continued emphasis on best cost or most preferred product portfolios
- Exit of facilities or lines of business that don't fit this definition
- Defined high return, high growth, profit pools, adjacent to our existing businesses

Achievements from FY 2006

- Closure of four manufacturing facilities – >2,000 employees
- Robust sourcing initiative underway
- \$42 million in product cost reductions
- Additional margin expansion through product mix shift
- Innovation – new product sales of over \$150 million
- Acquisition of Denver Biomedical

Evolution of a strategy: Phase 3 (2007)

Leverage and build upon our low cost and more focused lines of business

- Drive scale in our base businesses
- Drive additional margin expansion through mix shift opportunities
- Innovation – invest in organic growth and tuck-in acquisition opportunities to grow our profit pools

Strategic priorities

- Infection prevention strategy
- Exploit Medical Specialties profit pools
- Cost leadership – manufacturing and sourcing
- Innovation
- International opportunities



FY 2007 Growth drivers

- Innovation driving new product sales
- International growth
- Operational Excellence
- Product cost reduction





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Clinical Technologies and Services

Dwight Winstead
Group President

September 20, 2006

Vision

To become the **global healthcare leader** in helping hospitals **deliver quality care** through **best-in-class clinical and operational** solutions.



Achievements from FY 2006

- Implemented management changes
- Achieved Alaris[®] integration synergies
- Turned Pyxis[®] around
- Improved new product development process
- Increased focus on product quality
- Restructured technical service organization

Market opportunity

- Top-of-mind customer issues:

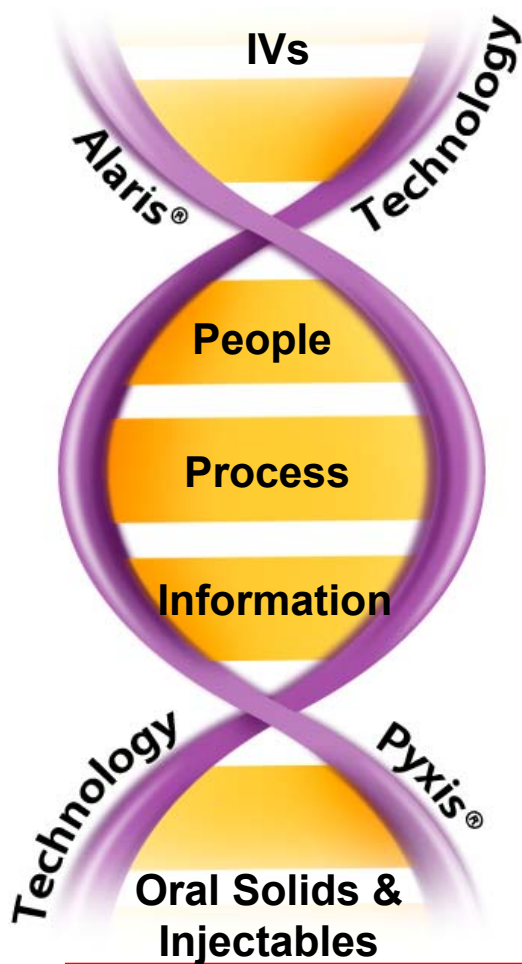


- Clinical Technologies and Services will lead in three markets:



\$10B market opportunity

Cardinal Health offers the only “All-Medications” solution

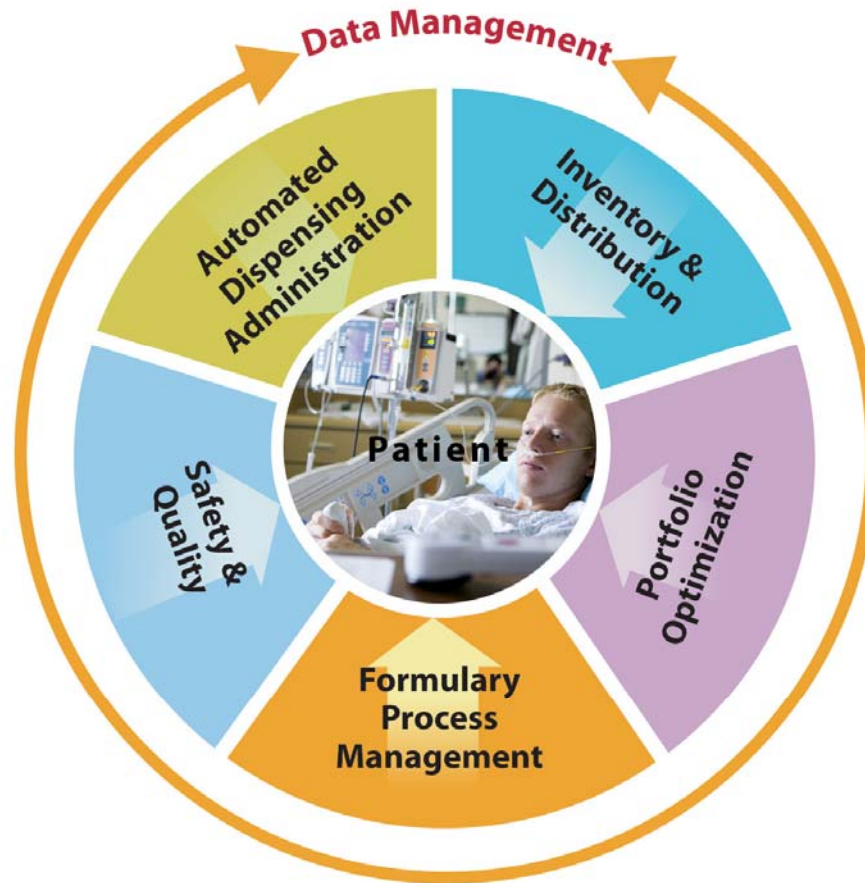


- People
- Process
- Technology
- Information

Businesses

- Supply Chain: Pharmaceutical
- Pharmacy Services
- Medication Solutions
- Medication Products
 - Alaris® (IVs)
 - Pyxis® (oral solids)
- Mediqual, MedMined

Our new end-to-end solution



Pharma



Point of Care

End-to-End Medication Management Solution

Clinical Technologies and Services

Major businesses

Business Unit	Key Attributes	Sources of Advantage
Medication Products	<ul style="list-style-type: none"> • Alaris and Pyxis – market leaders • Guardrails Suite of safety solutions 	<ul style="list-style-type: none"> • Connectivity of people, process, technology and information • All medications technology leader • Enterprise-wide “all medications” solutions • Leading medication safety partner • Leading clinical resources and capabilities
Medication Solutions	<ul style="list-style-type: none"> • Improves formulary efficiency, spend and patient safety • Links technologies, people, processes and information 	
Pharmacy Services	<ul style="list-style-type: none"> • Leader in hospital pharmacy outsourcing • Employs 1,150 pharmacists at 275 hospital customers 	
Supply Products	<ul style="list-style-type: none"> • Med/Surg product dispensing technologies • Multi-site coverage focused on cost and revenue 	
Clinical Intelligence Solutions	<ul style="list-style-type: none"> • Leverages CTS clinical data analytics • Drives hospital centric information strategy 	

Management priorities

Strategic

- Execute “All-Meds” strategy
- Accelerate international business
- Expand Pyxis® supply business
- Drive Operational Excellence savings

FY 2007

- Grow Alaris® and Pyxis® core business
- Accelerate Pyxis® international expansion
- Launch new products
- Initiate “All-Meds” implementation
- Achieve MedMined integration synergies



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Fiscal 2007 summary

- 1 Mission:** To help make healthcare safer and more productive
- 2 Key strategies:** Improve supply chain productivity; Use technology to improve safety; Help drug companies lower costs
- 3 Two sectors:** Excellent platform for stability and growth
- 4 Economic profit margin:** Drive most efficient use of capital
- 5 One Cardinal Health:** Customer-driven organic growth; leveraging scale



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