

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Event Date/Time: Aug. 03. 2006 / 11:00AM ET

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

## CORPORATE PARTICIPANTS

**Jason Strohm**

*Cardinal Health - IR*

**Kerry Clark**

*Cardinal Health - President & CEO*

**Jeff Henderson**

*Cardinal Health - CFO*

## CONFERENCE CALL PARTICIPANTS

**Lisa Gill**

*JPMorgan - Analyst*

**Tom Gallucci**

*Merrill Lynch - Analyst*

**John Wood**

*Banc of America Securities - Analyst*

**Oksana Butler**

*Citigroup - Analyst*

**Ricky Goldwasser**

*UBS - Analyst*

**Christopher McFadden**

*Goldman Sachs - Analyst*

**Eric Coldwell**

*Robert Baird - Analyst*

**Steve Halper**

*Thomas Weisel Partners - Analyst*

**John Ransom**

*Raymond James - Analyst*

## PRESENTATION

**Operator**

Good morning. My name is Anthony, and I will be your conference operator today. At this time I would like to welcome everyone to the Cardinal Health earnings conference call. (OPERATOR INSTRUCTIONS). I would now like to turn the conference over to Jason Strohm. Mr. Strohm, you may begin your conference.

---

**Jason Strohm - Cardinal Health - IR**

Thanks, Anthony. Good morning and welcome to Cardinal Health's fiscal 2006 fourth-quarter earnings conference call. Our remarks today will be focused on the Company's consolidated and business segment results for the quarter and full fiscal year, which are included in the press release and attached financial table. If any of you have not yet received a copy of our earnings release or the financial attachment, you may access it over the Internet at our investor page at [www.CardinalHealth.com](http://www.CardinalHealth.com). Additionally there are a handful of slides that we will be reviewing, which can also be found on the website.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Speaking on our call today will be Kerry Clark, President and CEO, and Jeff Henderson, CFO. After the formal remarks, we will open up the phone lines for your questions. As always, when we get to the questions, we ask that you limit yourself to one question.

During the course of this call, we will make forward-looking statements. These statements are subject to risks and uncertainties that can cause actual results to differ materially from those projected. Please see our press release and our other SEC filings for the full discussion of our risk factors associated with them.

In addition, we will reference adjusted financial measures governed by Regulation G. A reconciliation of these measures is included at the end of our slide presentation.

At this time I would like to turn the call over to Kerry Clark, Cardinal Health's President and CEO.

---

**Kerry Clark** - *Cardinal Health - President & CEO*

Thanks, Jason. Good morning and welcome, and thank you for joining our call. This morning we announced results for our fourth quarter and the full year which Jeff will walk you through in just a moment. I would characterize Q4 as another quarter of steady progress. The business performed as we expected with notable signs of improvement in several areas and continued momentum in others. We saw good revenue growth led by Pharmaceutical Distribution. We saw total Cardinal margins improve from the first half of the year. We made operational progress in pharmaceutical and technical services and had another standout quarter in CTS. We had satisfactory earnings in MPS, and we saw less seasonality in the Pharmaceutical Distribution business, which is a good long-term indicator even though it negatively affected earnings growth in this specific quarter.

All of that said, the fact that we did what we said we would do should not indicate that we are satisfied. We have a great business with terrific potential, and we are not going to be pleased with the quarter until we see our progress accelerate. Our results do reflect the good work we have underway to become an integrated operating company. As we indicated when we announced our fiscal '07 outlook, this will lead to stronger earnings next year.

After Jeff discusses the quarter, I will take a few more minutes to talk about our strategic direction and priorities for fiscal '07. We have made some organizational changes to better leverage our scale and drive organic growth. So I will provide some context around those decisions.

During my first three months with the company, I spent a good deal of time listening to our customers talk about the health care industry, their specific needs and their impressions of Cardinal Health. These meetings have reinforced the importance of our mission to make health care safer and more productive, and they have confirmed for me the unique role that Cardinal Health can play. Our customers and our employees fully support our transformation from a holding company to an integrated operating company. Our hospital customers in particular want us to go to market as One Cardinal Health, and internally we have a strong appetite to accelerate this work because we are beginning to see the opportunities it creates to better serve customers and become more nimble and efficient.

So, with that, let me turn it over to Jeff for a discussion of the quarter. Jeff?

---

**Jeff Henderson** - *Cardinal Health - CFO*

Thanks, Kerry. Good morning, everyone. My comments today will focus on the financial results of the Company and the underlying issues driving them. After my formal comments and a few additional comments from Kerry, we will be available to answer your questions.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Before we get to the numbers, I would like to start with a few high-level takeaways in the quarter. (indiscernible) we have been discussing an experience in the business during the first three quarters of this fiscal year is improving sequential operating performance in our businesses. I'm happy to say this momentum continued in Q4. Excluding the expected margin decline in the Pharmaceutical Distribution business driven by the reduced seasonality associated with our fee-for-service business model. Our other three segments generated improved operating margin, both sequentially and year-over-year.

Later on in my presentation, I will compare our fiscal year results to the fiscal 2006 targets and goals I share with you each quarter.

I'm pleased to say that our actual results for the year were generally in line with our targets and goals that I provided most recently during our third-quarter earnings call in late April.

Our focuses on improved business performance and good balance sheet management resulted in a strong year-over-year increase in return on invested capital, increasing about 100 basis points both over the fourth quarter last year and for the full year excluding special items and equity compensation. We more than fulfilled our goal to return up to 50% of our operating cash flow to shareholders as we completed our previously announced \$1 billion share repurchase program and the additional \$500 million share repurchase program that was announced during our third-quarter earnings release for a total of 1.5 billion for the fiscal year.

We also had some additional activities during the quarter related to divestitures and acquisitions. I would like to take just a moment to summarize all these activities as you've heard me talk before about portfolio optimization for some time, and I want to provide some clarity regarding our recent action in this regard.

Overall I would say that our activity in this area remains very consistent with our stated objectives, which are looking at smaller tuck-in acquisitions as a way to complement our organic growth and to ensure management focus on the key opportunities that exist internally.

During the fourth quarter, we acquired the F. Dohmen company, the fifth largest pharmaceutical distributor in the U.S., serving independent pharmacy and retail customers. This is a very logical tuck-in acquisition that will be seamlessly integrated into our Pharmaceutical Distribution business.

We also closed the previously announced Denver Biomedical acquisition, which is part of Medical Products Manufacturing. And on a much smaller scale, we acquired five PET pharmaceutical manufacturing facilities to support our nuclear pharmacy operation. This also represents a nice tuck-in opportunity as we operate about 15 or so of these facilities today.

After the end of the quarter, we acquired a MedMined Inc., which is now part of Clinical Technologies and Services. And we will expand our portfolio of patient safety solutions in the areas of hospital acquired infection. We have also announced the sale of the United Kingdom based Intercare Pharmaceutical Distribution business. I remind you that we classify this business as held for sale in discontinued operations during our third quarter.

Finally, we also announced the sale of a Fort Worth Texas pharmaceutical manufacturing site to Adams Respiratory, which it operated as part as Pharmaceutical Technologies and Services.

On today's call, I will discuss our fiscal 2006 fourth-quarter consolidated segment results. I will also review our fiscal 2006 full-year results and reconcile those results against our fiscal '06 financial targets and goals. Back in June we provided our fiscal '07 outlook, and I will briefly review this and cover a few other items.

Now let's turn to the fourth-quarter results. Please note that my comments will reflect the financial results from continuing operations and exclude special items unless I indicate otherwise. Overall revenues were up 12% to 21.7 billion, reflecting strong demand for our diversified offering of products and services. This includes bulk customer sales of 8.4 billion compared to 6.6

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

billion for the same period last year. Operating earnings were 569 million, a decrease of 4% over the same period last year. Net earnings for the quarter were 363 million, up 7% over prior year results of 340 million.

Diluted EPS for the quarter was \$0.86 compared to \$0.79 last year, up 9%. Driving the 7% increase in net earnings when compared to the 4% decline in operating earnings was a decline in our reported net interest expense and more importantly our tax provision. In the fourth quarter of last year, our tax rate was exceptionally high as Cardinal made provisions to repatriate earnings under the American Jobs Creation Act of 2004. Operating cash flow for the quarter was 506 million, and return on equity, excluding special items and equity compensation, was 18.6%, up almost 280 basis points over the same period last year.

Turning to the next slide, I want to try to simplify our financial presentation by pointing out to you specific items that had an impact on current and prior year operating results and earnings per share, specifically special items, equity comp, impairment charges and other and non-recurring and other items.

First, let me quickly review the special items. During the quarter, net special items totaled 35 million or 24 million after-tax, impacting diluted EPS by \$0.06 per share versus \$0.09 per share in Q4 of 2005. Included in this amount were charges in a great acquired company, costs associated with the restructuring operation, gains or losses associated with the litigation settlement and SEC costs.

Now let's turn to the non-recurring and other items. For clarity these costs are included in our EPS of \$0.86 discussed a few moments ago and totaled 0 for the quarter compared to a cost of \$0.08 last year in Q4. I'm very happy to say that we had no non-recurring charges at all during the quarter. And as I have stated for several quarters now, my goal is to eliminate these items. Asset impairments within continuing operations for the quarter totaled 4.4 million or 2.9 million after-tax and impacted earnings by \$0.01 during the quarter compared to \$0.02 last year in Q4.

Regarding equity compensation, the impact in the quarter was 52 million or \$0.08 per share and include the impact from recent management changes compared to less than a \$0.01 per share last year. As I have previously stated, going forward beginning in fiscal 2007, we would expect this cost to substantially decline year-over-year as we have made significant changes to our equity compensation program, including a reduction in the overall number of options granted compared to historical levels. I would expect the EPS impact decline by approximately 20% each year over the next fiscal year -- next few fiscal years.

On this next slide, I want to take a few minutes and provide some additional detail on our consolidated SG&A. Consolidated SG&A expenses for the Company increased 15% over the prior year period, 7 percentage points of which related to equity compensation of 52 million in the fourth quarter. I will remind you that prior to fiscal 2006 equity option expense was not recognized as an expense in our income statement. The balance of the SG&A increase is largely driven by current investments in One Cardinal Health and compensation expense items including executive severance and other items. Combined these two items further impacted our SG&A growth rate by a combined 3 percentage points.

Finally, acquisitions during the fiscal year impacted the SG&A growth rate by an additional 1%.

This increase in overall spending, particularly at the corporate level, has resulted in fairly large increases in our corporate allocation amount to the individual business units, which has had a negative impact on segment operating earnings growth rate.

I should also note that this ramp-up in corporate spending is happening this year as we increase our scale and capability in certain defined shared services. Over the medium-term, we begin to see the impact of this as a reduction in our costs in segment and overall moderation in SG&A growth.

Now let's turn to the performance of the individual business segments. At Pharmaceutical Distribution and Provider Services, revenue for the fourth quarter increases 16% to 18.2 billion. Strong revenue growth was due to both good organic growth within our core direct store delivery business, or DSD, and high growth in bulk customer sales. Demand from large chain customers and incremental volume from United drug members contributed to our revenue growth.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Operating earnings were 268 million, a decrease of 11% over the prior year period. These results include a \$6.5 million LIFO credit primarily as a result of increased generic inflation, which compared to a credit in the fourth quarter last year of 32 million. Additionally we increased the reserve by 10 million related to excess inventory from a particular pharmaceutical manufacturer.

In addition to the large LIFO credit in Q4 of last year, also impacting the operating margin decline during the quarter versus last year was a transition to the fee-for-service business model. Remember approximately 70% of our branded margin is now under fee-for-service agreements, which has significantly dampened the seasonality of our business, established a more stable earnings stream and helped us remove substantial capital from the business.

While we saw significant earnings growth year-over-year during the first half of this fiscal year, we anticipated an earnings decrease during the second half due to last year's greater seasonality.

During the quarter we did see healthy brand inflation and some strong generic launches. I should also point out that while the industry pricing environment remains competitive, we're seeing most of this impact in our bulk business. In fact, some margins have been relatively flat in our DSD business over the past three quarters.

Looking forward, our focus in this segment continues to be driving expense control, a focus on differentiating customer programs and building unique marketing capabilities. Over the last several months, we have been concentrating on adding capabilities and creating differentiated services targeting our retail customer.

In addition to the acquisition of the F. Dohmen company and our third-quarter acquisition of Parmed Pharmaceuticals, we recently introduced new front-end and back-end pharmacy services primarily for independent pharmacies. Medical products and services segment revenue for the quarter was 2.4 billion, down 6% over the prior year.

However, I think to understand this segment, I really want to discuss this segment in two parts, our Medical Products Distribution and Manufacturing business and then our Specialty Pharmaceutical Distribution business. Within the medical products business, revenue grew 5% during the quarter, driven largely by distributed product sales growth, laboratory and infection prevention products sales, including gloves, drapes and gowns. International revenue growth was particularly strong during the quarter, primarily due to good growth in Source Medical, our Canadian operations.

Revenue from the specialty distribution business declined 41% during the quarter compared to the same quarter last year, driven by the expected loss of a large customer in this business and the closing of the previously announced sale of the majority of this business to OTN.

Total segment operating earnings for the quarter were 170 million, up 7% over the prior year. Earnings in the quarter were impacted by the performance in sales of the specialty distribution business, which negatively impacted the operating earnings growth rate by approximately 3 percentage points. Pharmaceutical Technologies and Services revenue increased 5% to 747 million, and operating earnings increased 28% to 96 million. The segment generated its strongest quarter of the past two fiscal years, measured in both absolute dollars earned and based on the operating margin percentage generated.

Importantly, all four primary businesses within this segment contributed to the performance, including oral and sterile manufacturing, contract packaging and nuclear pharmacy services. Oral technologies, packaging services and nuclear pharmacy services business all generated earnings growth both year-over-year and sequentially, driven by both sales growth and improved margins in each of the three business. The sterile manufacturing business saw a modest improvement in earnings contribution during the quarter, and good progress was made at our two new facilities. Specifically we remain on schedule to begin commercial development of the North Raleigh manufacturing site, and following the close of the quarter, we received a Good Manufacturing Practice Association from European regulators for the new Brussels sterile manufacturing facility. This certification will allow us to begin the validation and approval process for commercial European products being manufactured at this site.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Clinical Technologies and Services had another very good quarter as segment revenue increased 9% over the prior year, 649 million. Revenue growth was driven by exceptional performance from both of the manufacturing units within CTS, Pyxis and Alaris, which combined grew revenue 15%. Additionally sales outside the U.S. grew 18% led by strong increases at both Alaris and Pyxis.

Operating earnings increased 47% over prior year to 111 million. Strong earnings growth was generated by our overall segment sales mix from the higher margin products at both Pyxis and Alaris and operational and quality improvements initiated last year, specifically at Pyxis.

While operating performance was strong, we continue to invest in the business as well, most notably in areas such as R&D to drive revenue growth in fiscal '07 and beyond. CTS plans to launch more than 10 significant innovative new products in integrated solutions during fiscal '07. We anticipate continued investment spending through fiscal '07 that should continue to yield contributions into the future.

Pyxis-based backlog ended the quarter at 296 million with committed contracts for the quarter coming in ahead of internal expectation, a strong indication of continued demand. Driving this strong demand is our MedStation 3000 product, and nearly 75% of new orders were for this product. Customer service initiatives are paying off as customer satisfaction rates continue to improve.

I want to now quickly turn to the fiscal 2006 full-year results. Please note that my comments will reflect the financial results from continuing operations and exclude special items unless I indicate otherwise.

Overall revenues were up 10% to 81.3 billion. This includes bulk customer sales for Pharmaceutical Distribution of 29.9 billion compared to 24.1 billion for the same period last year. Operating earnings were 2.1 billion, an increase of 1% over the same period last year. Net earnings for the year were 1.31 billion, up 4% over prior year results of 1.26 billion. Diluted EPS for the year was \$3.06 compared to \$2.90 last year, up 6%.

Consolidated SG&A expenses for the Company increased 15% over the prior year, 8 percentage points of which related to equity compensation of 237 million for the year. The balance of the increase was largely driven by current investment in One Cardinal Health and a significantly higher management incentive bonus accrual this year compared to last year. Operating cash flow for the year was 2.2 billion, and return on equity, excluding special items and equity compensation, was 16.9%. That is about 190 basis points over the same period last year.

Similar to what I provided for the quarter, I will point out for you now the specific items that had an impact on current and prior year operating results and earnings per share, specifically special items, equity comp, impairment charges and other and non-recurring and other items.

First is special items. During the year net special items totaled 95 million or 67 million after-tax, impacting diluted EPS by \$0.16 per share versus \$0.36 per share in fiscal 2005.

Now for the non-recurring and other items. For clarity these cost are included in a diluted EPS of \$3.06 discussed a few moments ago and totaled \$0.04 for the year compared to \$0.15 last fiscal year. To remind you, this charge taken in Q1 within Pharmaceutical Distribution and Provider Services. It was deemed necessary after review of the performance terms of contract and related to credit for a limited number of vendors that were erroneously not processed and recorded during prior period.

We made minor adjustments to the original reserve recorded in Q1 in the second and third quarters of this year, and I indicated beginning in fiscal '07 our intent is to no longer call out these minor adjustments as non-recurring and simply absorb them in the business, regardless of whether the impact is positive or negative. For clarity here, there was no adjustment required in our fourth quarter related to this matter.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Asset impairment within continuing ops for the year totaled \$20 million or 13 million after-tax and impacted earnings by \$0.03 during the quarter compared to \$0.15 last year.

Regarding equity compensation, the impact in the year was \$237 million or \$0.36 per share compared to \$0.01 last year.

In this next slide I want to provide detail on our actual margin trends for each business segment for the second half of fiscal 2006 compared to both the first half of fiscal '07 and the second half of fiscal '05. As I previously discussed, we had expected operating margins to increase in all segments in the second half of fiscal '06 when compared to the first half. As demonstrated in this slide, we did achieve these results.

Additionally we indicated that when comparing our second-half results for '06 versus the second half of '05, we expected margin improvement in all segments with the exception of PDPS. Again, as you can see, we did achieve these results. As previously explained, the issue within PDPS is that our transition to fee-for-service agreement has taken much of the seasonality out of this business which affects the year-on-year comparison.

Now I would like to discuss our fiscal financial targets and goals slide. As with the previous slide, this should be very recognizable to those who have been following us this past year. In this slide you'll notice that I have highlighted the right side which reflects our fiscal 2006 target as provided to you most recently during our third quarter earnings call in late April.

I'm very happy to report that we are generally in line with the metrics provided on this page. In other words, we did what we said we were going to do, and we are very happy about that. Although I must say not satisfied as honestly the bar was not particularly high in a few areas, particularly operating earnings growth within PDPS and PTS.

Consolidated revenue grew 10% at the high end of the range. Our APS was in the range identified, and equity compensation expense was \$0.36 as I stated earlier. Segment operating earnings growth rates were within the target ranges identified, excluding the impact of our Specialty Pharmaceutical Distribution business that was divested during the year. Return on equity, excluding special items and the impact of equity compensation, was 16.9%, in line with our stated goal of 15 to 20%. And our operating cash flow was clearly much greater than 100% of net income.

We doubled our dividend paid last year and, with 1.5 billion in share repurchases, clearly returned in excess of [50%] of operating cash flow to shareholders. We also made good progress with our credit rating.

Now let's discuss fiscal year 2007. After my comments, Kerry will wrap up our formal comments and provide some additional color on our outlook for fiscal '07 as well. We originally provided our fiscal '07 outlook on June 12, and it's exactly the same then as I provided on this slide. Nothing has changed. Revenue growth will be at or above the high end of our long-term range of 8 to 10%, primarily driven by expected continued strong bulk customer sales growth. We continue to expect EPS, excluding special items and impairment non-recurring and other items to be 3.50 to 3.70 per share, including equity compensation expense, which represents an EPS growth range of 12 to 18% for the fiscal year. And given the changes we have seen in a number of our businesses over the past couple of years and the fact that we will begin to report our financial results in our new reporting segments beginning in the first quarter of fiscal '07, I want to take a few minutes to provide some additional color to help you better understand how the year will play out.

We would expect EPS growth in each of our fiscal '07 quarters to generally be towards the middle of the EPS growth range that we provided for the full year. This fairly consistent pattern of growth is based on our expectations for realizing the timing of various investments we have made in One Cardinal Health and other cost savings initiatives, our facility schedules, product launch timing and other factors that will play out over the course of the year. At our investor conference on September 20, we will provide more specific segment growth targets for both revenue and operating earnings similar to what we have provided for fiscal '06.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Now I will touch quickly on key performance drivers for fiscal '07, which will contribute to us achieving our growth target. Within core Pharmaceutical Distribution, continued strong demand, along with stable margins in our core DSD or non-bulk business, will contribute to earnings growth. We also anticipate strong performance within our higher margin manufacturing businesses. Within these businesses, including Medical Product Manufacturing, Pharmaceutical Technologies and Services and Clinical Technologies and Services, solid topline revenue growth and continued margin expansion in all three business segments will contribute to earnings growth.

As previously mentioned, we anticipate a decline in our equity compensation expense of approximately 20%, and we expect overall SG&A growth to moderate given the current year investments we have made in the businesses to consolidate back office operations.

Finally, continued capital deployment initiatives including share buyback will help drive overall EPS growth.

Before I turn the call back over to Kerry, I just want to make one final comment. I want to remind everyone that beginning with our fiscal 2007 first-quarter earnings, we will begin to report our results in our five new reporting segments. These will include Supply Chain Services, Pharmaceutical; Supply Chain Services, Medical; Medical Products Manufacturing, Pharmaceutical Technologies and Services, and Clinical Technologies and Services.

Well, thanks, everyone. Kerry will now talk further about our strategic direction, and we will take some questions. Kerry?

---

**Kerry Clark** - Cardinal Health - President & CEO

Thanks, Jeff. In addition to the key drivers that Jeff covered, I want to take a few minutes to talk about our strategic directions, especially as it pertains to fiscal '07. Our fiscal '07 plans have been set to help us extend our lead in areas where we can help make health care safer and more productive and to realize our potential as a fully integrated company.

Perhaps the clearest example of how we were operationalizing these strategies is through our new organizational structure. As Jeff said, we will now report our results in five segments. We have organized these segments to clearly align with two major businesses -- Supply Chain Services, which is focused on our foundational logistics and distribution capabilities, and Pharmaceutical and Medical Products, which is focused on our higher higher margin fast-growing product development and manufacturing businesses that already today account for one-third of our profit. Each business has a unique set of characteristics and are complementary to each other. Let me briefly walk you through some of those characteristics.

First, Supply Chain Services. This is our lower margin but very high return on capital more stable business with very strong cash flow. The investments we make will be for select tuck-in acquisitions to gain a capability in a particular market such as the Dohmen or ParMed acquisition to strengthened our offerings in the retail independent market for Pharmaceutical Distribution. These businesses will continue to play in very competitive markets, and we will, therefore, drive an intense focus on cost management. We expect to have the lowest cost structure and the most efficient supply chain in health care.

Pharmaceutical and Medical Products is a higher margin faster growing business. R&D investments will be more substantial and necessary to drive innovative solutions. Tuck-in acquisition will also be important to enhanced capabilities. A strong pipeline of new and differentiated products is a key element of success in this business.

Also, within this group a focus on lean manufacturing leveraging best practices across the three businesses will help us ensure manufacturing is a clear key core competency for us. By organizing in this matter, we have a greater balance between our foundational logistics and distribution businesses and our higher growth and higher margin product developments and manufacturing businesses. With greater scale in both, we can deliver greater benefits to our operational excellence initiative.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

In addition, we are aligning our various hospital (indiscernible) organizations into a single organization, which will allow us to better meet our customers' needs for integrated solutions across all of our product and service offerings. We have completed the rollout of this approach in three regions with the remaining two regions planned for completion within the next several weeks.

With this new business and reporting structure in place, we are in a better position to drive three key strategic priorities for fiscal '07. First, organic growth; second, leveraging our scale and operational excellence, and third, leadership development. Let's take each of these one at a time.

First, organic growth. In CTS, for example, we have an exciting line-up of new products in the pipeline that begin to bring together technology from both Pyxis and Alaris into compelling medication management solution. We will also continue to make tuck-in acquisitions as we did with MedMined to extend our offerings to help hospitals address hospital acquired infection. Collectively we see a potential \$10 billion market opportunity for our CTS offering in a very strategic part of the hospital market.

International is another example of where we will invest to drive organic growth. In particular, Western Europe is the second-largest consumer of health care products and services, and we will set a strong foundation there to drive growth in the coming years. As we separately announced, I'm pleased that Rudy Mareel will be joining our team later this month to accelerate that effort.

Moving on to leveraging our scale and operational excellence. We continue to see many opportunities to leverage our scale and drive operational excellence initiatives to eliminate non value-added costs and to improve quality. We have many substantial projects underway, representing not just manufacturing sites but also within our business unit operation for the staff organization.

For example, our recent consolidation of 28 customer service centers is a good example. While we were still working through the transition, today we have just two centers that are ramping up with a goal of more easily sharing best practices and responding faster to customer issues, all at a lower cost than it would have been possible in our old structure.

In addition, there are plenty of other opportunities within our network of 75 distribution centers, 50 manufacturing facilities, and four North American headquarters locations due to operational excellence excellence and lean Six Sigma to improve quality, work processes and reduce costs.

And finally, leadership development. We have prioritized leadership development as an executive leadership team priority. We will be focusing on improved career and succession planning, building capabilities and increasing diversity across our organization in 2007.

As I have said before, I continue to be impressed with the scale and market position of Cardinal Health. We have great potential that we continue to realize with each step in our transformation. And with the management agenda we have developed, we expect to take another significant step forward in unlocking that potential during fiscal '07. I believe we are the right company at the right place at the right time.

I would like to stop here and open it up for questions. Operator, we're ready for the first question.

---

## QUESTIONS AND ANSWERS

### Operator

(OPERATOR INSTRUCTIONS). Lisa Gill, JPMorgan.

---

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Lisa Gill** - JPMorgan - Analyst

I was wondering if we could talk a little bit about distribution margin for Pharmaceutical Distribution. It looks like you're saying that sell-side margins are stable, but they were down sequentially, and it appears that you were talking about it being from the bulk slide. Maybe you could just talk a little bit about the dynamics from a competitive standpoint and then also talk about if there is any potential around fee-for-service escalators as we get into 2007?

**Jeff Henderson** - Cardinal Health - CFO

Let me step back a little bit and talk more generally about margins, and then I will specifically get to the questions that you raised.

First of all, as we look at our Distribution business and obviously we do a fair amount of analysis on both the margin trends, as well as the return on capital trends. There is a couple of things that are pretty clear.

First of all, our analysis indicates that we have the highest operating margins in the industry, something we are very proud of and intend to maintain. We also maintain the lowest cost in the industry, and we believe we have efforts underway through our One Cardinal Health and Supply Chain Services initiatives to continue to improve that. We also have a significantly higher mix of bulk customer sales than our competitors, and while that is dilutive to our overall margin, this is very good business for us. It is relatively high return on capital, and it incrementally profitable business that has not cannibalized our core DSD revenue. In fact, if you look at our DSD business, it is growing at the overall rate of the market if you adjust for the Publix contract loss we had last year.

So net net we believe the bulk we have taken on is both good business and makes good sense for our shareholders. I will talk about that more in a few seconds.

Going forward, we do expect overall PD margins to be relatively stable through '07, while at the same time, strive to improve our overall return on invested capital. It is really important to us as we look at the PD business that we consider both of those factors. It is not just about margins. It's not just about return on capital. It is both.

As we look forward, operating margin in our DSD or non-bulk business should be stable to up going forward, driven by generic volume and improved compliance, as well as tight expense control. If you look at our bulk business, operating margins in the bulk business will probably be down, and that is really driven by our conscious decision to pursue additional bulk business, all of which is profitable and all of which has generally been at or above the return on capital rate we achieve in our DSD business.

So bottom-line bulk business will grow more quickly than non-bulk in '07, so the mix effect will put some pressure on our overall margin. But as we expect or as we say, we expect margin within PD to be relatively stable in total.

Now going to your question about sale margin, yes, within the core DSD business we have seen stability over the last three quarters. And for our bulk business, we have seen some pressure in that regard, but again that is really a result of our conscious decision to pursue that business given the economics of it. (multiple speakers)

**Lisa Gill** - JPMorgan - Analyst

What about fee-for-service escalators?

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Jeff Henderson** - Cardinal Health - CFO

Yes, that really I guess falls under the general category of where do we see the levers for margin enhancement going forward. Clearly, as we renegotiate our DSD agreement, we're going to be looking to sell incremental services to the manufacturers, and we think that's going to be a driver of incremental fees. But even that issue aside, as we have been looking to renegotiate our DSD agreement, I would not describe it as those negotiations having gone very well, and virtually all cases the economics have been stable or improved from the prior agreement.

Now regarding the escalators, we do have escalators built into some of our existing contracts, and some of those are performance-driven, some of those are time-driven, but in all cases we don't see a problem with meeting the performance requirements necessary to achieve those escalators. So again, if you look at all the factors, yes, there is some sell-side pressure, but with the generic upside, cost structure, differentiated services and continued progress on our DSD agreements, we feel pretty positive with where we are positioned as we head into '07.

**Lisa Gill** - JPMorgan - Analyst

Based on your additional comments, it sounds to me like as we look out to 2007 and the preliminary guidance that you have given can be somewhat conservative. Am I looking at this correctly? It seems that there are some more things that could go positively than negatively for 2007.

**Jeff Henderson** - Cardinal Health - CFO

First of all, our guidance is our guidance. I'm not going to comment any further on that, and it appropriately reflects all the risks and opportunities within our business. Just to help you.

**Operator**

Tom Gallucci, Merrill Lynch.

**Tom Gallucci** - Merrill Lynch - Analyst

Just a follow-up to Lisa's question on the bulk and then one question on cash employment. You say there is some pressure there on the margin in the bulk area. Can we just get a better understanding of what is driving that? Is that distributors competing with each other for that business that is driving the price down, or is it more a function of the big customer that you're getting the business from can also do it themselves so you have got to offer a lower-priced based on that customers make or buy decision?

And then on the cash deployment, clearly the share repurchases are fairly aggressive. Can you just give us an understanding of how internally you're thinking about share repurchases versus dividends?

**Jeff Henderson** - Cardinal Health - CFO

On your first question, first of all, you refer to pressure in the bulk business. I would describe it as business that we have gone after and have potentially pursued given the economics of it.

Now the fact is it is significant incremental volume, and it is volume that was previously going direct to a retailer. So yes, there is a couple of factors there. Obviously we have to come up with the pricing that makes sense for them to give us the business, and we are in a competitive environment. So other people are striving to get that business as well. So I would describe that has

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

just normal pressure in a competitive environment that you would expect as you're looking to take on significant incremental business with good economics. And again, whenever we look at that business, it is a combination of both, what is it doing to our margin, and what is it doing to our return on capital? And it is important that we be very balanced and consider both of those factors as we look at it. But again, I think the other important thing is this is incremental business, and it is not cannibalizing our DSD business.

Regarding your capital deployment question, we do have an overall goal to return 50% of our operating cash flow over the longer-term to our shareholders. We also believe that there is some benefit to increasing our dividend payout ratio over time, and we have indicated publicly that getting to a 20% payout ratio over the medium to longer-term is our aspiration.

Now how do we develop that? We looked at obviously all the economic factors, including a tax impact on dividend. But also what we think a reasonable payout ratio for a company at our overall lifecycle and gross potential is and determined that targeting a 20% payout ratio over that period of time is reasonable. Really the default is whatever we don't pay out in dividend, what we have done through share repurchases as a general rule.

Now, as always, there are nuances within a general rule, and I say that because we're not just going to be mindless about our share repurchases. We're going to do it when we have a certain view on the value of the stock and when that timing makes sense in view of other alternative investment vehicles within the company.

---

**Tom Gallucci** - *Merrill Lynch - Analyst*

Is there a reason why you would not raise the dividend up to that payout ratio faster and instead you're looking for more of a multiyear increase?

---

**Jeff Henderson** - *Cardinal Health - CFO*

Well, if you look at our last two increases, they have been pretty substantial, 100% and 50%, pretty substantial increases. We think on balance getting there over a period of time makes more sense than doing it all at once, and that is the strategy we have chosen to pursue. But again, in terms of total cash return to shareholders, it really is not going to change that -- it really will just be a competition issue.

---

**Operator**

Robert Willoughby, Banc of America Securities.

---

**John Wood** - *Banc of America Securities - Analyst*

It is John Wood. Jeff, I appreciate your comments on the press release and presentation surrounding SG&A growth. Would a reasonable assumption be to grow SG&A at roughly half the rate of revenue growth in fiscal '07?

---

**Jeff Henderson** - *Cardinal Health - CFO*

You know, quite honestly, our internal target if you look at core SG&A growth, if you script out the sort of unique one-off items, our goal would be to have SG&A growth be no more than half of revenue growth, and we actually think there is opportunities to do even better than that. But I think what you just stated is a reasonable assumption.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**John Wood** - Banc of America Securities - Analyst

And one quick one. Can you offer some detail on a share base and tax rate assumption for fiscal '07? Thank you.

**Jeff Henderson** - Cardinal Health - CFO

First of all, on tax rate, we have not given specific guidance on that. But I think generally along the lines of our 2006 rate is probably a reasonable assumption. And in terms of share count, we have announced publicly today that the board approved a total of \$2 billion of share repurchases over a two-year period. So you can do the math on that probably as easily as I could come up with a reasonable share count.

**Operator**

Oksana Butler, Citigroup.

**Oksana Butler** - Citigroup - Analyst

On the PTS front, it looks like you had some strong improvement there. I was wondering if you could just comment a little bit on where you were relative to your internal targets, and on the Brussels facility, you have received a [GNT] certificate. When do you expect the approval process to be completed there?

**Jeff Henderson** - Cardinal Health - CFO

First of all, I would say PTS was pretty much in line with what we expected. As with all businesses, there is ups and downs within the specific facilities, etc. But on balance I would say both overall PTS and within the four major operating units within the segment, we generally were on track operationally and financially with where we expected to be in Q4.

Now that all said, clearly we're not happy yet with our performance of PTS specifically looking at the total of 2006, and there is significant further work to be done there. But I think Q4 provided a good basis to continue that improvement into 2007.

Regarding the Brussels facility, we would expect to be in commercial production there by the end of fiscal 2006.

**Oksana Butler** - Citigroup - Analyst

And on the sterile front, was there an improvement there sequentially?

**Jeff Henderson** - Cardinal Health - CFO

Yes, there was and we expected that improvement. That was really driven by some operational improvements in Albuquerque, as well as some of the pricing initiatives that we put in place sort of flowing through.

**Operator**

Larry Marsh, Lehman Brothers. Ricky Goldwasser, UBS.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Ricky Goldwasser** - UBS - Analyst

A few questions on the drug distribution. Firstly, if you can comment on the competitive environment basically for the independent business, and then also what was the impact of the F. Dohmen acquisition on operating margins in the quarter, and is there room for improvement there?

And lastly, just a better understanding of kind of the bulk business and the moving parts there. Just to clarify, was same-store bulk business less profitable this year compared to last year and is just out of the incremental business that you're taking on as lower margin on a year-over-year basis? And also is part of it -- is the rationale, part of rationale is that you have less generics in the bulk business given that it is probably the large retailer and that is why it is not as profitable as the rest of the business?

**Jeff Henderson** - Cardinal Health - CFO

First of all, I would like to remind everyone to sort of limit your questions to one, so we can get to as many callers as we can. Let me see if I can actually answer the various questions that you gave me. I think I wrote most of them down.

First of all, in terms of the independent business, I would generally characterize it as being less pricing pressure than the larger chain business. You know that all said, I believe one of our competitors has spoken specifically about the efforts to retain customers within the United drug group. And I won't comment any further on that. But I would say generally independent business is under less pressure than the chain business.

F. Dohmen had a relatively immaterial impact in Q4. We would expect to see some more significant impact as we head into 2007, particularly as we begin to consolidate the operations from that acquisition.

On the bulk side, I don't want to get into too much specific detail there. Other than to say, just overall generally bulk margins have been squeezed as we have taken on the incremental business. Now in some cases, particularly with certain customers, it is hard to separate incremental from existing because you negotiate entire contracts. So that is all I would probably say on that. Honestly I did not catch your last question on generics.

**Ricky Goldwasser** - UBS - Analyst

I guess what I am trying to understand is whether your bulk business also includes generic, and how does that impact obviously the margin. Because if bulk includes generic, that would call for some margin expansion for that business going forward. And (indiscernible) what percent of revenue is coming from generic versus branded for your overall drug distribution business?

**Jeff Henderson** - Cardinal Health - CFO

To answer your specific question, bulk revenue generally includes very little generic volume within that number. Next question, please.

**Operator**

Christopher McFadden, Goldman Sachs.

**Christopher McFadden** - Goldman Sachs - Analyst

I want to make sure that Kerry is still with us, make sure it's a working conference call. Kerry, are you still there?

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Kerry Clark** - Cardinal Health - President & CEO

Yes, I was waiting for you, Chris.

**Christopher McFadden** - Goldman Sachs - Analyst

Excellent. Well, tough one with Maddox this evening, we will see how the Reds come out. I wanted to try to get two questions in being respectful to your earlier comment, Jeff.

Firstly, you have talked about a \$500 million overall objective for the One Cardinal program. Is that still the objective for the program into totality? And can you give us a sense, Jeff, of what you think or what you have factored into the FY '07 guidance you provided for any net contribution from that program in the guidance that you have updated here today?

And then, Kerry, you've had obviously now an extended opportunity to look at the Cardinal organization. I would be interested in if there is one product, one program, one customer segment that you have come across or you have identified in your visits and travels that you're perhaps most excited or said differently, that you see the most significant opportunity to grow over the next 12 to 36 months? Thank you.

**Kerry Clark** - Cardinal Health - President & CEO

I will go first. I mean I think what is very very exciting at Cardinal is as the hospital community continues to focus on productivity and safety, it is what Cardinal is able to offer in this area. And right at the front of the Q is some of the great stuff that is being done in CTS on patient safety and moving patient safety closer to the point of care, closer to bedside. And I'm very excited about opportunity because, as I have talked to many hospitals executives and as Medicare continues its quest to make patient safety a more visible outcome in the marketplace, the hospital administrators are looking for opportunities to continue to improve the quality and the safety of care, and I think that the activities we have underway in CTS are very exciting, and I think we have a great management team that has done a terrific job of product development, managing their costs, taking their business to the market, and that is one of the reasons it is our fastest-growing segment right now, and the potential is very large.

**Christopher McFadden** - Goldman Sachs - Analyst

Are there gaps in your product offering? I know Dave and his team have been focused on integrating and gateway technologies to make sure it's integrated as possible, but are there gaps across this continuum of patient safety and productivity that you have identified that you think you can fill over time?

**Kerry Clark** - Cardinal Health - President & CEO

I would say there is two that are on administrator's mind. It is continuing to provide the safety and integrity of medication delivered right to the bedside. So that safety verification that it is the right medicine for the right patient at the right time is a key area. That last 100 yards from the Pyxis machine down to the bedside is a very key area. The other area really is infection management within the hospital, and we have got MedMined, Pyxis on one side and we have programs on the other. So those are two very large caps that are there, and I think the other opportunities -- I think just the distinction and reliability of the Alaris pumps are seen as a very desirable product line in the market context we have today. So I think the future is looking very bright for Alaris as well.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Christopher McFadden** - *Goldman Sachs - Analyst*

Thank you for that detail. And then, Jeff, on the -- (multiple speakers)

**Jeff Henderson** - *Cardinal Health - CFO*

-- the question on Cardinal Health. First of all, I know all of you are trying to come up with a big lump of money and add it into your model for the next couple of years. But what I want to be very clear about is the benefits from One Cardinal Health are going to be baked into whatever guidance and whatever results that we deliver. So I would not try to take our numbers and add something to it. Let's be clear on that.

Secondly, you know the 500 million is a combination of both -- we spoke about before was a combination of both SG&A savings, reductions in cost of goods sold due to manufacturing improvements, as well as some incremental revenue and gross margin due to the positive impact of putting in place the IPS salesforce. So again these things are spread across the income statement, so I would not just necessarily take a big SG&A chunk and throw it in there.

But you know bottom-line is, it is now part of our business. It is the way we run our business, and it is built into the guidance that we are giving, and that is also the way we are treating it internally. We are pushing down the promises benefits into our segments and our functions and asking our people to deliver those as opposed to holding it out as a separate item.

**Kerry Clark** - *Cardinal Health - President & CEO*

Just to add a bit of context there, this is -- obviously SG&A management is extremely important to us, and One Cardinal Health is a part of helping us get there. We have very rigorous tracking mechanisms to make sure that what we have committed to ourselves in terms of the activities that we are going to be making improvements on with One Cardinal Health, in other words, you know the headcount reductions and everything else that come with this, are tracked and measured on a quarterly basis. We have a standing team that meets once a month to review our progress on that stuff. We are monitoring the execution of this very closely, but as Jeff said, that execution is built into our forecast for next year. I just want to let you know that we're really focused on that.

**Christopher McFadden** - *Goldman Sachs - Analyst*

I understand. Thank you.

**Operator**

Eric Coldwell, Robert Baird.

**Eric Coldwell** - *Robert Baird - Analyst*

Realizing that subsegment analysis is never perfect, it looks to us as though your clinical services and consulting group within CTS was effectively flat in the quarter. Could you give some color on if that is true, and if so maybe some background on what is happening there?

**Jeff Henderson** - *Cardinal Health - CFO*

Yes, although we don't give specific subsegment details, I think your analysis is pretty close to being on track. I would say our trends there are not inconsistent with the overall market, but we continue to look for opportunities to expand our revenue in

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

that area and have had a few recent successes. We are also making some operational changes there as well to continue to drive growth going forward. But I think your assessment is probably reasonable there.

---

**Eric Coldwell** - *Robert Baird - Analyst*

Jeff, since you opened it up, what kind of operational changes, and I will bail out after that?

---

**Jeff Henderson** - *Cardinal Health - CFO*

Well, for example, we just replaced the President of our Houston-based businesses, and that transition is happening over the next month or so. We are also looking at specific accounts in specific areas where we can focus on to grow. As we announced earlier this year, we actually divested a small part of the overall Houston-based businesses to allow us to focus on the core opportunities for growth.

---

**Operator**

(OPERATOR INSTRUCTIONS). Steve Halper, Thomas Weisel Partners.

---

**Steve Halper** - *Thomas Weisel Partners - Analyst*

My question was focused on CTS. How do you feel about Pyxis' competitive positioning right now in the market with your MedStation 3000 product?

---

**Kerry Clark** - *Cardinal Health - President & CEO*

I am sorry. We're having a tough time hearing. Could you repeat that question, please?

---

**Steve Halper** - *Thomas Weisel Partners - Analyst*

Yes, my question was focused on CTS, and how do you feel about Pyxis' competitive position, and how is MedStation 3000 coming along?

---

**Jeff Henderson** - *Cardinal Health - CFO*

I think we feel very good about our competitive positioning, and I think the recent results support that. The backlog is up. Beta contracts are ahead of expectation to a large part being driven by MedStation 3000, which, as you will recall, was launched over a year ago. So those are all pretty good signs that it is being well-received by the market and it also has legs beyond the initial product launch.

(indiscernible) pointed out that we have a number of continuing products in the pipeline that will fall behind that that we are equally or more excited about. So we think we continue to strengthen our positioning. I think that in conjunction with the quality and service improvements we have made we are getting good feedback from our customers now regarding some of those improvements. So in summary I would say I feel as good about our competitive positioning there as I have since I have been at the Company, and as I look at the new products coming, I feel even better.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**Steve Halper** - *Thomas Weisel Partners - Analyst*

When do you expect these new products to be formally introduced?

**Jeff Henderson** - *Cardinal Health - CFO*

Really a number of products are being launched over the course of 2007, most of them towards the latter part of '07, early '08.

Operator, we can probably take one more question, and then we will have to call it a day.

**Operator**

John Ransom, Raymond James.

**John Ransom** - *Raymond James - Analyst*

Jeff, going back to your favorite topic of One Cardinal Health and realizing you cannot just simplistically put a blob into the model. Towards the goal of \$500 million, where should we think about that progress at the end of fiscal '06 versus where you hope to steer it by the end of '07?

**Jeff Henderson** - *Cardinal Health - CFO*

You know I would say in fiscal '06, although we did realize some benefits particularly from some of the restructuring actions we took over the past couple of years, a large chunk of those benefits were offset by some of the investments we were making over the course of the year to establish our shared service infrastructure launch, IPS, etc. I think as we head into 2007 the benefit will continue to grow, and over the course of the year, those investments will begin to diminish as we put in place the various shared service centers.

So I would say it is sort of a gradual quarter by quarter process. By the end of '07, I would expect us to be well more than halfway towards the end game, whereas end of '06, you know probably more like 30, 40%.

**John Ransom** - *Raymond James - Analyst*

And then just as a tag-on, I know one of your issues is a legacy of the history of the Company there has some 15 different operating systems out there. It makes it difficult to figure out on a customer basis sometimes where your profits are. Where are you in terms of turning that into a single platform both from an investment and a timing standpoint, and is that something from an outsider looking in that will be noticeable when you reach the finish line there in terms of your ability to drive profits?

**Jeff Henderson** - *Cardinal Health - CFO*

First of all, there is a couple of significant programs going on with regard to right now. We are implementing a common salesforce automation tool within our integrated provider solution salesforce. So, as we roll out those salesforces, they have a common salesforce automation tool.

Now following that, our intent is to put in a more comprehensive integrated customer management program that will allow us to analyze the customer profitability, etc., but that's probably a year down the road for that piece of it.

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

Then we are also putting in a common financial systems platform across the company, and that is well underway at this point, and that will be put in place over the next couple of years.

Will it be noticeable? Well, first of all, I hope it is noticeable to our customers that they see one face, which is probably most important that they know we are talking to each other and that we have good information about them. Following that, I would hope that it would allow us to begin to differentiate accounts and recognize where the profitability is, etc., etc. Whether it will show up in the overall (indiscernible) of the total income statement, that is a difficult thing to say whether you would be able to see it. But rest assured that we will be watching it very closely to make sure we recognize where our profitable accounts are.

---

**Kerry Clark** - Cardinal Health - President & CEO

John, this is Kerry. Just one thing I was picking up on a point that Jeff was saying. We are already rolling out our integrated Provider Services. So we already have single point accountability at most of our major customers as we roll out IPS. And while the systems are not perfect, we're getting quite a lot of visibility into customer profitability and how they integrate our offerings. So (technical difficulty)-- will make it easier. We're bullying our way through it now, but we're getting a large part of the benefit by going to our customers as One Cardinal Health today.

---

**John Ransom** - Raymond James - Analyst

Thank you very much.

---

**Kerry Clark** - Cardinal Health - President & CEO

Well, thank you very much. I would just really like to reiterate some of the key points we said today that I think we've made a lot of progress in 2006. We have got a lot of foundational stuff going on for 2007 and beyond. We're setting some pretty high expectation for ourselves in terms of wanting to accelerate where we have been over the coming year. But we are feeling we are getting the foundations in place. The organization design is going to help us. The product programs are coming along. So, as Jeff said, we have put out our guidance as sort of our 50-50 estimate of where we are, and we're going to make a lot more progress this year.

So thanks very much for participating in today's call.

---

**Operator**

Thank you again for your participation in today's Cardinal Health earnings conference call. You may now disconnect.

---

Aug. 03. 2006 / 11:00AM, CAH - Q4 2006 Cardinal Health, Inc. Earnings Conference Call

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2006, Thomson Financial. All Rights Reserved.