Semi-Annual Investor Update - November 2004

One Cardinal Health

Agenda

10:00 – 10:05	**Welcome and Opening Comments**
	Jim Hinrichs, Vice President – Investor Relations
10:05 – 10:30	**“Strategic Overview”**
	Bob Walter, Chairman and Chief Executive Officer
10:30 – 11:00	**“Financial Discussion - First Quarter FY ’05 Earnings”**
	J. Michael Losh, Chief Financial Officer
11:00 – 11:45	**“Operating Plan”**
	George Fotiades, President and Chief Operating Officer
11:45 – 12:30	**Q & A**

Forward-Looking Information

Except for historical information, all other information in this presentation 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 8-K and Form 10-Q reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the costs, difficulties, and uncertainties related to the integration of acquired businesses, the loss of one or more key customer or supplier relationships or changes to those relationships, changes in the distribution outsourcing patterns for health-care products and/or services, the costs and other effects of governmental regulation and legal and administrative proceedings, the impact of previously announced restatements, and general economic and market conditions. Cardinal Health undertakes no obligation to update or revise any forward-looking statements. In addition, statements in this presentation may include adjusted financial measures governed by Regulation G. A reconciliation of these measures is included in the slides you received today and has also been posted on the investor relations page at www.cardinal.com.

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Semi-Annual Investor Update - November *2004*

Strategic Overview

Robert D Walter
Chairman and Chief Executive Officer
Cardinal Health

November 5, 2004

Introduction

- **A challenging period**
- **A competitive spirit**
  - Attitude
  - Aspiration
  - Adversity
- **Credibility**
  - Associates
  - Customers
  - Shareholders
- **Focus on internal performance**

Accounting Investigation

- **Audit Committee Internal Review**
  - Substantially complete regarding financial statement impact
  - Evaluation underway regarding any impact on individuals
- **SEC and AUSA investigations continue**
  Responding and providing all required information
- **Improvements to control and disclosure processes and procedures underway**
  - Attitude is right for change
  - Chief Compliance Officer
  - Chief Accounting Officer
  - Company-wide education programs
  - Strive for best practices

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Today

Let's focus on *the business*

- *How we are going to* ***grow the company***
- *How we plan to* ***create value long term***

Key Topics

1 **The phases of Cardinal Health**

- What we've done
- Where we are today
- What we plan to do

2 **Key themes/beliefs**
that will drive our growth going forward

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Phase One

1980 - present

Creating a leadership position in **Pharmaceutical Distribution**

Strategy 1980 - Present

- **Gain relevance in local markets**
  Superior service (logistics, Information technology, value added)
- **Broaden services to all provider segments**
  Retail, hospital, institutional
- **Increase geographical reach**
  Move from regional to national distributor
- **Drive efficiency**
  By investing in superior logistics, purchasing expertise and information technology
- **Enhance value-added offerings**
- **Expand capital investment**

How We Did It

- Focus
- Internal and external growth
- Large capital commitment with rising returns

Results – What Happened?

- **Industry consolidation**
- Perfected our **logistics systems and networks**
- **Prime vendor model** is providing the most effective and efficient drug distribution channel in the world
- **Superior growth, returns and value creation** for Cardinal Health
- **Facilities, systems and people** are in place

Future – Where Are We Today?

- **It works**
- **No significant threats**
- Must change compensation model from branded Rx manufacturers to **non-contingent fee-for-service**

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Phase Two

1995 – present

Seeking differentiation and **extending our reach**

Strategy – Extend reach upstream/downstream

- New skills/offerings to gain competitive advantage Through internal development and acquisition
- Acquire businesses with scale and market leadership
- Improve acquired operations
- Integrate with other Cardinal Health operations
- Expand investment in health care

How We Acquired

Five questions about the acquired company

1. ***Is the acquired company in a market space strategic to Cardinal Health?***
   Yes – healthcare business integrated around providers and manufacturers
2. ***Does the acquired company have the right market position?***
   Yes – all market leaders
3. ***Did we pay the right price?***
   A mixed bag – the right price depends on achieving performance expectations
4. ***Did we improve the operations of the company as a stand alone?***
   Yes – we have generally improved the operations of acquired company with our resources and expertise
5. ***Did we integrate the company and make the combination greater than the sum of the parts?***

   This is where we haven't completely capitalized on the opportunity

Where We Are Today

- **Broadest health care offering upstream and downstream**
- **Scale and market leadership through out**
- **No "throw-aways"**
- **Underachieved in integration**
  - **Internal**
  - **External**
- **Underachieved in value creation**

Today

*Failing to capitalize on the integration potential is a **missed** opportunity,*
*but it is **not a lost** opportunity*

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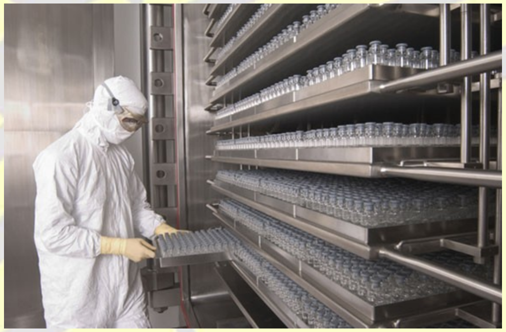
Phase Three

2004 and beyond

Integration into One Cardinal Health



Value Creation

This phase is about

- **Organic growth** and **value creation** for the long-term
- Realizing the value of what we have assembled and **achieving the potential of the total company**
- Integrating **internally** by taking advantage of our size to reduce administrative costs, improve strategic sourcing and doing a better job of capturing information around our customers
- Integrating **externally** by creating competitive advantage with our customers by leveraging all of the Cardinal Health resources available

What We Need To Do For Success

- **Grow and develop our people**
  Prepare them to run a large complex organization
- **Maximize the value of what we have**
  Do not expect any acquisitions from us in the near term
- **Build on** our already strong capital resources
- **Innovate by providing solutions**, not just products and services, to our customers
- And most importantly, **execute**

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What Do I Believe In For The Future?

- **Focus**
- **The value of integration will be realized**
  An opportunity not lost
- **Pharmaceutical Distribution model is secure in the market place**
  And will return to historic levels of profitability
- **Our strength in the hospital is significant**
- **Patient safety represents a major opportunity**
- **Sterile generic/biotech manufacturing is a real and achievable opportunity**
- **International expansion will be a growth area**

We Have Adequate Resources in Place

- **Strategic businesses / market position**
  Diversified market leaders in health care
- **Capital**
  In a better spot than ever before
- **People**
  We’re getting there, but we **need to do more**

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Conclusion

Today is about

- Our belief in Cardinal Health and how we'll return to the **performance** **we expect** from ourselves
- A good **understanding** of how we manage the company — the challenges we face and we're working through them
- Our **optimism** — where there are great challenges there are also great opportunities
- We will see this through — and return Cardinal Health to the **performance standard** **you've come to expect**

A Personal Note…..

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Financial Discussion

First Quarter ’05 Earnings

J. Michael Losh
Chief Financial Officer
Semi-Annual Investor Update

November 5, 2004

Today's Agenda

1. Q1 FY '05 financial results
2. Segment business analysis
3. Liquidity update
4. Capital plan considerations
5. Guidance

1 Q1 FY ’05 Recap

	$ M	% Change
Revenue	$17,796	16%
Operating Earnings*	$ 393	(25%)
Net Earnings*	$ 238	(28%)
Diluted EPS*	$ 0.55	(26%)
Operating cash flow	$ 893	
Free cash flow	$ 777	
Return on equity*	11.7%	

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* Before special items and discontinued operations

New Segment Components

- **Clinical Technologies and Services**
  - Alaris® business
  - Pyxis® business
  - Clinical Services and Consulting
- **Medical Products and Services**
  - Specialty Pharmaceutical Distribution

Cardinal Health Business Analysis

Pharmaceutical Distribution and Provider Services

	Q1 FY '05	
	$M	% Change
Revenues	$ 14,402	16%
Operating earnings	$ 163	(29%)

Highlights

- Strong customer demand, competitive pricing
- Business model transition
- Reduced price inflation vs. historical levels
- Increased cash discount income and other types of vendor margin
- National Logistics Center ramp-up

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Cardinal Health Business Analysis

Medical Products and Services

	Q1 FY '05	
	$M	% Change
Revenues	$ 2,393	11%
Operating earnings	$ 138	(14%)

Highlights

- $16.4 M latex litigation charge
- Pricing pressure
- Commodity increases

Cardinal Health Business Analysis

Pharmaceutical Technologies and Services

	Q1 FY '05	
	$M	% Change
Revenues	$ 705	9%
Operating earnings	$ 81	(24%)

Highlights

- Intercare acquisition + $6.7M in Q1 FY '05
- Elimination of constant f/x rate adj. + $5 M earnings in Q1 FY '04
- Operating loss related to Humacao start-up ($5M)
- Growth dampened by sterile delays, BFS production declines

Cardinal Health Business Analysis

Clinical Technologies and Services

	Q1 FY ’05	
	$M	% Change
Revenues	$ 524	57%
Operating earnings	$ 46	(32%)

Highlights

- Alaris® purchase accounting adjustment of ($20.6M)
- Elimination of interest income allocation + $4.9M earnings in Q1 ’04
- Increased consulting and services revenues
- Declines in Pyxis® unit volumes and earnings
- Adjustments to certain inventory reserves and increased shipping costs

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Corporate Operating Earnings

- Unallocated corporate expenses
- Special items
  - **$ 16.9M** merger costs
  - **$ 7.5M** restructuring
  - **$ 7.5M** costs for ongoing accounting investigations
- Investment spending: **$3.7M** retained at corporate
- Total R&D and investment +27% to **$33M**

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3 Short-term Liquidity

- Decline in inventory peak
- Cash flow continues to be strong
- Opportunity to reduce outstanding debt and restore committed bank lines to undrawn position
  - Repaid $1.25B outstanding on revolver on Nov. 4
  - Decided not to close new $500M borrowing commitment
  - Cash on hand $800M+

4 Capital Plan Considerations

- Formulate plan in upcoming months

Considerations

- Long-term growth needs of the business
  - Organic growth
  - Acquisitions
- Tempered by short-term realities
  - Low current need for acquisition funding
  - Current credit ratings implications
  - Declining inventory from peak levels

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Capital Plan Considerations

- Things to be decided
  - What is our right long-term capital structure?
  - What is the optimal debt/equity mix?
  - What credit rating do we want to target?
- We continue to maintain our long-standing commitment to an investment grade rating

Conclusion

Return excess capital to shareholders

5 Philosophy on Guidance

- **Annual guidance** will be provided at a **corporate level**
  - Revenue growth
  - EPS growth
  - Free cash flow
  - Return on equity
- At times, such as now, we will provide short-term guidance as a result of certain circumstances

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Fiscal Year '05

- **Revenue growth low to mid teens**
- First half slower than second
  - First half FY '05: EPS down 10-15%
- **Full-year EPS growth goal of at least 10%**
  - Dependent on operational improvement and execution of restructuring
- Free Cash Flow: $\geq$60% of net earnings
- **ROE of at least 20%**

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Operating Plan

George Fotiades
President and Chief Operating Officer
Cardinal Health

November 5, 2004

Highlights

- Focus short-term on execution requirements
- The four business segments
  strengths, issues, actions, outlook FY ’05
- **One Cardinal Health** initiative

Keys to FY ’05

Pharmaceutical Distribution and Provider Services	• Vendor margin
Medical Products and Services	• New differentiated products/services • Sourcing
Pharmaceutical Technologies and Services	• Sterile Manufacturing
Clinical Technologies and Services	• New Pyxis® products • Pyxis product rationalization • Alaris® synergies
Restructuring	• $125 million in savings

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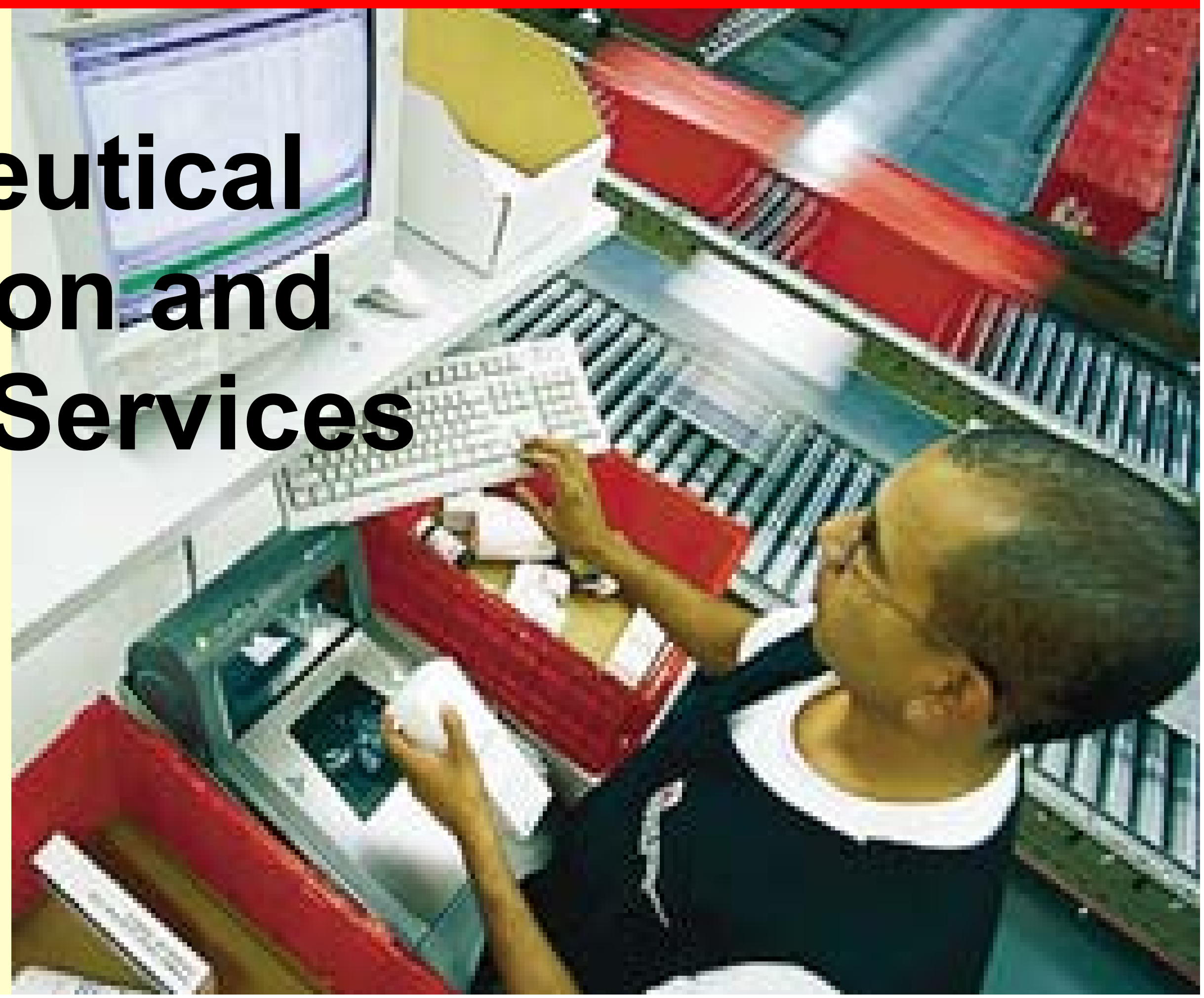
Business segment review

1.

Pharmaceutical Distribution and Provider Services



Strengths

- **Market growth**
  Pharmaceutical revenue growth
- **Market position**
- **Efficiency, scale, cost structure**
  Scale plus prime vendor relationship has resulted in operating expense less than 1.5% of revenues
- **Customer relationships**
- **Hospital channel** – integrated Cardinal Health offering
- **Manufacturer relationships**

Issues

Vendor Margin

- **Manufacturers changed selling practices**
  - Access to inventory
  - Product pricing

Less vendor margin opportunity

Q1 ’05 – 40% below last year

Actions

Vendor margin

- Next Best Alternative (NBA) study
- New policy – April 1, 2005
- Disciplined internal progress tracking

Actions

Sell margin

- Customer contract compliance
- “Net pricing” initiatives
- Health and Beauty Aid (HBA) changes
- Elimination of secondary distribution relationships
- Disciplined competitive bidding strategy

Actions

Efficiency

- National Logistics Center (NLC)
  - Improved logistics, efficiency and cost structure
- Call center consolidation
- Consolidation of two DCs in Southern California

Operating Margin Goal

2.0% - 2.5% of total revenue

*Includes Pharmaceutical Distribution and Medicine Shoppe

Expected Outlook FY ’05

First 1/2

- Margin declines vs. prior year
- Weak Rx price increases effect
- Slowing of sell margin declines

Second 1/2

- Expect stronger Rx price increases
- Impact of FFS contracts gain momentum
- Margin stabilization vs. prior year

Business segment review

2.

Medical Products and Services

Strengths

- **Contract wins in distribution**
  Revenue growth across all distribution channels
- **International**
  Operating earnings growing significantly faster than the rest of the business
- **Snowden-Pencer™** special procedure products
- **Private label growth**
- **Integrated offering** to hospital customers

Issues

- **Margin declines**
  - Price competition – self-manufactured products business re-priced in FY ’04
  - Raw materials costs increasing – fuel, resin, latex

Actions

- Sourcing initiatives
- Optimization of manufacturing network
- New products and services
- New, more efficient distribution facilities

Expected Outlook FY ’05

First 1/2

- Continued strong revenue growth
- Continued margin pressure
- Latex litigation charge
- Early benefits of cost initiatives

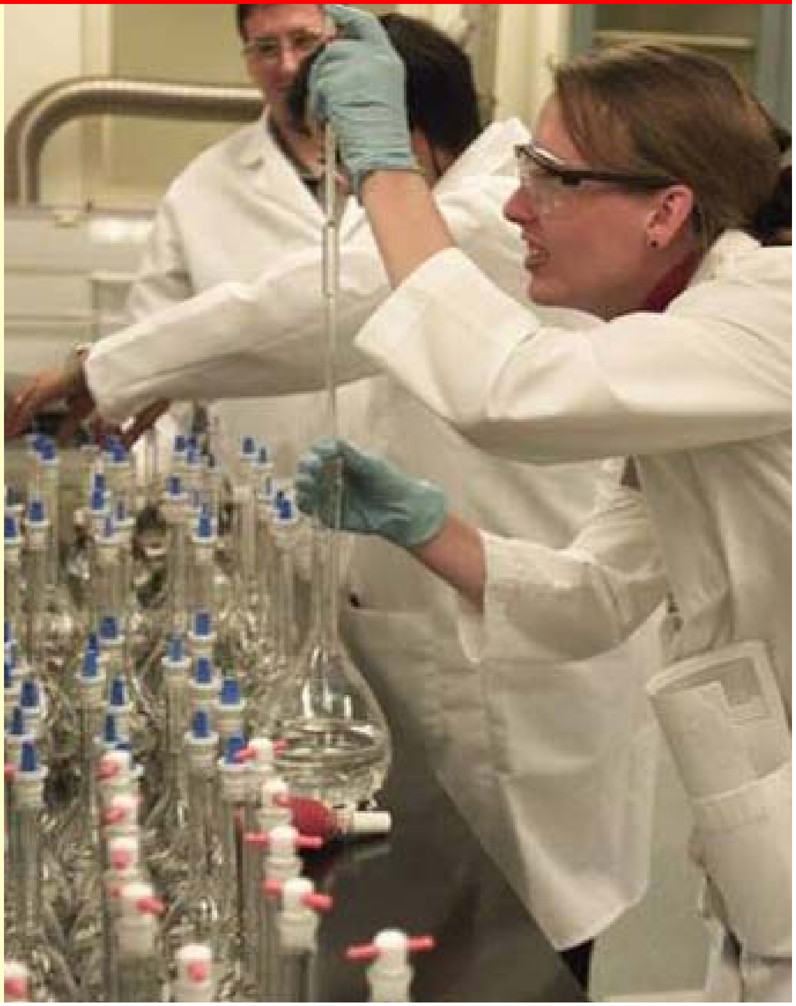
Second 1/2

- Continued strong revenue growth
- Anniversary re-pricing and commodity comparatives
- Accelerated benefits of cost initiatives
- Margins stabilize

Business segment review

3.

Pharmaceutical Technologies and Services



Strengths

- **Proprietary technologies and manufacturing expertise**
  Sterile, potent, fast dissolve, hard-to-manufacture
- **Breadth of offering and geographic reach**
- **Customer relationships**
  Average top 10 drug company → 15+ PTS relationships
- **Pharmaceutical development capability**
  Gaining momentum (Somerset, NJ and San Diego)
- **Injectible demand**
  Strong pipeline of new products

Issues

- **Humacao, Puerto Rico**
  Regulatory delays and carrying costs
- **Blow/fill/seal weakness**
  Generic respiratory pricing and reduced Xalatan® volumes
- **Operating efficiency/productivity**

Actions

- Resolution of Humacao manufacturing
- Focus on existing operational priorities
  - Albuquerque
  - New parenteral capacity (Brussels, North Raleigh)
  - Pharmaceutical development operations
- Restructuring – plant and facilities optimizations

Expected Outlook FY ’05

First 1/2

- Sterile weakness on blow/fill/seal
- Humacao carrying costs and resolution
- Commence restructuring initiatives

Second 1/2

- Albuquerque continued improvement
- Pharm Development moves to profitability
- Restructuring benefits are realized
- Operating earnings back to teens growth

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Business segment review

4.

Clinical Technologies and Services

Strengths

- **Market leadership**
  Installed base for both Pyxis® and Alaris® products
- **Technology leadership**
  Both Pyxis and Alaris products are gold standard
- **Consolidation of Cardinal Health clinical offerings**
  Essential component of value proposition
- **Bedside Strategy**
- **Pyxis/Alaris synergies**
  Revenue and cost synergies

Issues for Pyxis® products

- **Aging MedStation® platform**
- **Quality and customer service**
  Response times, preventative maintenance, inventory management
- **Product line complexity**
- **Cost structure**
  Considerable investment to manage complexity
- **Under leveraged Cardinal Health linkage**

Actions

Pyxis® business

- **New management team**
- **Product line evaluation and rationalization**
  Top 6 products of 64 account for 90% of revenue
- **R&D and SG&A** productivity initiative underway
- **Product quality and customer service**
  Improvements a key operating priority for ’05
- **New MedStation®** product launched in FY ’05

CTS segment

- **Alaris® integration** (synergies)
- **Pyxis PatientStation®** product
  Evaluated as part of broader point-of-care strategy

Expected Outlook FY ’05

First 1/2

- Continued weakness as Pyxis® issues are resolved
- Alaris® business performing as expected
- Alaris inventory adjustment

Second 1/2

- Pyxis product rationalization and other opportunities ➔ lower expenses
- Improved products drive Pyxis top-line growth
- Alaris synergies gain momentum

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Operation
One Cardinal Health

Background

An initiative all about focus

- **Externally**
  Integrate around customers and markets
- **Internally**
  Improve operating discipline and functional excellence
- **Goal**
  Drive **innovation and ideas** for top line growth.
  Drive **synergies and efficiencies** for additional bottom line growth.

Externally

Integrating around these markets and customers

- **Pharmaceutical distribution**
  Creating competitive advantage
- **Hospital strategy**
  Mobilizing our nearly 3,500 direct and indirect resources under one unified go-to-market strategy
- **Patient bedside**
- A unified Cardinal Health go-to-market strategy for our emerging **European business**
- **Generic products**

Internally

- **Capabilities**
  - World class **Shared Services**
  - World class **Strategic Sourcing**
  - **Better information capture** around the customer
- **Efficiency**
  - Lower costs – administrative transactions and purchasing
  - Improved capital productivity – from facility rationalization
- **Tangible long term GOAL**
  $500 million in ongoing annual savings

Conclusion

- **A tough first half of FY ’05**
- Several issues, many opportunities
- Taking the steps necessary for improvement in the second half
- **Maximizing our potential** as **One Cardinal Health**
- **Momentum into FY ’06**
  - **Strong revenue growth**
  - **More efficient**
  - **Pharmaceutical Distribution model change behind us**
  - **Margins improving**

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CARDINAL HEALTH, INC. - BUSINESS ANALYSIS RECONCILIATION

($ millions)

FIRST QUARTER FISCAL 2005

	GAAP* Basis	Special Items	Excluding Special Items
SPECIAL ITEMS			
- Merger related costs	$16	$16	-
- Other	$15	$15	-
OPERATING EARNINGS			
- Amount	$362	$31	$393
- Growth rate	(29)%		(25)%
- Ratio to revenue (Return on Sales)	2.03%		2.21%
NET EARNINGS**			
- Amount	$218	$20	$238
- Growth rate	(33)%		(28)%
- Ratio to revenue	1.22%		1.34%
- Diluted EPS	$0.50	$0.05	$0.55
INCOME TAX PROVISION			
-Income tax provision	$102	$11	$113

FIRST QUARTER FISCAL 2004

	GAAP* Basis	Special Items	Excluding Special Items
SPECIAL ITEMS			
- Merger related costs	$9	$9	-
- Other	$4	$4	-
OPERATING EARNINGS			
- Amount	$512	$13	$525
- Growth rate	12%		10%
- Ratio to revenue (Return on Sales)	3.32%		3.41%
NET EARNINGS**			
- Amount	$324	$8	$332
- Growth rate	15%		12%
- Ratio to revenue	2.10%		2.16%
- Diluted EPS	$0.72	$0.02	$0.74
INCOME TAX PROVISION			
-Income tax provision	$161	$5	$166

*** GAAP - Amounts that conform with generally accepted accounting principles.**

**** The net earnings section is presented before discontinued operations and cumulative effect of change in accounting.**

DEFINITIONS:

Return on equity (excluding special items) = (Earnings from continuing operations + special items after tax) /average shareholders' equity

Note: Average shareholders' equity used in the return on equity calculation was $8.1 billion and $7.4 billion in the first quarter of fiscal 2005 and 2004, respectivel

Effective tax rate (excluding special items) = (Income tax provision + tax effect of special items) / (earnings before income taxes + special items

Growth rate (excluding special items) = (Current quarter earnings excluding special items - prior year quarter earnings excluding special items)/ prior year quarter earnings excluding special items

Ratio to revenue (excluding special items) = Current quarter earnings excluding special items / operating revenue

Free cash flow = Operating cash flow - net property activity - dividends

Return on invested capital (excluding special items) = [Operating earnings excluding special items annualized x (1-effective tax rate, excluding special items)] / average (equity +debt + unrecorded goodwil

Note: Average unrecorded goodwill used in return on invested capital calculation was $9.7 billio in fiscal 2005 and fiscal 2004.

Net debt to total capital = Net debt / (net debt + shareholders' equity)

Note: Net debt = long-term obligations + short-term obligations + notes payable banks - cas

-- more --

Cardinal Health, Inc. - GAAP / NON-GAAP Reconciliation - Segment Analysis

($ Millions)

	First Quarter FY 2005						First Quarter FY 2004				
	GAAP Basis *	Litigation Reserve	Alaris Inventory Purchase Accounting	Alaris Acquisition	PTS Acquisitions	**Excluding Non-recurring Items**	**GAAP Basis ***	Foreign Currency Adjustment	Interest Income Adjustment	PTS Dispositions	**Excluding Non-recurring Items**
Medical Products and Services:											
- Operating Earnings	138	16	-	-	-	154	160	-	-		160
- Growth Rate	(14)%					(4)%					
Pharmaceutical Technologies and Services:											
- Revenues	705	-	-	-	-	705	647	(14)	-		633
- Growth Rate	9%					11%					
- Revenues	705	-	-	-	(58)	647	647	(14)	-	(13)	620
- Growth Rate	9%					4%					
- Operating Earnings	81	-	-	-	-	81	106	(5)	-		101
- Growth Rate	(24)%					(20)%					
- Operating Earnings	81	-	-	-	(10)	71	106	(5)	-	(2)	99
- Growth Rate	(24)%					(28)%					
Clinical Technologies and Services:											
- Revenues	524	-	-	(150)	-	374	335	-	(5)		330
- Growth Rate	57%					13%					
- Operating Earnings	46	-	21	-	-	67	68	-	(5)		63
- Growth Rate	(32)%					6%					

* GAAP - Amounts that conform with generally accepted accounting principles.