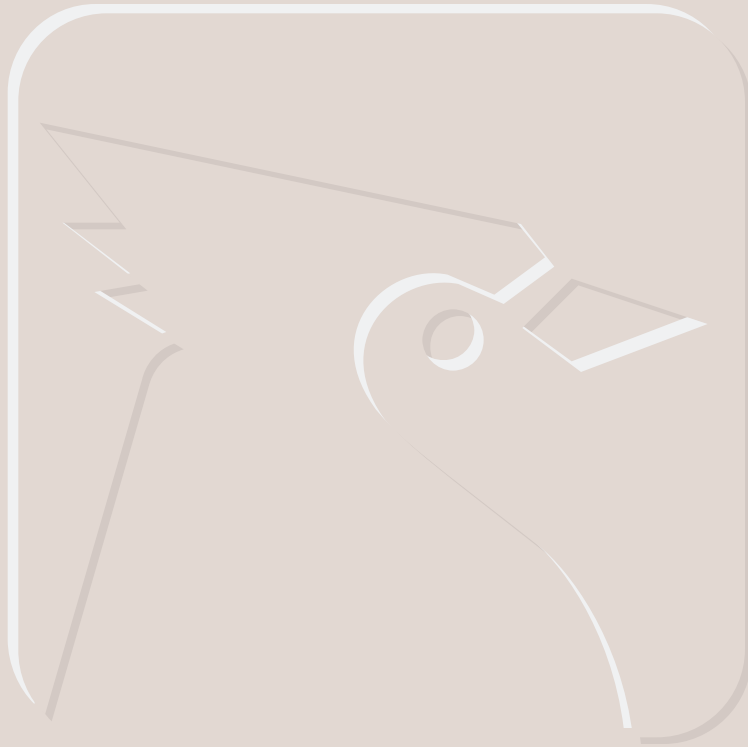


1996 Annual

Report To
Shareholders



Extending

Our

Health Care

Reach

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With annual sales of \$9 billion, Cardinal Health is one of the country’s leading health care service providers. With its nationwide network of distribution facilities, the company is one of the largest wholesale distributors of pharmaceuticals and related health care products in the country. Cardinal Health has further extended its operational focus to include related businesses with several recent mergers. In fiscal 1996, the company acquired Pyxis Corporation, the largest manufacturer of unique, point-of-use systems which automate the distribution, management, and control of medications and supplies in hospitals and alternate care facilities; Medicine Shoppe International, Inc., the largest franchisor of independent retail pharmacies in the United States; and Allied Pharmacy Service, Inc., one of the largest providers of pharmacy management services to hospitals in the country.

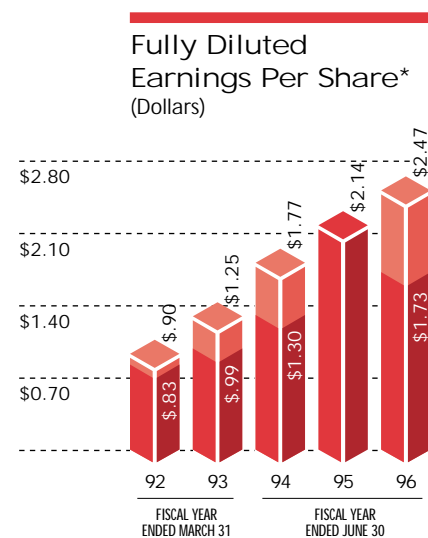
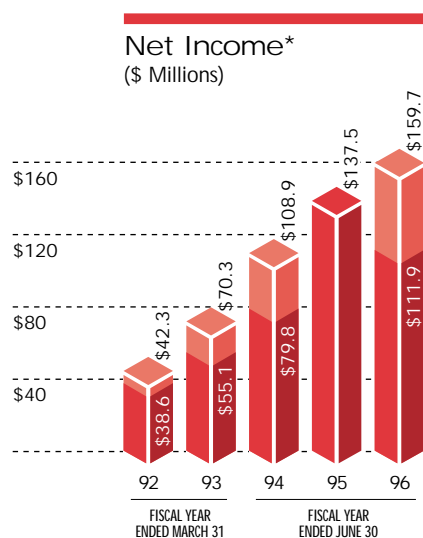
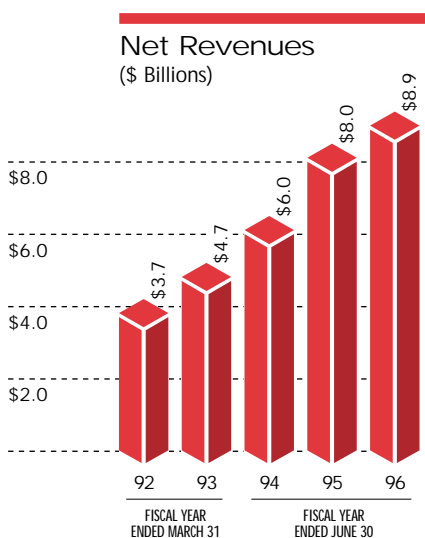
Founded in 1971 as a food wholesaler, Cardinal Health entered the pharmaceutical distribution business in 1979 with the acquisition of a small drug distributor in Zanesville, Ohio. In 1988, the company’s decision to focus solely on pharmaceutical distribution resulted in the sale of the food operations. Since its initial public offering in 1983, Cardinal Health has completed 15 acquisitions which have enabled the company to expand its operations nationwide and enter new lines of business while producing an outstanding record of sales and earnings growth.

Cardinal Health employs approximately 4,900 people nationwide. The company actively promotes an ownership mentality among its employees and directors to maximize their focus on creating long-term value for shareholders. Cardinal Health’s average annual total return to investors for the ten years ended December 31, 1995 of 25.2% was the 25th best of all Fortune 500 companies.



	1996	1995	1994
Summary of Operations			
Net Revenues	\$8,862,425	\$8,022,108	\$5,963,280
Operating Earnings	214,772	245,972	159,064
Operating Earnings, excluding unusual items*	282,022	245,972	194,944
Net Earnings	111,864	137,534	79,825
Net Earnings, excluding unusual items*	159,697	137,534	108,938
Balance Sheet			
Working Capital	854,120	765,683	603,426
Total Assets	2,681,095	2,160,961	1,636,382
Long Term Obligations	265,144	209,214	210,196
Shareholders' Equity	930,710	799,559	567,345
Performance Ratios			
Operating Earnings	2.42%	3.07%	2.67%
Operating Earnings, excluding unusual items*	3.18%	3.07%	3.27%
Return on Average Equity	12.90%	19.40%	15.60%
Return on Average Equity, excluding unusual items*	18.20%	19.40%	20.80%
Per Share Results			
Fully Diluted Net Earnings	\$1.73	\$2.14	\$1.30
Fully Diluted Net Earnings, excluding unusual items*	\$2.47	\$2.14	\$1.77
Dividends Declared	\$0.12	\$0.12	\$0.10
Weighted Average Shares Outstanding (Number)			
Primary	64,669	64,119	61,380
Fully Diluted	64,743	64,170	61,399

In thousands, except percentages and per share amounts.
 See Note 1 of "Notes to Consolidated Financial Statements" regarding "Basis of Presentation."
 *See Note 2 of "Notes to Consolidated Financial Statements" for a discussion of unusual items.



*SEE NOTE 2 OF "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" FOR A DISCUSSION OF UNUSUAL ITEMS.

*SEE NOTE 2 OF "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" FOR A DISCUSSION OF UNUSUAL ITEMS.

Cardinal Health celebrated its 25th year of operation with a performance that was exceptional from many standpoints – financial as well as operational. The company achieved record earnings, showing improvement in almost every performance ratio. In addition, the company emerged at year-end a stronger and more diverse company than it was one year ago. In 1994, we changed the company's name from Cardinal Distribution, Inc. to Cardinal Health, Inc., reflecting the fact that we were providing more than logistical services to our customers. During 1996, this became even more evident with the completion of two major acquisitions which are highly complementary to our core distribution business. Through internal initiatives and these mergers, Cardinal has extended its health care reach significantly during the past year.

Robert D. Walter

Chairman and

Chief Executive

Officer



The company's financial results during fiscal 1996 were very strong. Net income and earnings per share rose 20% or more in each reported quarter, as the company has achieved in almost every quarter for the last eight years. Prior period results were then restated for the November 1995 merger with Medicine Shoppe International, Inc. (Medicine Shoppe) and the May 1996 merger with Pyxis Corporation (Pyxis), each of which was accounted for as a pooling-of-interests. With these restatements, but excluding one-time charges related to the mergers, net income increased 16% to \$159.7 million and earnings per share increased 15% to \$2.47 for fiscal year 1996.

The improvement in earnings was driven principally by higher gross margins and productivity gains. The gross margin as a percent of revenues increased to 8.07% in 1996 from 7.79% in the prior year. The company's principal operating units achieved lower selling, general, and administrative expenses as a percent of revenues during the year while continuing to invest significantly in new programs and initiatives. On a consolidated basis, these improvements are offset by somewhat higher expenses in fiscal 1996 than the prior year due to the August 1995 purchase of Allied Pharmacy Service, Inc. (Allied) by Pyxis. Operating earnings as a percent of sales, excluding one-time charges related to the mergers mentioned above, improved to 3.18% in fiscal 1996 from 3.07% last year. Return on average shareholders' equity rose to 18.2% for the twelve months ended June 30, 1996 from the 17.5% reported in 1995.

The mergers with Medicine Shoppe, Pyxis, and Allied (which came to us via the combination with Pyxis) are significant to the company for many reasons. Cardinal Health is a very different company today than it was one year ago as a result of these mergers. In fact, these three companies accounted for about one-third of our fiscal 1996 net income. While each of these businesses has distinct characteristics, they all have one thing in common – they enable Cardinal to penetrate further and have greater influence upon the pharmaceutical distribution channel. This will enable the company to be a more valuable partner to its customers by having improved leverage and ability to secure product from manufacturers and offer services that will, in turn, help Cardinal's customers to operate more efficiently and effectively.

I described the then-pending merger with Medicine Shoppe in last year's annual report. The company continues to be the largest franchisor of independent retail pharmacies in the nation with 1,030 franchisees in the United States and an additional 142 in five foreign countries. The company's structured, apothecary-style format enables its franchisees to succeed at a time when the country is actually experiencing a net decline in retail independent pharmacies due to the highly competitive environment in which they operate. We were pleased to note that the 1996 Top 200 issue of Franchise Times ranks Medicine Shoppe as the fifth best franchise operation out of the 200 listed, and the highest ranking franchise under the health category based upon the magazine's evaluation of nine criteria.

Medicine Shoppe has made very good progress during the past year in growing its business. The company established about 100 new franchisees during fiscal 1996, and experienced same store sales growth of nearly 10%. Medicine Shoppe continues to develop a number of important programs for its franchisees. Working with Cardinal, Medicine Shoppe recently announced the introduction of Medicine Shoppe Connect™ – an in-store, personal computer-based system which will provide franchisees with entirely new information gathering and communications opportunities. Functions of this new system will include numerous management reporting and e-mail capabilities, as well as connectivity with the CardinalCHOICE™ product ordering and inventory management system. This network will enable Medicine Shoppe and its franchisees to communicate more directly and manage more efficiently than ever before.

The merger with Pyxis Corporation was announced in February and completed in May. This transaction has many positive implications for Cardinal's hospital and managed care customers, which represent approximately 50% of our customer base. Pyxis is the pioneer in the development, manufacture, and support of decentralized hospital pharmacy automation systems. The company manufactures a variety of products that automate the dispensing of pharmaceuticals and hospital supplies in hospitals and alternate care settings. At year-end, Pyxis had systems installed in nearly 1,600 hospitals in the United States and Canada. Within the next six

months, Pyxis will introduce to the market significantly enhanced versions of its MEDSTATION® and SUPPLYSTATION® products which we believe will further Pyxis' reputation as the market leader in this business.

Cardinal Health and Pyxis have already developed interfaces which are being used at certain customer sites enabling customers to have product delivered for specific Pyxis machines, rather than as part of a bulk delivery to the central pharmacy. There are numerous opportunities for the two companies to work together with customers to improve the speed and accuracy of delivery of pharmaceuticals to the patient. In addition, there may be opportunities in the future to convert the data from the more than 500 million transactions being recorded by Pyxis systems annually into information that can be used, for example, by hospital customers to compare the results of different patient therapies.

As part of the Pyxis merger, Cardinal Health acquired Allied which had been purchased by Pyxis in August of 1995. With approximately 60 hospitals under management, Allied is one of the largest hospital pharmacy management companies in the country. At the request of numerous hospital customers, Cardinal had already been considering entering this business – the acquisition of Allied gave us a decided advantage in offering this service. We were pleased to name Bruce D. McWhinney as the new president of Allied effective October 1, 1996. Bruce has previous experience as

director of pharmacy for the Cleveland Clinic Foundation and is highly respected in his field. We see many opportunities for this application in larger hospital pharmacies, and Bruce will be instrumental in helping us to develop and market these services to such entities.

I would like to welcome all of our new associates at Medicine Shoppe, Pyxis and Allied to Cardinal Health. While you have joined a larger organization than you had worked for previously, we truly don't think of ourselves as a big company. Cardinal has always been very entrepreneurial in its approach to running the business, and we want to ensure that this spirit continues. On a more personal level, we place high value on qualities such as integrity, sensitivity to the needs of others, maintaining a good work ethic with a bias for action, demonstrating a high level of initiative and responsiveness to customers, and maintaining a balance between work and family. I believe you will find Cardinal a great company to work for, and I appreciate all you have done to ensure the success of our combined companies thus far.

As part of the expansion of our business during the year, we also modified our organizational structure to reflect the company's expanded role as a health care service provider. Each of our five primary business units now reports to John Kane, Cardinal's president and chief operating officer. These five business units include: Cardinal Distribution (our core distribution business); Cardinal Specialty Companies (our specialty distribution businesses which include:

National PharmPak Services, Inc.; National Specialty Services, Inc.; CORD Logistics, Inc.; and Assisted Care Partners, Inc.); Allied Pharmacy Service, Inc.; Medicine Shoppe International, Inc.; and Pyxis Corporation. In June, we named Jim Millar as president of Cardinal Distribution. Jim has extensive distribution experience, and has held increasingly responsible positions in his nine years at Cardinal. Lisa Dolin has assumed responsibility for the Cardinal Specialty Companies. Previously, Lisa headed our National PharmPak Services subsidiary, overseeing the rapid growth and profitability of this company to the point that it is today the preeminent pharmaceutical repackager in the country. Additionally, we have formed a team of people from each operating division to identify and explore the significant cross-selling opportunities that exist among these health care service businesses.

I want to emphasize that these moves are not a diversification away from our core distribution business. It is our very strength in distribution that has enabled us to broaden our role as a health care service provider – indeed, the complementary nature of these unique businesses will strengthen our distribution business going forward.

This is especially important given the ongoing evolution of the competitive landscape in the pharmaceutical distribution business. There is a continuation of the trend toward using wholesalers for the purchase of pharmaceuticals. However, there remains overcapacity in the industry, and we are

witnessing further consolidation and financial difficulties impacting some wholesalers. One of our larger competitors recently declared Chapter 11 bankruptcy after several consecutive quarters of losses. This event should not cast a shadow of doubt across the industry, rather it should emphasize the importance of pricing business appropriately such that a company recoups its costs of providing service and has funds remaining to reinvest in its business. Companies such as Cardinal provide enormous value-added benefit to customers and suppliers, and need to be compensated for the significant investments in people and technology that make this possible. At Cardinal, we continue to gain efficiencies through the streamlining of our distribution facilities as well as making investments in new businesses and technology which will enable us to provide premier service to our customers and superior returns to our shareholders on an ongoing basis.

In June, we announced a new pharmaceutical services agreement with Kmart Corporation which will mean additional business for Cardinal. Previous to this new arrangement, Cardinal had been supplying more than \$900 million in pharmaceuticals to the majority of Kmart's pharmacies annually. The company will now supply product to all of Kmart's pharmacies, and will also provide Kmart with repackaged product through its National PharmPak Services subsidiary. The new five-year agreement is estimated to generate more than \$8 billion in revenues to Cardinal. An important and unique aspect of this arrangement is that Cardinal will actually help manage

the pharmaceutical inventory for Kmart's 1,600 pharmacies and share in profitability improvements that it creates for the retail chain.

Adding to the range of new services Cardinal Health can provide to its customers, the company announced in July the acquisition of PCI Services, Inc. PCI is a leading international provider of integrated packaging services to the pharmaceutical industry. The company operates five production facilities in the United States, two in Puerto Rico, two in England and one in Germany that provide a wide range of pharmaceutical packaging services to manufacturers. Through these facilities, PCI provides manufacturers with a single source for integrated packaging. This proposed merger should enable PCI and Cardinal to broaden their service offerings to pharmaceutical manufacturers by enabling the companies to provide an integrated packaging and distribution system, eliminating the need to return finished product to the manufacturer. In addition, this merger should enable Cardinal to better meet the unique packaging needs which are increasingly requested by its customers, as well as its Leader[®] and Medicine Shoppe[®] lines of private label products.

We enter 1997 on very sound financial footing with \$342 million in cash and marketable securities, over \$900 million in shareholders' equity, and a net debt to total capital ratio of only 3%. This balance sheet strength provides us with ample resources to support internal initiatives, as well as additional acquisitions.

In May, Cardinal Health's board of directors approved the appointment of J. Michael Losh to fill an open director position. Mike is currently executive vice president and chief financial officer of General Motors Corporation, where he has worked in a variety of capacities since 1970. The breadth of Mike's operating and financial experience with GM will make him a very valuable asset to Cardinal's board.

Our strong performance during 1996 did not go unnoticed by Wall Street. Cardinal's common share price rose 52.7% during fiscal 1996. Several prominent brokerage firms initiated research coverage on Cardinal during the past 12 months which we believe has helped the investment community to better understand our business. In its most recent Fortune 500 listing, Fortune magazine ranked Cardinal as having provided the 25th best 10-year total return to investors with an average compound return over that period of 25.2% annually.

We greatly appreciate your interest in and support of Cardinal Health.

Sincerely,

Robert D. Walter
Chairman and Chief
Executive Officer

Corporate Office
 Cardinal Health, Inc.
 5555 Glendon Court
 Dublin, Ohio 43016-3249
 Phone: (614) 717-5000

Common Stock
 The common stock of Cardinal Health, Inc. is traded on the New York Stock Exchange under the symbol "CAH." As of August 20, 1996, Cardinal Health had approximately 2,400 shareholders of record.



Transfer Agent & Registrar
 Shareholders with inquiries regarding address corrections, dividend payments, lost certificates, changes in registration, and other shareholder matters should contact Cardinal's stock transfer agent listed below.

Boatmen's Trust Company
 P.O. Box 14764
 St. Louis, MO 63178-4764
 (800) 456-9852

Investor Relations Contact
 Debra Dendahl Hadley
 Director - Investor Relations
 (614) 717-7481

Financial Information
 Requests for published information about Cardinal Health may be sent to the company's Corporate Office or telephoned in to the Company's Investor Relations Line at: (614) 717-5222.

Company News On-Call
 Cardinal Health's news releases are available 24 hours a day through Company News On-Call by dialing (800) 758-5804 and requesting extension 128363. This system enables callers to receive releases via fax within minutes of request. This information is also available on the World Wide Web at <http://www.prnewswire.com>.

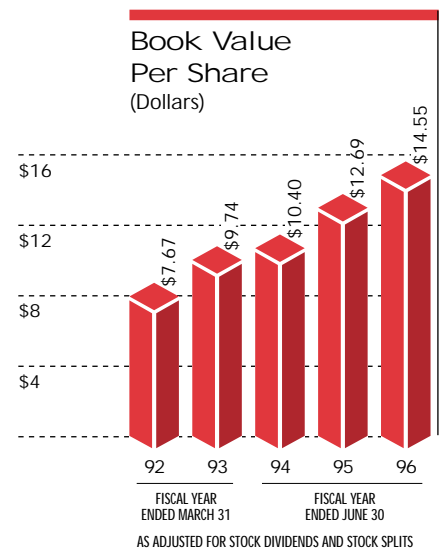
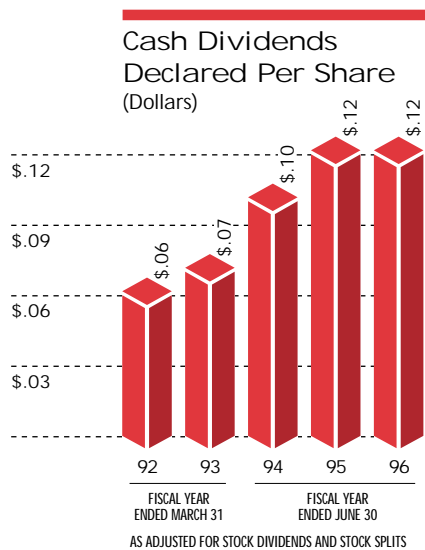
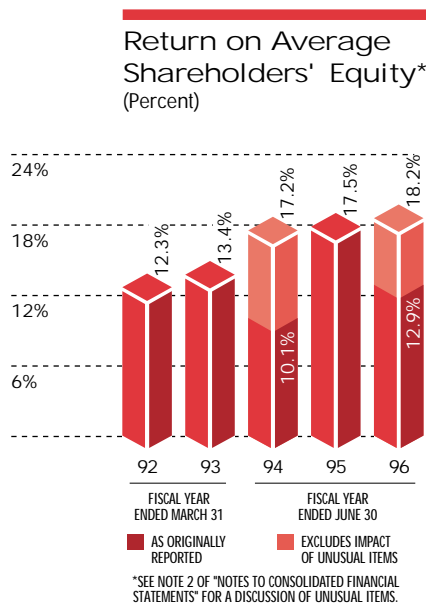
InvestQuest™
 Cardinal Health, Inc. investor information, including financial statements and news releases, can be retrieved free of charge using any of the following InvestQuest™ services:

World Wide Web:
<http://www.investquest.com>
 Fax on Demand:
 (614) 844-3860

Annual Meeting
 The 1996 Annual Meeting of Shareholders will be held at 8:00 a.m. (EST) Tuesday, October 29, 1996 on the first floor of the company's Corporate Office. Shareholders are cordially invited to attend.

Form 10-K
 The company's Annual Report on Form 10-K will be sent free of charge to shareholders upon written request to the Investor Relations Department at Cardinal Health's Corporate Office.

Research Coverage
 A.G. Edwards & Sons, Inc.
 Bear, Stearns & Co. Inc.
 Dean Witter Reynolds Inc.
 Donaldson, Lufkin & Jenrette Securities Corporation
 Goldman Sachs & Co.
 McDonald & Company Securities, Inc.
 Merrill Lynch, Pierce, Fenner & Smith Incorporated
 Montgomery Securities
 Morgan Stanley & Co. Incorporated
 Smith Barney Inc.
 Value Line Securities, Inc.
 Wheat First Butcher Singer, Inc.
 William Blair & Company



Fiscal 1996 Cash Dividend Data

Fiscal Quarter	Record Date	Payment Date	Per Common Share Amount
I	October 2, 1995	October 16, 1995	\$0.03
II	January 1, 1996	January 15, 1996	\$0.03
III	April 1, 1996	April 15, 1996	\$0.03
IV	July 1, 1996	July 15, 1996	\$0.03

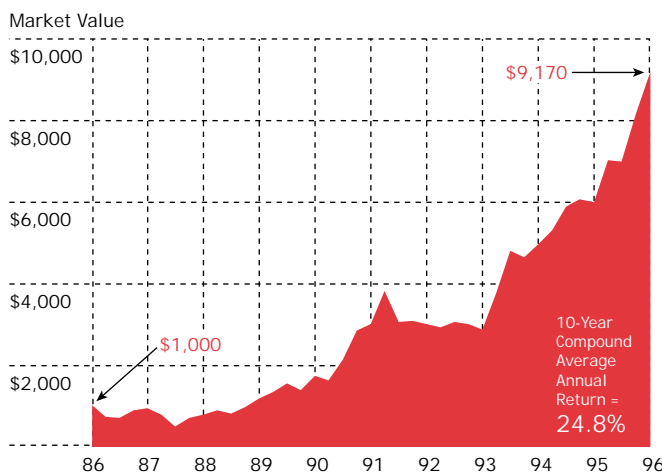
Common Stock Price History

(Twelve Months Ended June 30)

	1996	1995	1994	1993	1992	1991
High	\$75.250	\$50.875	\$40.797	\$25.797	\$30.797	\$26.563
Low	43.750	36.625	21.797	19.594	18.406	11.781
Close	72.125	47.250	39.203	22.797	24.000	23.922

As adjusted for stock dividends and stock splits.

10-Year Total Return To Investors (June 30, 1986 to June 28, 1996)



(Assumes initial investment of \$1,000 and reinvestment of all dividends)

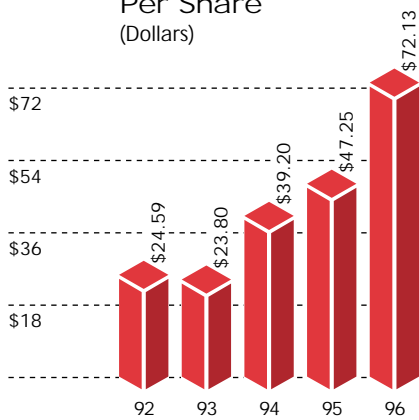
Dividend History

(Twelve Months Ended June 30)

Year	Cash Dividends Declared	Stock Dividends/Splits	Distribution Date of Dividend/Split
1986	\$0.026	10% Stock Dividend	March 17, 1986
1987	\$0.027		
1988	\$0.030	10% Stock Dividend	Sept. 30, 1987
1989	\$0.033	10% Stock Dividend	Sept. 30, 1988
1990	\$0.041	5/4 Stock Split	Sept. 30, 1989
1991	\$0.051	5/4 Stock Split	Sept. 30, 1990
1992	\$0.064	5/4 Stock Split	Sept. 30, 1991
1993	\$0.076		
1994	\$0.098	5/4 Stock Split	June 30, 1994
1995	\$0.120		
1996	\$0.120		

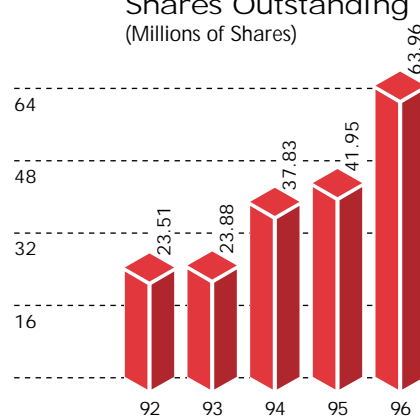
As adjusted for stock dividends and stock splits.

Closing Price Per Share (Dollars)



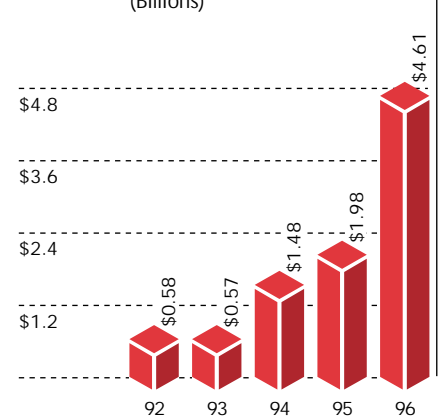
FISCAL YEAR ENDED MARCH 31
FISCAL YEAR ENDED JUNE 30
AS ADJUSTED FOR STOCK DIVIDENDS AND STOCK SPLITS

Number of Common Shares Outstanding (Millions of Shares)



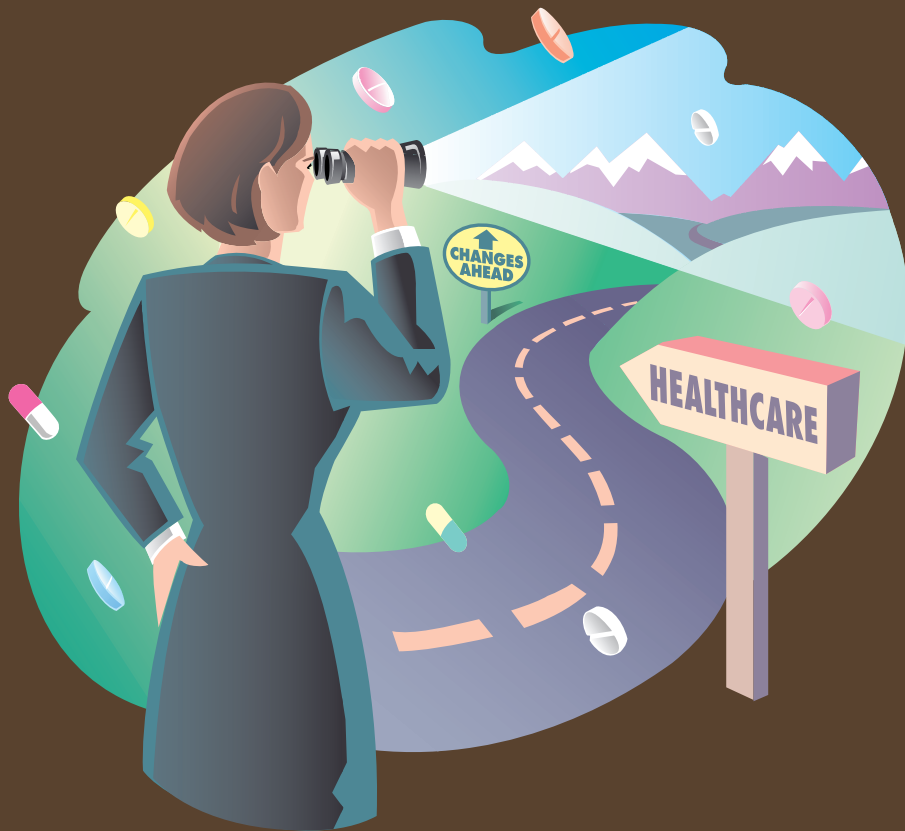
FISCAL YEAR ENDED MARCH 31
FISCAL YEAR ENDED JUNE 30
AS ORIGINALLY REPORTED, ADJUSTED FOR STOCK DIVIDENDS AND STOCK SPLITS

Market Valuation (Billions)



FISCAL YEAR ENDED MARCH 31
FISCAL YEAR ENDED JUNE 30
AS ORIGINALLY REPORTED

Maintaining a clear
vision of changes in
health care enables
Cardinal to respond
quickly and decisively
to the needs of its
customers and
suppliers.



Today, Cardinal Health is more diversified, more profitable, and more influential at all points along the pharmaceutical supply chain than it was only 12 months ago. The company, celebrating its 25th anniversary, furthered its evolution from pharmaceutical distributor to health care service provider during 1996.

Through a number of strategic business combinations, Cardinal Health moved well beyond being a provider of logistics during the past year. With the mergers of Medicine Shoppe International, Inc., Pyxis Corporation and its subsidiary Allied Pharmacy Service, Inc., and the pending merger with PCI Services, Inc., Cardinal Health has become a more valuable partner to both customers and manufacturers. No longer just a traditional drug wholesaler, Cardinal is now a health care service provider with market-leading businesses in distribution, pharmacy automation systems, retail pharmacy franchising, hospital pharmacy management, pharmaceutical packaging and re-packaging, and information systems and services.

What Cardinal Health has developed through strong internal growth and unique acquisitions is a company that is capable of becoming a national leader in pharmaceutical marketing. Cardinal is ideally positioned – as a significant supply chain influencer – to help expand market share for the benefit of both manufacturers and customers.

Together with Cardinal's core distribution business – ranked among the nation's largest – this year's mergers extend the company's health care reach, positioning Cardinal Health as an essential link between pharmaceutical manufacturers and participants throughout the continuum of care.



CARDINAL DISTRIBUTION AND CARDINAL SPECIALTY COMPANIES

Cardinal Distribution

Cardinal Health's \$8 billion core distribution business, Cardinal Distribution, is one of the largest pharmaceutical wholesalers in the United States. The company serves a customer base that is approximately 50% hospital and managed care customers, and 50% independent retail and chain pharmacies. Cardinal Distribution has grown its business with each customer segment at a rate significantly faster than that of the industry over the past several years.

The company is meeting the needs of the growing pharmaceutical marketplace more efficiently and cost-effectively, while continuing to invest significantly in facilities, customer information systems, and the development of new services. As a result of an aggressive effort to consolidate, Cardinal Distribution today operates 28 distribution centers, versus 39 only 18 months ago.

By the end of 1998, more than 75% of Cardinal Distribution's capacity will have been replaced, upgraded, expanded, or automated – the culmination of a five-year effort to enhance efficiency. The productivity improvements achieved through consolidating distribution centers, centralizing back office functions, standardizing procedures, and reducing expenses, have resulted in a decline of nearly 50% in the distribution function's selling, general, and administrative expenses as a percent of revenues since 1990, and further improvements are expected.

Cardinal Distribution has continued to develop and refine the leading information systems solutions it provides for customers. The company offers several CardinalCHOICE™ inventory management and order-entry systems, tailored to meet the needs

of each customer segment. At year-end, there were approximately 5,000 CardinalCHOICE systems installed at customer sites. During 1996, the company introduced a new, Windows95-based version of CardinalCHOICE with significantly expanded flexibility and capabilities.

The company is well positioned to achieve further growth in the coming year. Late in 1996, about 200 of Medicine Shoppe's franchisees in a six-state region, representing approximately \$135 million in annual pharmaceutical distribution business, became Cardinal customers. Further fueling growth over the next 12 months will be Cardinal Health's exclusive pharmaceutical services agreement with Kmart Corporation. This alliance gives Cardinal the opportunity to help manage Kmart's pharmaceutical inventory and share in profitability improvements the company creates for the national retailer. With approximately 1,600 locations, Kmart operates one of the biggest chains of pharmacies in the country – it is the single largest pharmaceutical distribution opportunity to a non-warehousing chain. The new agreement calls for Cardinal to supply all of Kmart's pharmacies and establishes advertising, inventory management, repackaging, and joint marketing initiatives with respect to Kmart's pharmacy operations. Cardinal's business with Kmart is expected to increase by about \$400 million in the coming year to approximately \$1.3 billion.

Cardinal Distribution has developed a number of value-added services for its retail chain customers. The company's CardinalCHOICE-HQ™ inventory management and order-entry system can roll up the results from individual stores, providing chains with detailed, consolidated informa-

Cardinal Distribution, one of the country's leading wholesale pharmaceutical distributors, provides a wide range of services to its retail and institutional pharmacy customers through a nationwide network of distribution centers.

During 1996, four of the company's specialty distribution businesses were placed under a common management structure called the Cardinal Specialty Companies. The largest of these, National PharmPak Services, Inc., moved into a new, state-of-the-art packaging facility during the past year.



Cardinal's own
growth is based
 largely on its ability to
 provide comprehensive
 services which help
 customers grow their
 businesses effectively.



tion in a more timely manner. In addition, Cardinal is currently working on programs with a number of retail chains looking to outsource their warehousing function. For chains that prefer to retain this activity, Cardinal has developed a new program known as “right-sourcing.” This program enables chain customers to take advantage of Cardinal’s expertise in purchasing and inventory management to determine the appropriate number and mix of items to be stocked in their warehouses.

Cardinal Distribution also forms collaborative relationships with hospitals and integrated health systems seeking to reduce operating expenses and improve patient care. The company derives solutions to its customers’ logistical needs by analyzing the issues impacting pharmacy performance and implementing strategies to improve productivity. For example, Cardinal recently assisted Good Samaritan Medical Center, a 325-bed hospital system in Zanesville, Ohio, with a package of solutions that has enabled the pharmacy to improve the efficiency of its operations and reduce its costs. First, Cardinal helped Good Samaritan implement an inventory management program. Next, the company developed for Good Samaritan, which was already a user of Pyxis systems, an interface between CardinalCHOICE and Pyxis, the benefits of which are to create a seamless flow of information, reduce labor and inventory costs, and increase space utilization. Finally, the company was able to optimize the pharmacy’s inventory management process by placing Pyxis units within the central pharmacy for storage of high volume/high dollar value pharmaceuticals.

The company has consistently developed new products and



MEDICINE SHOPPE INTERNATIONAL, INC.

services by listening and responding to customer needs. One such need identified by hospital customers was a standardized package of health care products to be used by new mothers during hospital stays and upon their return home. Working with its National PharmPak subsidiary, the company developed the Cardinal Mother Care Pack, an attractive, reusable container holding numerous products, including Leader™ branded items. Cardinal Distribution piloted this program with a four-hospital system in Virginia during 1996, and plans to launch the Cardinal Mother Care Pack to hospitals nationwide in fiscal 1997.

Cardinal's Leader Drugstore program, a multifaceted, voluntary cooperative program for independent retail pharmacies and small chains, continues to show strong growth. Leader is designed to support independent pharmacists by providing programs and services that help them realize the economies of scale necessary to succeed in an industry undergoing significant change and subject to ongoing competitive pressures.

1996 was a milestone year for the Leader program highlighted by the signing of Leader's 2,000th store. During the past 12 months, Leader successfully negotiated favorable contract prices for health and beauty care products on behalf of participating stores; created a financial model to assist pharmacists in analyzing and managing margins and costs; introduced new business opportunities such as Cardinal Express Care™, a comprehensive marketing services program enabling pharmacists to enter the home health care market; and created Leader's first national advertising campaign, set for a 1997 introduction.

During fiscal 1996, Cardinal Distribution also broadened the

services offered to Leader store customers through **Healthtouch®**, the premier interactive health information tool. **Healthtouch** greatly enhances the pharmacist's ability to counsel patients by providing touch-screen access to nearly 10,000 informational leaflets on virtually every disease topic, as well as medication, health, wellness, and lifestyle issues. Expanded 1996 **Healthtouch** offerings include a dedicated section for manufacturers' coupons and full-motion video with audio to support communication of important health and wellness information. At year-end 1996, there were approximately 1,400 **Healthtouch** kiosks installed in Leader, Medicine Shoppe, Meijer, and other independent and chain pharmacies. Cardinal expects that number to double during 1997 with new units installed in Kmart pharmacies and other retail customer locations.

To help independent retailers compete for managed care contracts and the large numbers of patients they serve, Cardinal Distribution instituted the LeaderNET™ program in March 1996. Through LeaderNET, Cardinal assists Leader stores in contract and enrollment negotiations with managed care networks, including health maintenance organizations, preferred provider organizations, third party administrators, pharmacy benefit managers, self-insured employers, and insurance brokers. By year-end, LeaderNET had signed more than 20 managed care contracts, delivering millions of potential patients to participating Leader stores.

Medicine Shoppe

In November 1995, Cardinal merged with Medicine Shoppe, the nation's leading franchisor of apothecary-style

Medicine Shoppe International, Inc. is the largest franchisor of retail independent pharmacies in the United States. Approximately 95% of the sales at these apothecary-style stores are prescription drugs. During fiscal 1996, Medicine Shoppe franchisees recorded sales in excess of \$1 billion.



Throughout its organization, Cardinal Health is committed to supporting customers with unsurpassed levels of **service**.



independent retail pharmacies. With 1,030 franchises in the United States and 142 international locations, Medicine Shoppe continues to expand its franchise system. In 1996, Medicine Shoppe franchisees recorded retail sales of more than \$1 billion.

The combination of Cardinal Health's extensive purchasing expertise with Medicine Shoppe's patient interaction and influence over merchandising decisions positions the company as a stronger marketing partner for both manufacturers and franchisees.

Medicine Shoppe is already experiencing accelerated performance and growth as part of Cardinal Health, adding nearly 100 new franchisees to its system during 1996. Cardinal and Medicine Shoppe have jointly developed Medicine Shoppe Connect™, a personal computer-based system that will enable franchisees to access important information and communicate among themselves and with Medicine Shoppe much more efficiently and effectively. Additionally, Cardinal has developed a more compact version of its **Healthtouch** kiosk suitable for use by Medicine Shoppe franchisees in their smaller apothecary format.

All told – through more than 2,000 Leader Drugstores, 1,000 Medicine Shoppe franchises, 1,600 Kmart pharmacies, and other important retail chain customers such as CVS and Eckerd – Cardinal Health has access to one of the largest collections of retail pharmaceutical dispensers in the United States. This provides the company with a significant opportunity to deliver value to its customers as well as its manufacturer partners.

Pyxis Corporation

Through the May 1996 merger with Pyxis Corporation, Cardinal Health has extended its



PYXIS CORPORATION

logistic capabilities and now offers additional value-added services to one of its largest customer segments: approximately 1,800 acute care hospitals and hospital systems.

Pyxis develops and manufactures unique, point-of-use systems that automate the distribution, management, and control of pharmaceuticals and supplies in hospitals and alternate care facilities. By decentralizing and automating the distribution function, Cardinal Health has become a more valuable partner in hospitals' efforts to enhance efficiency, control costs, gather information, increase productivity, and improve the overall quality of patient care.

Pyxis helps keep hospitals focused on patient care. Costs decline as pharmacists and nurses – relieved of manual distribution tasks – become more involved in clinical decisions, gain immediate access to appropriate medications and supplies, and have more time to spend with patients.

Leading the automated dispensing industry it helped create, Pyxis installations at 1,594 hospitals represent the most popular choice among all U.S. hospitals using pharmacy automation. Pyxis continues to grow rapidly, adding 425 new hospital customers during 1996. Currently there are more than 500 million transactions recorded by Pyxis systems annually, with the potential to double this volume by the year 2000. Pyxis will continue to pursue opportunities to transform this data into information which can provide customers and manufacturers with information solutions that will further reduce costs and improve patient care.

Cardinal Health is accelerating research and development investments at Pyxis. During fiscal 1997, Pyxis will introduce

next-generation MEDSTATION™ and SUPPLYSTATION™ products to the market. Pyxis also is developing additional products for institutional pharmacies, exploring new markets beyond acute care hospitals, and generating new ideas to facilitate deeper distribution into hospitals.

Allied Pharmacy Service, Inc.

Through the merger with Pyxis, Cardinal Health acquired its wholly owned subsidiary, Allied Pharmacy Service, Inc., a major provider of pharmacy management services. Holding over 60 hospital contracts, Allied establishes Cardinal as a leader in hospital pharmacy management.

Through Allied and Pyxis, Cardinal Health increases its participation in health care services for hospitals, which are eager to control in-patient pharmaceutical costs while returning pharmacists to the business of providing clinical care solutions. In-patient pharmacy management can be cumbersome and expensive. The focus brought by managed care and the need to control costs will lead to increased centralization of hospital system pharmacies and more outsourcing of pharmacy management.

Cardinal Specialty Companies

Offering a range of unique services is not new for Cardinal Health. Throughout its history, the company has successfully launched a number of new businesses to meet special needs within the health care marketplace. During the past year, four of these businesses were placed under a common management structure to form the Cardinal Specialty Companies.

National PharmPak Services, Inc., Cardinal's specialty packaging company, provides comprehensive repackaging services to both retail and institutional

Pyxis Corporation is the market leader in the manufacture of point-of-use systems that automate the distribution, management, and control of pharmaceuticals and supplies in hospitals and alternate care facilities. With an installed base of nearly 1,600 hospitals, and the addition of approximately one new customer per day, Pyxis remains the most popular automation choice by hospitals.



Cardinal drives
efficiency internally
 while developing
 services that enable
 customers to operate
 more efficiently in
 today's cost-focused
 health care environment.



pharmacies. Established in 1987 to give retail pharmacists access to the benefits of repackaging high-volume products in convenient, faster-turning sizes, the company has evolved to provide a wide range of packaging services to meet the unique needs of its retail, hospital, and managed care customers. In 1996, Kmart awarded all of its repackaging business to National PharmPak as part of Cardinal's pharmaceutical services agreement with the retailing giant.

National Specialty Services, Inc. (NSS), formed in 1992, is the premier alternate site marketer and distributor of pharmaceuticals, related medical supplies, and therapeutic plasma products. Through NSS, Cardinal Health serves as the manufacturer's gateway into unique and increasingly important physician practice specialties including oncology, primary care, infectious diseases, urology, OB/GYN, and veterinary medicine. In addition, NSS is one of the country's principal distributors of therapeutic blood plasma products to hospitals, outpatient clinics, and surgery centers. Offering national product distribution, product marketing, and data-gathering capabilities, NSS's growth potential is significant as managed care initiatives continue to drive the delivery of certain health care services into outpatient settings.

Assisted Care Partners, Inc. (ACP) facilitates patient access to health care products and services on behalf of suppliers and providers. ACP creates a vital link between patient, manufacturer, and third-party payor by providing specialized reimbursement services. ACP's services include payor research and profiling, alternative reimbursement solicitation, patient assistance program management, and patient compliance programs. ACP's goal is



ALLIED PHARMACY SERVICE, INC.

to ensure that all patients have access to the health care products they need, as well as the information and support services so critical to successful patient compliance.

CORD Logistics, Inc., Cardinal Health's third-party logistics company, was formed during 1996 to offer manufacturers a package of external services unmatched in the health care industry. CORD provides warehousing and distribution, as well as comprehensive information systems, customer service, financial support systems, and management reporting to manufacturers who may benefit from CORD's, and Cardinal's, expertise and economies of scale. By providing turnkey logistics and support services, CORD enables manufacturers to focus exclusively on product development, manufacturing, and marketing.

PCI Services, Inc.

On July 24, 1996, Cardinal announced that it had entered into a definitive merger agreement with PCI Services, Inc. PCI is a leading provider of diversified packaging services to the pharmaceutical industry in the United States and Europe. The pending merger with PCI will enable Cardinal to expand its service offerings to manufacturers by integrating packaging with distribution and marketing and creating a packaging/distribution system that expedites the process of delivering product into the marketplace. PCI's higher-margin packaging business is well positioned for future growth as manufacturers narrow their focus on drug discovery, development and marketing, and seek to outsource non-core business activities including packaging.

Both PCI and Cardinal enjoy strong alliances with pharmaceutical manufacturers. These relationships, combined with

Cardinal's ties to customers who increasingly seek unique packaging/distribution solutions to meet the changing needs of their businesses, will result in many new marketing opportunities for the company.

Additional opportunities to create value through the merger with PCI include meeting the private label packaging needs of Cardinal's Leader and Medicine Shoppe™ brand products. Cardinal also will have the ability to develop unique packaging applications for Pyxis systems that can enhance productivity, control dispensing costs, and improve the quality of patient care.

Future Expectations

The future for a fully integrated Cardinal Health is exceptionally promising. With the acquisitions of Pyxis and Allied, Cardinal extends its distribution function in the hospital customer segment beyond the loading dock to include the management of drug distribution within facilities. The addition of Medicine Shoppe brings Cardinal one step closer to the patient in the retail pharmaceutical supply chain. Through the pending merger with PCI, Cardinal will further broaden its range of offerings – from marketing support and streamlined distribution to custom packaging – for both manufacturers and customers.

The challenge facing Cardinal Health is to seize the growth opportunities presented by these complementary businesses. The company already has begun to explore with customers possible relationships with multiple Cardinal Health affiliates. The potential for growth through cross-selling Cardinal products and services is compelling. By doing so, the company will continue to extend its health care reach.

Allied Pharmacy Service, Inc. is one of the country's largest managers of hospital pharmacies. At year-end 1996, Allied had approximately 60 hospital pharmacies under management. The company is well positioned for further growth as hospitals increasingly look to outsource this critical activity.



OPERATING

TRENDS

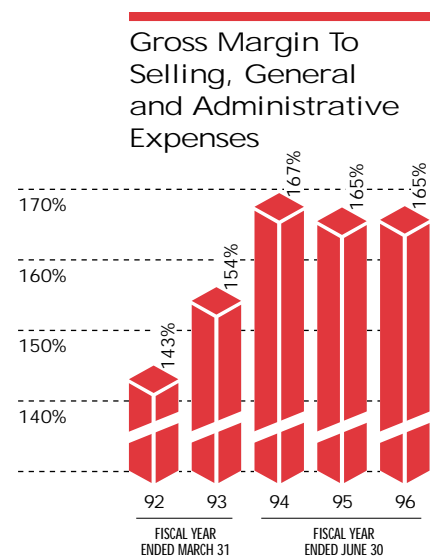
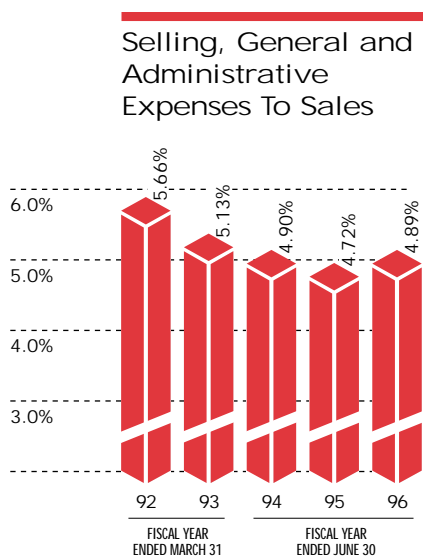
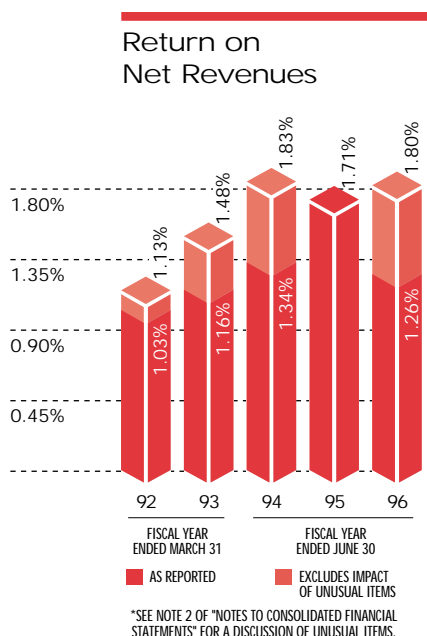
	Percentage of Net Sales			Percentage of Change From Prior Period	
	1996	1995	1994	1996 vs. 1995	1995 vs. 1994
Net revenues	100.00%	100.00%	100.00%	10%	35%
Gross margin	8.07%	7.79%	8.17%	15%	28%
Selling, general and administrative expenses to sales	4.89%	4.72%	4.90%	14%	30%
Operating earnings, excluding unusual items	3.18%	3.07%	3.27%	15%	26%
Interest expense	(0.27%)	(0.25%)	(0.31%)	23%	6%
Other income, excluding unusual items	0.13%	0.09%	0.10%	58%	20%
Income taxes, excluding unusual items	1.24%	1.20%	1.23%	14%	31%
Net earnings available for Common Shares, excluding unusual items	1.80%	1.71%	1.83%	16%	26%

Net Revenues. Net revenues in fiscal 1996 increased 10% compared with fiscal 1995 primarily due to the internal revenue growth from pharmaceutical wholesaling activities, including the addition of new customers, increased sales to existing customers and price increases. The 35% increase in net revenues in fiscal 1995 compared to fiscal 1994 was due to internal business growth of 25%, primarily in pharmaceutical wholesaling activities, the acquisition of Humiston-Keeling, Inc. in July 1994, and the merger transaction with Behrens Inc. in July 1994 (see Note 2 of "Notes to Consolidated Financial Statements"). The internal business growth in fiscal 1995 resulted primarily from the addition of new customers (partially as a result of expanded sales territories), increased sales to existing customers, and price increases.

Gross Margin. As a percentage of net revenues, gross margin increased to 8.07% for fiscal 1996 from 7.79% in fiscal 1995. This increase is primarily due to the gross margin generated from the acquisition of pharmacy management operations in fiscal 1996 (see Notes 1 and 2 of "Notes to Consolidated Financial Statements"). Pharmacy management operations generally provide a higher gross margin than the pharmaceutical wholesaling activities. The gross margin ratio in fiscal 1995 decreased from 8.17% in fiscal 1994 primarily due to decreases in pharmaceutical selling margin rates, reflecting a more competitive market and a greater mix of high volume customers, offset by a slight increase in purchasing gains associated with pharmaceutical price inflation.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of net revenues increased to 4.89% in fiscal 1996 compared to 4.72% in fiscal 1995. The increase in the selling, general and administrative expenses as a percentage of net revenues in fiscal 1996 is due to the inclusion of pharmacy management services in current year operations (see "Gross Margin" above). This increase was partially offset by economies associated with the Company's revenue growth from pharmaceutical wholesaling activities, as well as productivity gains resulting in part from warehouse consolidations and management information system enhancements. The decrease in the selling, general and administrative expenses as a percentage of net revenues in fiscal 1995 from 4.90% in fiscal 1994 is due to economies associated with the Company's revenue growth as well as consolidating distribution centers and administrative functions, and selectively automating facilities.

Unusual Items. During fiscal 1996, the Company recorded costs totaling \$67.3 million (\$47.8 million, net of tax) related primarily to the mergers with Medicine Shoppe and Pyxis (see Note 2 of "Notes to Consolidated Financial Statements"). These costs included approximately \$22.4 million for investment advisor, legal, accounting, internal personnel and other transaction fees associated with the business combinations; \$14.7 million related to costs to exit and restructure certain activities, including operating lease terminations and asset impairment charges; \$7.8 million related to employee retention, employee severance, and other personnel costs; and



\$2.9 million for other activities related to integrating operations and implementing efficiencies of the merged companies. Certain of these amounts are based upon estimates and actual amounts paid may ultimately differ from these estimates. As of June 30, 1996, the Company had paid approximately \$22.1 million related to these charges. If additional costs are incurred, such items will be expensed in subsequent periods.

In fiscal 1994, the Company recorded a charge to reflect Whitmire Merger costs of approximately \$35.9 million (\$28.2 million net of tax). These costs included approximately \$7 million for investment banking, legal, accounting, and other related transaction fees and costs associated with the combination; \$13 million for corporate integration and distribution rationalization; \$6 million for integration of information systems; and \$2 million for restructuring Whitmire's revolving credit agreement. At June 30, 1996, the Company had disbursed all amounts related to these liabilities, with the actual amounts paid approximating the original amounts recorded.

These items are considered unusual in nature in that the costs would generally not have been incurred in the absence of the business combinations.

Interest Expense. The increase in interest expense of \$4.5 million in fiscal 1996 compared to fiscal 1995 is due to the Company's issuance of \$150 million, 6% Notes due 2006, in a public offering in January 1996. The increase in interest expense of \$1.1 million in fiscal 1995 compared to fiscal 1994 is due to higher average short-term borrowings resulting from increased working capital requirements associated with the Company's growth. The Company has entered into various interest rate swap agreements (see Note 5 of "Notes to Consolidated Financial Statements").

Provision for Income Taxes. The Company's provision for income taxes relative to pretax earnings was 44.6%, 41.1% and 44.8% for fiscal years 1996, 1995 and 1994, respectively. The fluctuation in the tax rate is primarily due to certain nondeductible costs associated with the business combinations in fiscal 1996 and 1994 (see Note 7 of "Notes to Consolidated Financial Statements").

Liquidity and Capital Resources. Working capital increased \$88.4 million to \$854.1 million at June 30, 1996, from \$765.7 million at June 30, 1995, and included increased investments in merchandise inventories and trade receivables of \$151.4 million and \$42.7 million, respectively, and increased holdings of cash and equivalents and marketable securities of \$176.8 million. The increase was offset primarily by an increase in accounts payable and the current portion of long-term debt of \$170.0 million and \$102.8 million, respectively, and an increase in other accrued liabilities of \$29.8 million. The increases in inventories and accounts

payable are due to the Company's revenue growth, the procurement of pharmaceutical inventory relative to an anticipated increase in business with a large mass merchandising customer, and pharmaceutical price increases. The increase in cash and equivalents, and marketable securities available-for-sale reflect the timing of inventory purchases and payments noted above and a partial use of proceeds from the Company's \$150 million 6% Note offering (see "Interest Expense" above). The increase in trade receivables was due primarily to increased sales (see "Net Revenues" above). The increase in the current portion of long-term debt is due to the Company's \$100 million 8% Notes which are due March 1997. Liabilities incurred in connection with the fiscal 1996 business combinations were the primary cause of the increase in the other accrued liabilities.

Property and equipment, at cost increased by \$69.7 million in fiscal 1996. The property acquired included increased investment in management information systems and customer support systems, as well as the construction and automation of distribution facilities.

Goodwill and other intangibles increased by approximately \$31.7 million to \$92.4 million due to purchase business combinations completed in the current year, primarily related to the Company's point-of-use pharmacy systems and pharmacy management services (see Note 2 of "Notes to Consolidated Financial Statements").

Shareholders' equity increased to \$930.7 million at June 30, 1996 from \$799.6 million at June 30, 1995 due primarily to net earnings of the Company of approximately \$111.9 million and proceeds and tax benefits from the exercise of options under employee stock plans of \$27.6 million, offset primarily by dividends paid by the Company of approximately \$7.6 million in fiscal 1996.

The Company has line-of-credit agreements with various bank sources aggregating \$345 million, of which \$95 million is represented by committed line-of-credit agreements and the balance is uncommitted. The Company had no amounts outstanding under these lines at June 30, 1996.

The Company believes that it has adequate capital resources at its disposal to meet currently anticipated capital expenditures, routine business growth and expansion, and current and projected debt service requirements.

OTHER

Pending Business Combination. On July 24, 1996, the Company announced that it had entered into a definitive merger agreement with PCI Services, Inc. ("PCI") pursuant to which PCI will become a wholly owned subsidiary of the Company in a stock-for-stock merger expected to be accounted for as a pooling-of-interests for financial reporting purposes. In connection with the merger, the Company estimates that it will issue

approximately 2.1 million Common Shares. Under the terms of the merger agreement, shareholders of PCI will receive 0.336 Common Shares for each share of PCI that they own at the time the transaction is consummated, subject to adjustment under specified circumstances. In addition, pursuant to the terms of the merger agreement, options for PCI common stock will be converted into equivalent options for approximately 158,000 Common Shares, based upon the exchange ratio. Upon consummation of the merger, the Company will record a one-time charge to reflect transaction and other costs incurred as a result of the merger. The merger is expected to be completed in the fall of 1996, subject to satisfaction of certain conditions, including approval by shareholders of PCI.

The Company's trend with regard to acquisitions in fiscal 1996, and continuing with the pending PCI transaction described above, has been to expand its role as a health care service provider. This trend has resulted in diversification into health care services which (a) complement the Company's core pharmaceutical distribution business; (b) provide opportunities for the Company to develop synergies with, and thus strengthen the acquired business; and (c) generally generate higher gross margins as a percentage of net revenues than pharmaceutical distribution. As the health care industry continues to consolidate, the Company expects to continually evaluate acquisition candidates in both pharmaceutical distribution as well as other opportunities that would expand its role as a health care service provider; however, there can be no assurance that it will be able to successfully pursue any such opportunity or consummate any such transaction.

Recently Issued Financial Accounting Standards. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which requires adoption no later than the Company's fiscal 1997. The new standard defines a fair

value method of accounting for stock options and similar equity instruments, under which compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Pursuant to the new standard, companies are encouraged, but not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," but would be required to disclose in the financial statements pro forma net income and earnings per share as if the new method of accounting had been applied. The accounting requirements of the new method are effective for all employee awards granted after the beginning of the fiscal year of adoption. The Company has not yet determined if it will elect to change to the fair value method, nor has it determined the effect the new standard will have on net income and earnings per share should it elect to make such a change. Adoption of the new standard will have no effect on the Company's cash flows.

In addition, in March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 (SFAS No. 121), "Accounting For the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires adoption no later than the Company's fiscal 1997. SFAS No. 121 requires impairment losses to be recorded on long-lived assets used in operations when an indication of impairment is present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses accounting for long-lived assets that are expected to be disposed of. The Company does not believe, based on current circumstances, the adoption of SFAS No. 121 will have a material effect on financial condition or results of operations.

STATEMENTS OF EARNINGS

	Fiscal Year Ended June 30,		
	1996	1995	1994
Net revenues	\$8,862,425	\$8,022,108	\$5,963,280
Cost of products sold	8,147,148	7,397,557	5,476,361
Gross margin	715,277	624,551	486,919
Selling, general and administrative expenses	433,255	378,579	291,975
Unusual items	(67,250)	—	(35,880)
Operating earnings	214,772	245,972	159,064
Other income (expense):			
Interest expense	(23,868)	(19,403)	(18,316)
Other, net — primarily interest income	11,161	7,066	6,160
Earnings before income taxes	202,065	233,635	146,908
Provision for income taxes	90,201	96,101	65,878
Earnings before preferred dividends declared	111,864	137,534	81,030
Preferred dividends declared	—	—	(1,205)
Net earnings available for Common Shares	\$111,864	\$137,534	\$79,825
Earnings per Common Share:			
Primary	\$1.73	\$2.14	\$1.30
Fully diluted	\$1.73	\$2.14	\$1.30
Weighted average number of Common Shares outstanding:			
Primary	64,669	64,119	61,380
Fully diluted	64,743	64,170	61,399

In thousands, except per share amounts.
The accompanying notes are an integral part of these statements.

BALANCE SHEETS

	June 30, 1996	June 30, 1995
ASSETS		
Current assets:		
Cash and equivalents	\$287,802	\$64,589
Marketable securities available-for-sale	54,335	100,760
Trade receivables	564,881	522,230
Current portion of net investment in sales-type leases	37,953	30,119
Merchandise inventories	1,238,238	1,086,877
Prepaid expenses and other	56,568	47,107
Total current assets	2,239,777	1,851,682
Property and equipment, at cost:		
Land, buildings and improvements	62,367	47,406
Machinery and equipment	162,525	119,122
Furniture and fixtures	40,692	29,398
Total	265,584	195,926
Accumulated depreciation and amortization	(112,122)	(89,267)
Property and equipment, net	153,462	106,659
Other assets:		
Net investment in sales-type leases, less current portion	111,604	85,313
Goodwill and other intangibles	92,428	60,695
Other	83,824	56,612
Total	\$2,681,095	\$2,160,961
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable, banks	—	\$3,000
Current portion of long-term obligations	\$106,007	3,162
Accounts payable	1,126,065	956,073
Other accrued liabilities	153,585	123,764
Total current liabilities	1,385,657	1,085,999
Long-term obligations, less current portion	265,144	209,214
Deferred income taxes and other liabilities	99,584	66,189
Shareholders' equity:		
Common Shares, without par value	484,446	455,709
Retained earnings	455,690	351,441
Common Shares in treasury, at cost	(5,426)	(4,011)
Other	(4,000)	(3,580)
Total shareholders' equity	930,710	799,559
Total	\$2,681,095	\$2,160,961

In thousands.

The accompanying notes are an integral part of these statements.

OF SHAREHOLDERS' EQUITY

	Common Shares		Retained Earnings	Treasury Shares		Other	Total Shareholders' Equity
	Shares Issued	Amount		Shares	Amount		
BALANCE, JUNE 30, 1993	44,925	\$272,460	\$147,006	(173)	\$(3,083)	\$(3,066)	\$413,317
Earnings before preferred dividends declared			81,030				81,030
Shares issued pursuant to the conversion of \$75 million of convertible debentures	3,423	73,140					73,140
Employee stock plans activity and issuance of Common Shares for cash, including tax benefits of \$7,969	2,834	12,045				(907)	11,138
Treasury shares acquired and shares retired	(92)	(191)	(2,232)	(7)	(307)		(2,730)
Cumulative effect of adjustment for unrealized loss on marketable securities available-for-sale						(1,271)	(1,271)
Dividends paid			(7,645)				(7,645)
5-for-4 stock split effected as a stock dividend and cash paid in lieu of fractional shares	7,564		(16)				(16)
Equity of PRN Services, Inc. on merger date (see Note 2)	237	34	348				382
BALANCE, JUNE 30, 1994	58,891	357,488	218,491	(180)	(3,390)	(5,244)	567,345
Net earnings			137,534				137,534
Employee stock plans activity and issuance of Common Shares for cash, including tax benefits of \$22,236	1,684	27,602				839	28,441
Treasury shares acquired and shares retired	(186)	(300)	(4,805)	(13)	(621)		(5,726)
Change in unrealized loss on marketable securities available-for-sale, net of tax						825	825
Dividends paid			(9,107)				(9,107)
Equity of Behrens Inc. on merger date (see Note 2)	944	451	9,328				9,779
Shares issued in connection with stock offering	1,867	70,468					70,468
BALANCE, JUNE 30, 1995	63,200	455,709	351,441	(193)	(4,011)	(3,580)	799,559
Net earnings			111,864				111,864
Employee stock plans activity and issuance of Common Shares for cash, including tax benefits of \$11,168	982	28,737				(1,173)	27,564
Treasury shares acquired and restricted stock forfeitures				(29)	(1,415)	307	(1,108)
Change in unrealized loss on marketable securities available-for-sale, net of tax						446	446
Dividends paid			(7,615)				(7,615)
BALANCE, JUNE 30, 1996	64,182	\$484,446	\$455,690	(222)	\$(5,426)	\$(4,000)	\$930,710

In thousands.

The accompanying notes are an integral part of these statements.

	Fiscal Year Ended June 30,		
	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Earnings before preferred dividends declared	\$111,864	\$137,534	\$81,030
Adjustments to reconcile earnings before preferred dividends declared to net cash from operating activities:			
Depreciation and amortization	32,488	24,342	18,650
Provision for deferred income taxes	20,530	49,568	10,798
Provision for bad debts	9,450	12,479	12,172
Change in operating assets and liabilities, net of effects from acquisitions:			
Increase in trade receivables	(47,355)	(137,476)	(89,217)
Increase in merchandise inventories	(148,431)	(159,036)	(232,178)
Increase in net investment in sales-type leases	(34,125)	(40,584)	(40,710)
Increase in accounts payable	164,601	154,137	170,682
Other operating items, net	13,200	(10,048)	13,355
Net cash provided by (used in) operating activities	122,222	30,916	(55,418)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of subsidiaries, net of cash acquired	(36,244)	(19,345)	—
Proceeds from sale of property and equipment	796	91	1,079
Additions to property and equipment	(73,094)	(50,654)	(14,195)
Purchase of marketable securities available-for-sale	(163,719)	(169,599)	(652,347)
Proceeds from sale of marketable securities available-for-sale	218,019	143,501	682,300
Net cash provided by (used in) investing activities	(54,242)	(96,006)	16,837
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net short-term borrowing activity	(3,000)	(22,500)	25,000
Reduction of long-term obligations	(10,570)	(5,424)	(99,403)
Proceeds from long-term obligations, net of issuance costs	148,960	—	99,498
Proceeds from issuance of Common Shares	17,398	75,770	2,293
Tax benefit of stock options	11,168	22,236	7,969
Dividends on common and preferred shares and cash paid in lieu of fractional shares	(7,615)	(9,107)	(7,661)
Redemption of preferred stock			(20,400)
Purchase of treasury shares	(1,108)	(5,726)	(2,730)
Net cash provided by financing activities	155,233	55,249	4,566
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	223,213	(9,841)	(34,015)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	64,589	74,430	108,445
CASH AND EQUIVALENTS AT END OF YEAR	\$287,802	\$64,589	\$74,430

In thousands.

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cardinal Health, Inc. and subsidiaries (the "Company") is a health care service provider which distributes a broad line of pharmaceuticals, surgical and hospital supplies, therapeutic plasma and other specialty pharmaceutical products, health and beauty care products, and other items typically sold by hospitals, retail drug stores, and other health care providers. Through the Company's subsidiary Pyxis Corporation ("Pyxis"), the Company manufactures, leases, sells and services point-of-use pharmacy systems which automate the distribution and management of medications and supplies in hospitals and other health care facilities. Pharmacy management services are provided by the Company's subsidiary Allied Pharmacy Service, Inc. ("Allied"). The Company is also a franchisor of apothecary-style pharmacies through its subsidiary Medicine Shoppe International, Inc. ("Medicine Shoppe"). See "Basis of Presentation" and Note 2 below. The Company is currently operating in only one business segment, primarily in the continental United States.

Basis of Presentation

The consolidated financial statements of the Company include the accounts of all majority-owned subsidiaries and all significant intercompany accounts and transactions have been eliminated. In addition, the consolidated financial statements give retroactive effect to the pooling-of-interests business combinations with Whitmire Distribution Corporation ("Whitmire") on February 7, 1994, Medicine Shoppe on November 13, 1995, and Pyxis on May 7, 1996.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts may differ from these amounts.

Cash Equivalents

The Company considers all liquid investments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates their fair value.

Marketable Securities Available-for-Sale

The Company has classified its investment in municipal bonds and U.S. Treasury obligations as available-for-sale. The fair value of the marketable securities approximates the original costs determined on a specific identification basis at June 30, 1996. Gross and net realized and unrealized holding gains and losses were not material in any period presented in the accompanying financial statements. The Company's marketable securities available-for-sale mature on various dates in fiscal 1997.

Receivables

Trade receivables are primarily comprised of amounts owed to the Company through its pharmaceutical wholesaling activities and are presented net of an allowance for doubtful accounts of \$32,414,000 and

\$31,529,000 at June 30, 1996 and 1995, respectively.

Medicine Shoppe provides financing to selected franchisees primarily for development, acquisition and conversion costs, exclusive of origination fees. Such financing arrangements generally require repayment in seven to ten years, at interest rates which fluctuate with the prime rate. Most of these financings are collateralized by property of the franchisees or by third-party guarantors. Finance notes and accrued interest receivable were \$36,438,000 and \$32,340,000 at June 30, 1996 and 1995, respectively (the current portion was \$5,827,000 and \$5,062,000, respectively), and are included in other assets. These amounts are reported net of an allowance for doubtful accounts of \$8,042,000 and \$7,385,000 at June 30, 1996 and 1995, respectively.

Merchandise Inventories

Substantially all merchandise inventories (83% in 1996 and 91% in 1995) are stated at lower of cost, using the last-in, first-out (LIFO) method, or market. If the Company had used the first-in, first-out (FIFO) method of inventory valuation, which approximates current replacement cost, inventories would have been higher than reported at June 30, 1996 by \$76,321,000, and at June 30, 1995 by \$79,365,000.

The Company continues to consolidate locations, automate selected distribution facilities and invest in management information systems which achieve efficiencies in inventory management processes. As a result of the facility and related inventory consolidations and the operational efficiencies achieved in fiscal 1996, the Company had partial inventory liquidations in certain LIFO pools which reduced the LIFO provision by approximately \$7 million.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization for financial reporting purposes are computed using the straight-line method over the estimated useful lives of the assets which range from three to forty years, including capital lease assets which are amortized over the terms of their respective leases. Amortization of capital lease assets is included in depreciation and amortization expense. Certain software costs related to internally developed or purchased software are capitalized and amortized using the straight-line method over the useful lives, not exceeding five years.

Goodwill and Other Intangibles

Goodwill and other intangibles primarily represent intangible assets related to the excess of cost over net assets of subsidiaries acquired. Intangible assets are being amortized using the straight-line method over lives which range from ten to forty years. Accumulated amortization was \$23,901,000 and \$18,819,000 at June 30, 1996 and 1995, respectively. At each balance sheet date, a determination is made by management to ascertain whether the intangible assets have been impaired based on several criteria, including, but not limited to, sales trends, undiscounted operating cash flows, and other operating factors.

Revenue Recognition

The Company records revenues when merchandise is shipped to its customers and the Company has no further obligation to provide services related to such merchandise.

The Company also arranges for direct deliveries to be made to customer warehouses which are excluded from net revenues and totaled \$2,179,000,000, \$1,779,000,000 and \$562,000,000 in fiscal 1996, 1995 and 1994, respectively. The service fees related to direct deliveries are included in net revenues and were not significant in any of the fiscal years presented.

Revenues are recognized from sales-type leases of point-of-use pharmacy systems when the systems are installed, and/or the customer accepts the system, and the lease becomes noncancellable. Unearned income on sales-type leases is recognized using the interest method. Sales of point-of-use pharmacy systems are recognized upon installation/delivery and customer acceptance. Revenues for systems installed under operating lease arrangements are recognized over the lease term as it becomes receivable according to the provisions of the lease. The revenue from such operating leases is not significant.

The Company earns franchise and origination fees from its apothecary-style pharmacy franchisees. Franchise fees represent monthly fees based upon franchisees' sales and are recognized as revenues when they are earned. Origination fees from signing new franchise agreements are recognized as revenues when the new franchise store is opened. Master franchise origination fees are recognized as revenues when all significant conditions relating to the master franchise agreement have been satisfied by the Company.

Pharmacy management revenue is recognized according to the contracts established. A fee is charged under such contracts through a monthly management fee arrangement, a capitated fee arrangement or a portion of the hospital charges to patients.

Earnings Per Common Share

Primary and fully diluted earnings per Common Share are computed using the treasury stock method and are based on the weighted average number of Common Shares outstanding during each period and the dilutive effect of stock options from the date of grant.

Excluding dividends paid by all entities with which the Company has merged, the Company paid cash dividends per Common Share of \$0.12, \$0.12 and \$0.09 for the fiscal years ended June 30, 1996, 1995 and 1994, respectively.

Stock Split

The Company paid a 25% stock dividend on June 30, 1994, to effect a five-for-four stock split of the Company's Common Shares. All share and per share amounts included in the consolidated financial statements, except the Consolidated Statements of Shareholders' Equity, have been adjusted to retroactively reflect this stock split.

2. BUSINESS COMBINATIONS

Effective May 7, 1996, a wholly owned subsidiary of the Company was merged with and into Pyxis (the "Pyxis Merger"). The Pyxis Merger was accounted for as a pooling-of-interests business combination, and the Company issued approximately 15,076,000 Common Shares to Pyxis shareholders. In addition, Pyxis' outstanding stock options were converted into options to purchase approximately 1,562,000 additional Common Shares.

The table below presents a reconciliation of net revenues and net earnings available for Common Shares as reported in the accompanying consolidated financial statements with those previously reported by the Company (in thousands).

	Cardinal Health	Pyxis	Combined
Fiscal year ended June 30, 1994:			
Net revenues	\$5,838,574	\$124,706	\$5,963,280
Net earnings available for Common Shares	\$47,990	\$31,835	\$79,825
Fiscal year ended June 30, 1995:			
Net revenues	\$7,859,919	\$162,189	\$8,022,108
Net earnings available for Common Shares	\$101,000	\$36,534	\$137,534
Nine Months Ended March 31, 1996:			
Net revenues	\$6,381,569	\$160,376	\$6,541,945
Net earnings available for Common Shares	\$79,003	\$24,804	\$103,807

Adjustments affecting net income and shareholders' equity resulting from the Pyxis Merger to adopt the same accounting practices were not material for any periods presented herein. There were no material intercompany transactions.

On November 13, 1995, a wholly owned subsidiary of the Company was merged with and into Medicine Shoppe. The Medicine Shoppe merger was accounted for as a pooling-of-interests business combination. The Company issued approximately 6,426,000 Common Shares to Medicine Shoppe shareholders. In addition, Medicine Shoppe's outstanding stock options were converted into options to purchase approximately 121,000 Common Shares.

During fiscal 1996, the Company recorded costs totaling \$67.3 million (\$47.8 million, net of tax) related primarily to the mergers with Medicine Shoppe and Pyxis. These costs included approximately \$22.4 million for investment advisor, legal, accounting, internal personnel and other transaction fees associated with the business combinations; \$14.7 million related to costs to exit and restructure certain activities, including operating lease terminations and asset impairment charges; \$7.8 million

related to employee retention, employee severance, and other personnel costs; and \$2.9 million for other activities related to integrating operations and implementing efficiencies of the merged companies. Certain of these amounts are based upon estimates and actual amounts paid may ultimately differ from these estimates. As of June 30, 1996, the Company had paid approximately \$22.1 million related to these charges. If additional costs are incurred, such items will be expensed in subsequent periods.

During fiscal 1996, the Company completed two business combinations which were accounted for under the purchase method of accounting. These business combinations were primarily related to the Company's point-of-use pharmacy systems and pharmacy management services. The aggregate purchase price, which was paid primarily in cash, including fees and expenses, was \$40.0 million. Liabilities of the operations assumed were approximately \$33.2 million, consisting primarily of debt of \$27.8 million. Had the purchases occurred at the beginning of fiscal 1995, operating results for fiscal 1996 and 1995 on a pro forma basis would not have been significantly different.

On July 18, 1994, the Company issued approximately 944,000 Common Shares in a merger transaction for all of the common shares of Behrens Inc. ("Behrens"), a pharmaceutical wholesaler based in Waco, Texas. The transaction was accounted for as a pooling-of-interests business combination. The historical cost of Behrens assets combined was approximately \$25,396,000, and the total liabilities assumed (including total debt of approximately \$1,336,000) were approximately \$15,617,000. The impact of the Behrens merger, on both an historical and pro forma basis, is not significant. Accordingly, prior periods have not been restated for the Behrens merger.

On July 1, 1994, the Company acquired all of the outstanding stock of Humiston-Keeling, Inc., a pharmaceutical wholesaler based in Calumet City, Illinois, for cash of \$33,334,000 and assumed total liabilities of \$94,390,000 (including total debt of approximately \$1,670,000) in a transaction accounted for by the purchase method.

On January 27, 1994, shareholders of Cardinal and Whitmire approved and adopted the Agreement and Plan of Reorganization dated October 11, 1993 (the "Reorganization Agreement"), pursuant to which a wholly owned subsidiary of Cardinal was merged with and into Whitmire effective February 7, 1994. In the

Whitmire Merger holders of outstanding Whitmire common stock received an aggregate of approximately 6,802,000 Class A common shares and approximately 1,861,000 Class B common shares in exchange for all of the previously outstanding common stock of Whitmire (all Class B common shares were converted into Class A common shares in fiscal 1995). In addition, Whitmire's outstanding stock options were converted into options to purchase an aggregate of approximately 1,721,000 additional Common Shares pursuant to the terms of such options and the Reorganization Agreement.

In fiscal 1994, the Company recorded a charge to reflect Whitmire Merger costs of approximately \$35.9 million (\$28.2 million net of tax). These costs included approximately \$7 million for investment banking, legal, accounting, and other related transaction fees and costs associated with the combination; \$13 million for corporate integration and distribution rationalization; \$6 million for integration of information systems; and \$2 million for restructuring Whitmire's revolving credit agreement. At June 30, 1996, the Company had disbursed all amounts related to these liabilities, with the actual amounts paid approximating the original amounts recorded.

On December 17, 1993, the Company issued approximately 296,000 Common Shares in a merger transaction for all of the capital stock of PRN Services, Inc. ("PRN"), a distributor of pharmaceuticals and medical supplies to oncologists and oncology clinics. The transaction was accounted for as a pooling-of-interests business combination. The historical cost of PRN assets combined was approximately \$16,946,000, and the total liabilities assumed (including total debt of approximately \$5,847,000) were approximately \$16,564,000. The impact of the PRN merger, on both an historical and pro forma basis, is not significant. Accordingly, prior periods have not been restated for the PRN merger.

The following supplemental information, which is presented for purposes of facilitating meaningful comparisons to ongoing operations and to other companies, summarizes the results of operations of the Company, adjusted on a pro forma basis to reflect (a) the elimination of the effect of the merger costs discussed above, and (b) the redemption of Whitmire's preferred stock pursuant to the terms of the Reorganization Agreement. Solely for purposes of the summary presented below, such redemption is assumed to have been funded from the liquidation of investments in tax-exempt marketable securities.

Fiscal Year Ended June 30,

(In thousands, except per share amounts)	1996	1995	1994
Operating earnings, excluding unusual items	\$282,022	\$245,972	\$194,944
Net earnings available for Common Shares, excluding unusual items	159,697	137,534	108,938
Earnings per Common Share, excluding unusual items:			
Primary	\$2.47	\$2.14	\$1.77
Fully diluted	\$2.47	\$2.14	\$1.77

Operating earnings and net earnings available for Common Shares (“Earnings”) as reported in the Company’s consolidated financial statements are reconciled to the respective amounts in the preceding table as follows:

(In thousands)	Fiscal Year Ended June 30, 1996		Fiscal Year Ended June 30, 1994	
	Operating Earnings	Earnings	Operating Earnings	Earnings
As reported	\$214,772	\$111,864	\$159,064	\$79,825
Supplemental adjustments:				
Unusual items, primarily merger costs	67,250	47,833	35,880	28,180
Preferred stock redemptions	—	—	—	1,205
Interest adjustment on preferred stock	—	—	—	(272)
As supplementally adjusted	\$282,022	\$159,697	\$194,944	\$108,938

3. LEASES

Sales-Type Leases

The Company’s sales-type leases are for terms generally ranging up to five years. Lease receivables are generally collateralized with the underlying equipment. The components of the Company’s net investment in sales-type leases are as follows (in thousands):

	June 30, 1996	June 30, 1995
Future minimum lease payments receivable	\$176,963	\$139,305
Unguaranteed residual values	1,457	1,302
Unearned income	(25,637)	(22,275)
Allowance for uncollectible minimum lease payments receivable	(3,226)	(2,900)
Net investment in sales-type leases	149,557	115,432
Less: current portion	37,953	30,119
Net investment in sales-type leases, less current portion	\$111,604	\$85,313

Future minimum lease payments to be received pursuant to sales-type leases are as follows at June 30, 1996:

1997	\$47,981
1998	44,918
1999	39,755
2000	28,566
2001	15,155
Thereafter	588
Total	\$176,963

Lease Related Financing Arrangements

Prior to the merger on May 7, 1996, Pyxis had financed its working capital needs through the sale of certain lease receivables to a non-bank financing company. In March 1994, Pyxis entered into a five-year financing and servicing agreement with the financing company, whereby the financing company agreed to purchase a minimum of \$500 million of Pyxis’ lease receivables under certain conditions, provided that the total investment in the lease receivables at any one time does not exceed \$350 million. The aggregate lease receivables

sold under this arrangement totaled approximately \$233 million and \$154 million at June 30, 1996 and 1995, respectively. As a result of the merger, the Company intends to amend the agreement with the financing company and has made a provision for the estimated cost of exiting the arrangement.

4. NOTES PAYABLE, BANKS

The Company has entered into various uncommitted line-of-credit arrangements which allow for borrowings up to \$250,000,000 at June 30, 1996, at various money market rates. No amounts were outstanding under such arrangements at June 30, 1996, and \$3,000,000, at a weighted average interest rate of 6.89%, was outstanding at June 30, 1995. In addition, the Company has revolving credit agreements, which have a maturity of less than one year, with seven banks. These credit agreements are renewable on a quarterly basis and allow the Company to borrow up to \$95,000,000 (none of which was in use at June 30, 1996). The Company is required to pay a commitment fee at the annual rate of .125% on the average daily unused amounts of the total credit allowed under the revolving credit agreements. The total available but unused lines of credit at June 30, 1996 were \$345,000,000.

5. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

	June 30, 1996	June 30, 1995
Notes; 6.0% due 2006	\$150,000	—
Notes; 6.5% due 2004	100,000	\$100,000
Notes; 8% due 1997	100,000	100,000
Primarily mortgage revenue bonds, notes and capital leases; interest averaging 7.14% in 1996 and 8.78% in 1995, due in varying installments through 2002	21,151	12,376
Total	371,151	212,376
Less: current portion	106,007	3,162
Long-term obligations, less current portion	\$265,144	\$209,214

On January 23, 1996, the Company sold \$150 million of 6% Notes due 2006 (the "6% Notes") in a public offering. The 6% Notes represent unsecured obligations of the Company, are not redeemable prior to maturity and are not subject to a sinking fund. Issuance costs of approximately \$1.3 million incurred in connection with the offering are being amortized on a straight-line basis over the period the 6% Notes will be outstanding.

On February 23, 1994, the Company sold \$100 million of 6.5% Notes due 2004 (the "6.5% Notes") in a public offering. The 6.5% Notes represent unsecured obligations of the Company, are not redeemable prior to maturity and are not subject to a sinking fund. Issuance costs of approximately \$860,000, incurred in connection with the offering, are being amortized on a straight-line basis over the period the 6.5% Notes will be outstanding.

The 8% Notes represent unsecured obligations of the Company, are not redeemable prior to maturity and are not subject to a sinking fund.

The Company has entered into various interest rate swap agreements, which serve to hedge the Company's aggregate interest cost on the 8% Notes, in response to falling interest rates subsequent to the issuance of the 8% Notes in 1992. The net effect of the swap agreements is that the Company exchanged its fixed rate position on the 8% Notes for a fixed rate of 5.1% for the period July 15, 1992, through March 1, 1993, a fixed rate of 6.5% for the period March 2, 1993, through March 1, 1994, and, thereafter, a fixed rate of 8.1% through March 1, 1997 (the maturity date of the 8% Notes). In May 1993, two of the offsetting swap agreements were canceled at no gain or loss to the Company. The notional principal in each of the four swap agreements outstanding at June 30, 1996 is \$100 million. Due to the offsetting nature of the swaps, the market value of those in a net receivable position approximates the market value of those in a net

payable position. The risk of accounting loss, based on discounted cash flows, in the event of nonperformance by counterparties with whom the Company is in a net receivable position is approximately \$777,000 as of June 30, 1996; however, based on the credit quality of the counterparties, the Company believes the likelihood of such a credit loss to be remote. The Company recognizes in income the periodic net cash settlements under the matched swap agreements as they accrue.

Certain long-term obligations are collateralized by property and equipment of the Company with an aggregate book value of approximately \$10,542,000 at June 30, 1996.

Maturities of long-term obligations for future fiscal years are as follows (in thousands):

1997	\$106,007
1998	4,933
1999	2,836
2000	1,897
2001	1,547
Thereafter	253,931
Total	\$371,151

6. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and equivalents, marketable securities, notes payable – banks and other accrued liabilities at June 30, 1996 and 1995, approximate their fair value because of the short-term maturities of these items.

The estimated fair value of the Company's long-term obligations was \$354,197,000 and \$212,251,000 as compared to the carrying amounts of \$371,151,000 and \$212,376,000 at June 30, 1996 and 1995, respectively. The fair value of the Company's long-term obligations is estimated based on the quoted market prices for the same or similar issues and the current interest rates offered for debt of the same remaining maturities.

7. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	Fiscal Year Ended June 30,		
	1996	1995	1994
Current:			
Federal	\$62,030	\$41,882	\$49,707
State	7,641	4,651	5,373
Total	69,671	46,533	55,080
Deferred	20,530	49,568	10,798
Total provision	\$90,201	\$96,101	\$65,878

A reconciliation of the provision based on the Federal statutory income tax rate to the Company's income tax provision is as follows:

	Fiscal Year Ended June 30,		
	1996	1995	1994
Provision at Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	4.8	4.7	4.6
Nondeductible expenses	4.4	—	4.6
Other	0.4	1.4	0.6
Effective income tax rate	44.6%	41.1%	44.8%

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities, and operating loss and tax credit carryforwards for tax purposes. The components of the deferred income tax assets and liabilities are as follows (in thousands):

	June 30, 1996	June 30, 1995
Deferred income tax assets:		
Allowance for doubtful accounts	\$8,861	\$14,305
Accrued liabilities	21,412	19,408
Property related	14,233	9,256
Net operating loss carryforwards	27,270	28,550
Other	20,442	15,587
Total deferred income tax assets	92,218	87,106
Valuation allowance for deferred income tax assets	(2,373)	(2,747)
Net deferred income tax assets	89,845	84,359
Deferred income tax liabilities:		
Inventory basis differences	(42,102)	(46,471)
Revenues on lease contracts	(122,417)	(93,713)
Other	(15,642)	(16,744)
Total deferred income tax liabilities	(180,161)	(156,928)
Net deferred income tax liabilities	\$(90,316)	\$(72,569)

The above amounts are classified in the consolidated balance sheets as follows (in thousands):

	June 30, 1996	June 30, 1995
Other accrued liabilities	\$(453)	\$(11,364)
Deferred income taxes and other liabilities	(89,863)	(61,205)
Net deferred income tax liabilities	\$(90,316)	\$(72,569)

At June 30, 1996 and 1995, as a result of the Pyxis Merger, the Company had Federal net operating loss carryforwards of \$73 million. Also at June 30, 1996 and 1995, the Company had state net operating loss carryforwards of \$50 million and \$56 million, respectively. A valuation allowance of \$2.4 million and \$2.7 million at June 30, 1996 and 1995, respectively, has been provided for the state net operating loss carryforwards as utilization of such carryforwards within the applicable statutory periods is uncertain. In addition, use of the Company's net operating loss carryforwards will be limited due to the change in control of Pyxis. The Federal net operating loss carryforwards begin expiring in 2001 and the state net operating loss carryforwards began expiring in 1994.

8. EMPLOYEE RETIREMENT BENEFIT PLANS

Substantially all of the Company's non-union employees are enrolled in Company-sponsored contributory profit sharing and retirement savings plans which include features under Section 401(k) of the Internal Revenue Code, and provide for Company matching and profit sharing contributions. The Company's contributions to the plans are determined by the Board of Directors subject to certain minimum requirements as specified in the plans.

Qualified union employees are covered by multi-employer defined benefit pension plans under the provisions of collective bargaining agreements. Benefits under these plans are generally based on the employee's years of service and average compensation at retirement.

The total expense for employee retirement benefit plans was as follows (in thousands):

	Fiscal Year Ended June 30,		
	1996	1995	1994
Defined contribution plans	\$7,233	\$5,611	\$4,053
Multiemployer plans	711	637	522
Total	\$7,944	\$6,248	\$4,575

9. COMMITMENTS AND CONTINGENT LIABILITIES

The future minimum rental payments for operating leases having initial or remaining noncancelable lease terms in excess of one year at June 30, 1996, are as follows (in thousands):

1997	\$14,133
1998	12,151
1999	8,500
2000	4,233
2001	2,551
Thereafter	7,658
Total	\$49,226

Rental expense relating to operating leases was approximately \$20,607,000, \$14,637,000 and \$12,645,000 in fiscal 1996, 1995, and 1994, respectively. Sublease rental income was not material for any period presented herein.

As of June 30, 1996, amounts outstanding on customer notes receivable sold with full recourse to a commercial bank totaled approximately \$13,923,000. The Company also has outstanding guarantees of indebtedness and financial assistance commitments which totaled approximately \$2,822,000 at June 30, 1996.

The Company becomes involved from time-to-time in litigation arising out of its normal business activities. In addition, in November 1993, Cardinal, Whitmire, five other pharmaceutical wholesalers, and twenty-four pharmaceutical manufacturers were named as defendants in a series of purported class action antitrust lawsuits alleging violations of various antitrust laws associated with the chargeback pricing system. The Company believes that the allegations set forth against Cardinal and Whitmire in these lawsuits are without merit. In the opinion of management, the Company's liability, if any, under any pending litigation would not have a material adverse effect on the Company's financial condition or results of operations.

10. REDEEMABLE PREFERRED STOCK

Prior to February 7, 1994, Whitmire had outstanding 360,000 shares of redeemable preferred \$.01 par value stock. Whitmire would have been required to redeem, at \$100.00 per share plus accrued but unpaid dividends, all shares of its Senior and Series A Preferred Stock commencing in October 1994 through July 1996. Pursuant to the terms of the Reorganization Agreement between Cardinal and Whitmire (see Note 2), all of the outstanding shares of Whitmire Senior and Series A Preferred Stock were redeemed as of February 7, 1994, the date of the Whitmire Merger.

11. SHAREHOLDERS' EQUITY

At June 30, 1996, the Company's authorized capital shares consisted of (a) 100,000,000 Class A common shares, without par value, of which 63,959,267 and 63,006,246 (as adjusted to reflect business combinations) were outstanding and 222,626 and 193,292 were held in treasury at cost at June 30, 1996 and 1995, respectively; (b) 5,000,000 Class B common shares, without par value, of which none were outstanding at either balance sheet date; and (c) 500,000 non-voting preferred shares without par value, none of which have been issued. The Class A common shares and Class B common shares are collectively referred to as Common Shares.

On September 26, 1994, 8,050,000 of the Company's Common Shares were sold pursuant to a public offering. Approximately 1,867,000 Common Shares were sold by the Company, and approximately 6,183,000 Common Shares (the "Existing Shares") were sold by certain shareholders of the Company. The Company did not receive any of the proceeds from the sale of the Existing Shares.

12. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

The Company's trade receivables, finance notes and accrued interest receivable, and lease receivables are exposed to a concentration of credit risk with customers in the retail and health care sectors. However, the credit risk is limited due to supporting collateral and the diversity of the customer base, including its wide geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial conditions and maintains reserves for credit losses. Such losses historically have been within the Company's expectations.

During fiscal 1996, the Company's two largest customers individually accounted for 12% of net revenues and 70% of direct deliveries, respectively. During fiscal 1995, the Company's two largest customers individually accounted for 11% of net revenues and 82% of direct deliveries, respectively. Trade receivables due from these two customers aggregated approximately 25% of total trade receivables at June 30, 1996 and 1995.

13. STOCK OPTIONS AND RESTRICTED SHARES

The Company maintains stock incentive plans (the "Plans") for the benefit of certain officers, directors and key employees. Options granted are generally exercisable for periods up to ten years from the date of grant at a price which equals fair market value at the date of grant. On November 14, 1995, the Company's shareholders approved a new equity incentive plan (the "New Plan") which authorized the issuance of up to an aggregate of 2,000,000 Common Shares in the form of incentive stock options, nonqualified stock options, performance shares and restricted shares. The Common Shares authorized for issuance under the New Plan are in addition to 1,766,000 Common Shares which were issuable pursuant to stock options outstanding immediately prior to the approval of the New Plan and the 1,562,000 stock options which were issuable pursuant to the Pyxis Merger.

The following summarizes all stock option transactions for the Company (excluding Whitmire, see below) under the Plans from June 30, 1993, through June 30, 1996, giving retroactive effect to conversions of options in connection with merger transactions and stock splits (in thousands, except per share amounts):

	Number of Options	Exercise Prices Per Share	Total
Balance Outstanding,			
June 30, 1993	2,134	\$0.12- \$57.80	\$26,806
Granted	1,534	24.20- 91.93	74,258
Exercised	(314)	0.12- 63.64	(1,676)
Canceled	(41)	0.12- 84.09	(1,155)
Balance Outstanding,			
June 30, 1994	3,313	0.12- 91.93	98,233
Granted	830	36.23- 64.26	40,671
Exercised	(413)	0.12- 60.26	(4,465)
Canceled	(112)	0.12- 91.93	(4,963)
Balance Outstanding,			
June 30, 1995	3,618	0.12- 91.93	129,476
Granted	958	28.90- 72.38	51,008
Exercised	(661)	0.12- 68.87	(15,609)
Canceled	(399)	6.15- 91.93	(23,403)
Balance Outstanding,			
June 30, 1996	3,516	\$0.12- \$84.09	\$141,472

At June 30, 1996, approximately 2,118,000 option shares under the Plans were exercisable. In addition to the options outstanding and restricted shares granted, approximately 1,472,000 shares are available to be issued pursuant to the Plans.

In connection with the Whitmire Merger, outstanding Whitmire stock options granted to current or former

Whitmire officers or employees were automatically converted into options ("Cardinal Exchange Options") to purchase an aggregate of approximately 1,721,000 additional Common Shares pursuant to the terms of such options and the Reorganization Agreement (see Note 2). Under the terms of their original issuance and as reflected in the Reorganization Agreement, the exercise price for substantially all of the Cardinal Exchange Options is remitted to certain former investors of Whitmire. Cardinal Exchange Options to purchase 190,000, 1,250,000 and 271,000 Common Shares, with an average option price of \$2.06, \$1.52 and \$1.60, were exercised in fiscal 1996, 1995 and 1994, respectively. At June 30, 1996, substantially all Cardinal Exchange Options had been exercised.

The market value of restricted shares awarded by the Company is recorded in the other component of shareholders' equity in the accompanying balance sheets. The compensation awards are amortized to expense over the period in which participants perform services, generally one to six years. As of June 30, 1996, approximately 467,000 restricted shares have been issued, of which approximately 158,000 shares remain restricted and subject to forfeiture and approximately 26,000 shares have been forfeited.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following selected quarterly financial data (in thousands, except per share amounts) for fiscal 1996 and 1995 have been restated to reflect the pooling-of-interests business combinations (see Note 2):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 1996:					
Net revenues	\$2,096,845	\$2,188,619	\$2,256,481	\$2,320,480	\$8,862,425
Gross margin	164,046	174,667	189,062	187,502	715,277
Selling, general and administrative expenses	107,358	107,103	107,748	111,046	433,255
Operating earnings	56,688	50,012	81,314	26,758	214,772
Net earnings available for Common Shares	31,916	26,542	45,349	8,057	111,864
Net earnings per Common Share:					
Primary	\$0.49	\$0.41	\$0.70	\$0.12	\$1.73
Fully diluted	0.49	0.41	0.70	0.12	1.73
Fiscal 1995:					
Net revenues	\$1,868,932	\$2,039,393	\$2,041,440	\$2,072,343	\$8,022,108
Gross margin	140,595	153,631	165,986	164,339	624,551
Selling, general and administrative expenses	90,271	93,949	95,553	98,806	378,579
Operating earnings	50,324	59,682	70,433	65,533	245,972
Net earnings available for Common Shares	28,269	34,310	38,846	36,109	137,534
Net earnings per Common Share:					
Primary	\$0.45	\$0.53	\$0.60	\$0.56	\$2.14
Fully diluted	0.45	0.53	0.60	0.56	2.14

CONSOLIDATED FINANCIAL

STATEMENTS

The following supplemental information for fiscal 1996 excludes the impact of unusual items (in thousands, except per share amounts). See Note 2 for additional information.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 1996:					
Net revenues	\$2,096,845	\$2,188,619	\$2,256,481	\$2,320,480	\$8,862,425
Gross margin	164,046	174,667	189,062	187,502	715,277
Selling, general and administrative expenses	107,358	107,103	107,748	111,046	433,255
Operating earnings, excluding unusual items	56,688	67,564	81,314	76,456	282,022
Net earnings available for Common Shares, excluding unusual items	31,916	39,037	45,349	43,395	159,697
Net earnings per Common Share, excluding unusual items:					
Primary	\$0.49	\$0.60	\$0.70	\$0.67	\$2.47
Fully diluted	0.49	0.60	0.70	0.67	2.47

Operating earnings and net earnings available for Common Shares ("Earnings") as reported in the Company's selected quarterly financial data for fiscal 1996 are reconciled to the respective amounts in the preceding table as follows (in thousands):

	Second Quarter		Fourth Quarter	
	Operating Earnings	Earnings	Operating Earnings	Earnings
Fiscal 1996:				
As reported	\$50,012	\$26,542	\$26,758	\$8,057
Supplemental adjustments:				
Unusual items, primarily merger costs	17,552	12,495	49,698	35,338
As supplementally adjusted	\$67,564	\$39,037	\$76,456	\$43,395

The above selected quarterly financial data differs from amounts previously reported by the Company due to the Pyxis Merger. Amounts reported by the Company prior to the Pyxis Merger (completed May 7, 1996) are presented below and differ from the above selected quarterly financial data solely due to the addition of Pyxis amounts pursuant to the pooling-of-interests accounting method for business combinations (in thousands, except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 1996:					
Net revenues	\$2,047,138	\$2,131,627	\$2,202,804		
Gross margin	130,012	136,494	150,926		
Selling, general and administrative expenses	87,217	83,125	84,117		
Operating earnings	42,795	36,995	66,809		
Net earnings available for Common Shares	23,492	18,714	36,797		
Net earnings per Common Share:					
Primary	\$0.48	\$0.38	\$0.75		
Fully diluted	0.48	0.38	0.75		
Fiscal 1995:					
Net revenues	\$1,832,128	\$1,999,267	\$2,001,250	\$2,027,274	\$7,859,919
Gross margin	114,082	123,627	137,992	133,509	509,210
Selling, general and administrative expenses	77,358	78,824	81,660	83,671	321,513
Operating earnings	36,724	44,803	56,332	49,838	187,697
Net earnings available for Common Shares	19,710	24,942	29,986	26,362	101,000
Net earnings per Common Share:					
Primary	\$0.42	\$0.51	\$0.61	\$0.53	\$2.07
Fully diluted	0.42	0.51	0.61	0.53	2.07

15. SUPPLEMENTAL CASH FLOW INFORMATION

Income tax and interest payments for the fiscal years ended June 30, 1996, 1995 and 1994 were as follows (in thousands):

	Fiscal Year Ended June 30,		
	1996	1995	1994
Interest paid	\$18,537	\$20,259	\$16,588
Income taxes paid	\$56,659	\$20,692	\$44,454

See Note 2 for additional information regarding non-cash investing and financing activities.

16. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which requires adoption no later than the Company's fiscal 1997. The new standard defines a fair value method of accounting for stock options and similar equity instruments, under which compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Pursuant to the new standard, companies are encouraged, but not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," but would be required to disclose in the financial statements pro forma net income and earnings per share as if the new method of accounting had been applied.

The accounting requirements of the new method are effective for all employee awards granted after the beginning of the fiscal year of adoption. The Company has not yet determined if it will elect to change to the fair value method, nor has it determined the effect the new standard will have on net income and earnings per share should it elect to make such a change. Adoption of the new standard will have no effect on the Company's cash flows.

In addition, in March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 (SFAS No. 121), "Accounting For the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires adoption no later than the Company's fiscal 1997. SFAS No. 121 requires impairment losses to be recorded on long-lived assets used in operations when an indication of impairment is present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses accounting for long-lived assets that are expected to be disposed of. The Company does not believe, based on current circumstances, the adoption of SFAS No. 121 will have a material effect on financial condition or results of operations.

17. SUBSEQUENT EVENT

On July 24, 1996, the Company announced that it had entered into a definitive merger agreement with PCI Services, Inc. ("PCI") pursuant to which PCI will become a wholly owned subsidiary of the Company in a stock-for-stock merger expected to be accounted for as a pooling-of-interests for financial reporting purposes. In connection with the merger, the Company estimates that it will issue approximately 2.1 million Common Shares. Under the terms of the merger agreement, shareholders of PCI will receive 0.336 Common Shares for each share of PCI that they own at the time the transaction is consummated, subject to adjustment under specified circumstances. In addition, pursuant to the terms of the merger agreement, options for PCI common stock will be converted into equivalent options for approximately 157,920 Common Shares, based upon the exchange ratio. Upon consummation of the merger, the Company will record a one-time charge to reflect transaction and other costs incurred as a result of the merger. The merger is expected to be completed in the fall of 1996, subject to satisfaction of certain conditions, including approval by shareholders of PCI.

OF FINANCIAL RESPONSIBILITY

Management is responsible for the integrity of the financial information contained in this report, including the audited financial statements, which have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's careful judgment and the best information available.

In order to fulfill its responsibility for the accuracy of financial information, management has designed a reliable system of internal financial controls that provides a cost effective safeguard over Company assets, while at the same time ensuring that transactions are executed and accounted for in accordance with management's instructions. Compliance with the established financial controls is the responsibility of qualified financial managers, including an internal audit department.

The Audit Committee of the Board of Directors, comprised solely of Directors from outside the Company,

meets on a quarterly basis with management and both the external and internal auditors as necessary. The committee's primary responsibilities, on behalf of shareholders and the Board, include the ongoing assessment of: (i) management's discharge of its responsibility for fair and accurate financial reporting, (ii) the activities and independence of the external and internal auditors, (iii) the adequacy of internal financial controls and the financial reporting process, and (iv) compliance with key Company policies.

Robert D. Walter
Chairman of the Board
and Chief Executive
Officer

David Bearman
Executive Vice President
and Chief Financial
Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Cardinal Health, Inc.:

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries as of June 30, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements give retroactive effect to the pooling-of-interests business combination of Cardinal Health, Inc. and Pyxis Corporation on May 7, 1996, as described in Note 2 to the consolidated financial statements. We did not audit the financial statements of Pyxis Corporation for any year, which statements reflect total assets constituting 10.5% and 11.2%, respectively, of consolidated total assets at June 30, 1996 and 1995, and total revenues and net income constituting 2.5%, 2.0% and 2.1%, and 31.7%, 26.6% and 39.9%, respectively, for each of the three years in the period ended June 30, 1996. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pyxis Corporation, is based solely on the report of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that

we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cardinal Health, Inc. and subsidiaries at June 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1996 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Columbus, Ohio
August 13, 1996

FINANCIAL DATA

	Fiscal Years Ended				
	June 30,			March 31,	
	1996	1995	1994	1993	1992
Net revenues	\$8,862,425	\$8,022,108	\$5,963,280	\$4,734,636	\$3,739,700
Gross margin	715,277	624,551	486,919	373,923	301,730
Selling, general and administrative expenses	433,255	378,579	291,975	243,099	211,528
Operating earnings	214,772	245,972	159,064	125,386	88,229
Operating earnings, excluding unusual items	282,022	245,972	194,944	130,824	90,202
Net earnings	111,864	137,534	79,825	55,086	38,560
Net earnings, excluding unusual items	159,697	137,534	108,938	70,280	42,290
Net earnings per Common Share:					
Primary	\$1.73	\$2.14	\$1.30	\$1.01	\$0.83
Fully Diluted	1.73	2.14	1.30	0.99	0.83
Net earnings per Common Share, excluding unusual items:					
Primary	\$2.47	\$2.14	\$1.77	\$1.29	\$0.91
Fully Diluted	2.47	2.14	1.77	1.25	0.90
Weighted average number of Common Shares outstanding:					
Primary	64,669	64,119	61,380	54,620	46,277
Fully Diluted	64,743	64,170	61,399	58,947	50,557
Balance Sheet:					
Cash and marketable securities	\$342,137	\$165,349	\$149,235	\$176,617	\$32,915
Trade receivables	564,881	522,230	347,496	254,424	254,131
Merchandise inventories	1,238,238	1,086,877	873,286	639,317	586,587
Property and equipment, net	153,462	106,659	66,467	64,653	61,921
Total Assets	\$2,681,095	\$2,160,961	\$1,636,382	\$1,265,861	\$1,023,485
Short-term obligations	\$106,007	\$6,162	\$28,358	\$6,380	\$6,795
Accounts payable	1,126,065	956,073	700,642	490,140	360,025
Long-term obligations	265,144	209,214	210,196	276,748	306,066
Shareholders' equity	930,710	799,559	567,345	395,762	281,651
Total Liabilities and Shareholders' Equity	\$2,681,095	\$2,160,961	\$1,636,382	\$1,265,861	\$1,023,485
Cash dividends declared per Common Share	\$0.12	\$0.12	\$0.10	\$0.07	\$0.06

INFORMATION

The Company's common shares, without par value (the "Common Shares") are quoted on the New York Stock Exchange under the symbol "CAH." Prior to listing on the New York Stock Exchange, the Common Shares were quoted on the Nasdaq National Market System under the symbol "CDIC."

The following table reflects the range of the reported high and low last sale prices of the Common Shares as reported on the New York Stock Exchange Composite Tape from September 7, 1994 through August 20, 1996 and on the Nasdaq National Market System, prior to September 7, 1994, and the per share dividends declared thereon.

As of August 20, 1996, there were approximately 2,400 shareholders of record of the Company's Common Shares.

The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Company's Board of Directors and will depend upon the Company's future earnings, financial condition, capital requirements, and other factors.

	High	Low	Dividends
Fiscal 1995:			
Quarter Ended			
September 30, 1994	\$42.13	\$36.63	\$0.03
December 31, 1994	48.25	41.13	0.03
March 31, 1995	50.88	44.25	0.03
June 30, 1995	47.50	42.25	0.03
Fiscal 1996:			
Quarter Ended			
September 30, 1995	\$56.50	\$43.75	\$0.03
December 31, 1995	57.88	51.13	0.03
March 31, 1996	64.25	52.50	0.03
June 30, 1996	75.25	60.25	0.03
Fiscal 1997:			
Through			
August 20, 1996	\$72.50	\$67.00	\$0.03

John C. Kane, President
and Chief Operating Officer,
and Robert D. Walter,
Chairman and Chief
Executive Officer, of
Cardinal Health, Inc.



Board of Directors

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Chairman and Chief
Executive Officer,
Gardner, Inc.

Robert L. Gerbig
President and Chief
Executive Officer,
Gerbig, Snell/
Weisheimer &
Associates, Inc.

John F. Havens
Retired Chairman
and Director Emeritus,
Banc One Corporation

Regina E.
Herzlinger, PhD
Professor, Harvard
University Graduate
School of Business
Administration

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Cardinal Health, Inc.

J. Michael Losh
Executive Vice President
and Chief Financial
Officer, General
Motors Corporation

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Chairman and Chief
Executive Officer

David Bearman
Chief Financial Officer

George H. Bennett, Jr.
General Counsel and
Secretary

Brendan A. Ford
Corporate Development

Phillip A. Greth
Chief Information
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Travel (Capital Cities)
Inc.

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Banc One Corporation

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Executive Vice President,
Life Sciences Sector and
Corporate Services,
Minnesota Mining &
Manufacturing Company

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Chairman and Chief
Executive Officer,
Cardinal Health, Inc.

Melburn G. Whitmire
Vice Chairman,
Cardinal Health, Inc.

John C. Kane
President and Chief
Operating Officer

Richard J. Miller
Controller and Principal
Accounting Officer

Edwin J. Reynolds
International

Thomas S. Summer
Treasurer

Carole W. Tomko
Human Resources

Melburn G. Whitmire
Vice Chairman

Operating Management

Cardinal Distribution

James F. Millar
President

Michael E. Beaulieu
Finance

Anthony J. Campanaro
Central Group

James E. Clare
Southern Group

Gary E. Close
Western Group

Ted L. DiBiase
Human Resources

Robin L. Martial
Managed Care Sales

Gerald W. Medlin
Hospital Sales

Mark W. Parrish
Retail Sales

Ramon M. Perez
Purchasing

Gordon A. Troup
Northern Group

Cardinal Specialty
Companies

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Senior Vice President

Michael C. Kaufmann
National PharmPak
Services, Inc.

Allied Pharmacy
Service, Inc.

Bruce D. McWhinney
President

Michael B. Gooden
Sales and Marketing

James D. Shelton
Finance

Allen E. Zimmerman
Hospital Operations

Medicine Shoppe
International, Inc.

David A. Abrahamson
President

Ronald T. Hofmeister
Executive Vice President

Gary M. Levine
Senior Vice President

Donald C. Schreiber
Finance

Pyxis Corporation

William D. Williams
Executive Vice President

Douglas C. Jeffries
Finance

George E. Morgan
Sales

Karilyn M. Perry
Strategic Planning

Michael K. Perry
Operations

Deborah Weaver
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