

Summary Annual Report 2001



Innovative. Performance-Driven. Growing.

Cardinal Health

Cardinal Health (NYSE: CAH) provides innovative products and services to tens of thousands of customers in the health-care industry. We maintain market-leading positions in pharmaceutical formulation, manufacturing, packaging and distribution; medical-surgical product manufacturing and distribution; and automation and information services. Cardinal is a Fortune 60 company, with annual revenues of more than \$38 billion produced by 49,000 associates in 22 countries on five continents.

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We focus on health care...

Cardinal Health is the largest provider of products and services to the health-care industry.



by distributing, manufacturing, and providing services...

Each day, Cardinal Health:

- ✓ Makes over 30,000 deliveries of pharmaceutical and medical-surgical products
- ✓ Picks more than 2.5 million pharmaceutical products
- ✓ Manufactures more than 3 million surgical products including surgical instruments, respiratory products, suction tubing, surgical drapes, gowns and gloves
- ✓ Manufactures or packages nearly 500 million doses of pharmaceutical products each day
- ✓ Dispenses 4 million doses of medication and 1 million medical supplies through its automated dispensing systems



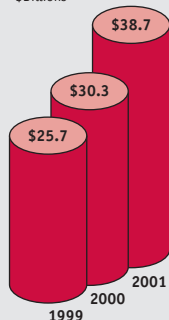
with associates around the world.

Cardinal Health associates speak 12 different languages, and 42% of our employees live outside of the United States. However, we speak a universal language of high quality and commitment to our customers.

FINANCIAL HIGHLIGHTS ⁽¹⁾

Operating Revenue

\$Billions



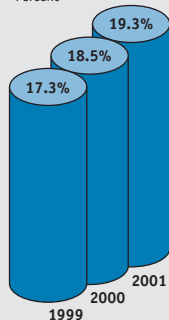
Diluted Net Earnings per Share

\$Dollars



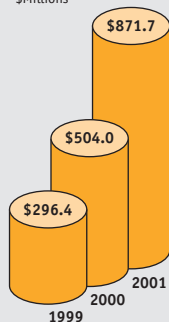
Return on Average Shareholders' Equity

Percent



Operating Cash Flow

\$Millions



Excluding Special Charges ⁽²⁾

(In millions, except percentages and per share amounts)

Fiscal Year Ended June 30,

	2001	Percent Change	2000	1999
Summary of Operations				
Operating Revenue	\$ 38,660.1	28%	\$ 30,257.8	\$ 25,682.5
Operating Earnings	1,612.0	20%	1,345.2	1,120.0
Net Earnings	\$ 942.7	23%	\$ 767.6	\$ 621.6
Performance Measures				
Operating Earnings as a % of operating revenue	4.2%		4.4%	4.4%
Return on Average Equity	19.3%		18.5%	17.3%
Operating Cash Flow	\$ 871.7	73%	\$ 504.0	\$ 296.4
Per Share Results				
Diluted Net Earnings ⁽³⁾	\$ 2.07	21%	\$ 1.71	\$ 1.39
Dividends Declared ^{(3) (4)}	\$ 0.085	21%	\$ 0.070	\$ 0.067
Weighted Average Shares Outstanding (Number)				
Diluted	455.5		448.7	447.2
Balance Sheet				
Working Capital	\$ 4,141.5		\$ 2,899.7	\$ 2,491.4
Total Assets	\$ 14,642.4		\$ 12,024.1	\$ 9,682.7
Long-term Obligations	\$ 1,871.0		\$ 1,524.5	\$ 1,224.5
Shareholders' Equity	\$ 5,437.1		\$ 4,400.4	\$ 3,894.6

Refer to the Cardinal Health, Inc. 2001 Annual Report on Form 10-K for a complete set of financial statements.

⁽¹⁾ Restated to reflect business combinations accounted for as pooling-of-interests.

⁽²⁾ Amounts in the table above (a) exclude the impact of special charges (which include merger-related charges recorded in connection with various business combinations and facilities rationalization charges) and (b) include the impact of pro forma adjustments related to the taxes for Automatic Liquid Packaging, Inc. Amounts including special charges can be found on page 25 of this report.

⁽³⁾ Net earnings and cash dividends per Common Share have been adjusted to retroactively reflect all stock dividends and stock splits through June 30, 2001.

⁽⁴⁾ Cash dividends per Common Share exclude dividends paid by all entities with which the Company has merged.

An exceptional past... an even better future.

Dear fellow shareholder,

An exceptional past...an even better future. This describes how our management team feels about Cardinal. Fiscal 2001 was an outstanding year by any measurement. We set numerous financial records (see sidebar on page 5), delivered exceptional value to our customers, and created growth and challenges that fuel rewards for our associates. As a result of these successes, shareholder value increased significantly.

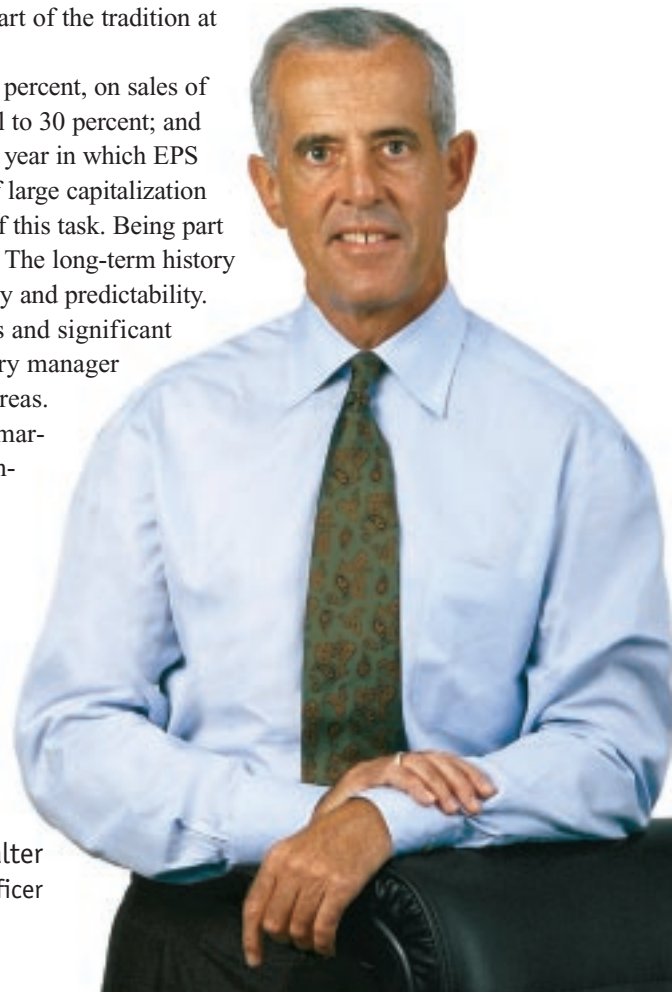
Our stock price rose 40.2 percent in fiscal 2001, on the heels of a 15.6 percent increase in fiscal 2000. But frankly, it is just recovering from a depressed price in the prior year when the stock market seemed to be worried about things that made no sense to me...like disintermediation by the Internet. We firmly put to rest the notion that upstart dot.coms would replace a company that has the scale and resources of Cardinal. We do believe the Internet is a valuable efficiency tool and will continue to invest in the technology to realize those benefits. Our customers have already begun to benefit from our investments. In fact, this next fiscal year we expect customers to transact over \$1.5 billion in sales over the Internet.

Maybe a better way to evaluate our stock's performance is to look at it over the past 10 years. During this time, our stock grew at a compound annual rate of 26 percent. At the same time earnings per share rose 24 percent, pretty much in line with price appreciation.

In fiscal 2001 we did what we said we would do...deliver 20 percent earnings per share growth before special items with a rising return on capital and strong cash flow. Since going public in 1983, we have consistently delivered on our commitments. And that is part of the tradition at Cardinal, which I will talk about later.

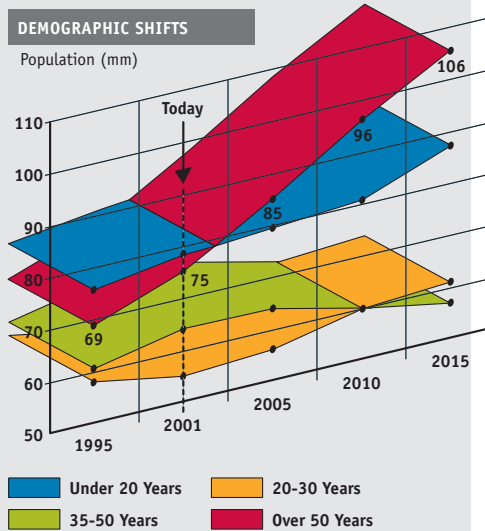
For fiscal 2001, we achieved earnings per share of \$2.07, up 21 percent, on sales of \$38.7 billion, up 28 percent; raised our return on committed capital to 30 percent; and generated \$871.7 million in cash flow. This is the 14th consecutive year in which EPS has grown by more than 20 percent. The fact that only a handful of large capitalization companies have achieved that record reminds us of the difficulty of this task. Being part of such a small group is, in itself, a strong motivator for the future. The long-term history of our stock price reminds us of the rewards for growth, consistency and predictability.

Strong internal growth combined with meaningful acquisitions and significant partnerships all contributed to the strong growth of last year. Every manager at Cardinal understands that opportunities are found in all three areas. First, we expect each of our businesses to outgrow its respective market by 50 percent each year. And most Cardinal companies accomplished that again in fiscal 2001. Second, we spent nearly \$3.0 billion on 13 acquisitions. Each acquired company met our standard of being outstanding by itself, fitting closely into our strategy, and making Cardinal collectively stronger for the future. And third, we created long-term partnerships with providers and manufacturers that created incremental value for both partners. One innovative venture is ArcLight Systems, a cooperative of leading retail chains. ArcLight captures and consolidates patient



Robert D. Walter
Chairman and Chief Executive Officer

Cardinal Health is at the center of one of the most dynamic industries: health care.



Health care is a vital, dynamic industry with exciting prospects for future growth. Health-care expenditures now total \$1.4 trillion, which is 14 percent of the gross domestic product, and are growing at a rate faster than the GDP. People over 50 make up the fastest growing demographic category in the population. Today they represent 27 percent of the U.S. population, and in just five years their numbers will increase 13 percent, totaling 85 million. This category of consumers spends \$610 billion on health care, utilizes 74 percent of all pharmaceuticals, represents 65 percent of hospital bed days, and accounts for 42 percent of physician visits.

The need to increase quality compounds this growing demand for health care. Medication safety issues are among the top items on every health-care provider's agenda. Nearly 30 percent of hospital patients have an adverse drug event. Twenty-eight percent of these events are preventable, costing the health-care system \$853,000 per 10,000 hospital admissions.

At the same time, health care must become more efficient. Health-care providers are constantly tasked to do more with less to combat labor shortages in nursing and pharmacy and eroding reimbursement rates from third-party payors.

de-identified prescription data at the time of fulfillment. ArcLight customers can then analyze pharmaceutical market trends via real-time data on ArcLight's secure Internet site.

The two largest acquisitions in fiscal 2001 were Bindley Western Industries and Bergen Brunswig Medical, distributors of pharmaceuticals and medical-surgical products, respectively. Both acquisitions offer significant synergies once consolidated into Cardinal's operations. The other eleven acquisitions fit nicely into our businesses and are already adding value. We are confident that the synergies from all acquisitions will generate more than \$130 million in annual earnings over the next three years. Our confidence comes from the fact that we understand these businesses, and have a tremendous amount of experience in successfully integrating the over 40 acquisitions we have made over the past twenty years.

An important transition for Cardinal in the past year was the retirement of John Kane as president and COO. His contributions to Cardinal over the past eight years were significant. Perhaps his most significant legacy is the seasoned and aggressive operations team that is now running Cardinal.

Because my philosophy is to push authority and responsibility further into the organization, following John Kane's departure, we instituted a new structure that resulted in several important promotions. Jim Millar was promoted to president and COO – pharmaceutical distribution and medical products, with responsibility for most of the services for health-care providers. Jim's promotion prompted the elevation of Gordon Troup and Ron Labrum each to group president of pharmaceutical distribution and medical-surgical products and services, respectively. George Fotiades was promoted to president and COO – pharmaceutical technologies and services, responsible for all services for pharmaceutical manufacturers. Steve Thomas, group president, maintained his responsibility for the automation and information areas. Each leader is a seasoned veteran in their field.

The highlights in our four reporting segments for last year were as follows:

Pharmaceutical Distribution and Provider Services

The Pharmaceutical Distribution and Provider Services (PDPS) segment recorded an exceptionally strong performance in every category. Revenues and operating earnings both grew 31 percent, and return on committed capital reached 29 percent while generating \$492 million of cash flow. This segment produced 51 percent of corporate earnings. These results were achieved while investing heavily in our infrastructure to support future growth and integrating the acquisition of Bindley Western. This segment's growth and returns were dramatically better than its direct competitors and are getting even better. Fortunately, management is staying humble and hungry.

Medical-Surgical Products and Services

Revenues grew 19 percent and operating earnings rose 20 percent. Return on sales increased to 7.49 percent, return on committed capital

reached 32 percent and cash flow was \$293 million. For the year, Medical-Surgical Products and Services (MSP) accounted for 26 percent of Cardinal's total earnings. That's a pretty nice picture, particularly given the challenges presented during the year by the rising cost of oil and adverse foreign exchange rates. MSP exited fiscal 2001 with stronger momentum than it entered.

Acquisitions played a key part in MSP's strategy during the past year. In August 2000, we completed the acquisition of Bergen Brunswig Medical. This brought \$900 million of medical product sales, including an important amount in the faster growing alternate site marketplace. Cardinal also acquired six smaller companies that strengthened our position in self-manufactured products. We expect to pick up the pace of change and to more aggressively seek acquisitions to complement our self-manufactured product portfolio.

Pharmaceutical Technologies and Services

The Pharmaceutical Technologies and Services (PTS) segment remained focused during the year, despite being our slowest growing segment. PTS accounted for 13 percent of operating earnings for the corporation. On \$1.2 billion of sales, revenue and earnings rose 9 percent, which was below historic results and our future expectations. Strong cash flow and a return on committed capital of 27 percent were achieved despite being dealt a complicated hand with a changing market for protease inhibitors and nutritionals, expansion and addition of new plants, and the planning and construction of the new pharmaceutical technologies and services center.

Investments in new capabilities, the trends toward outsourcing, and the developing needs of biotech manufacturers bode well for the future of PTS. Our PTS team has moved aggressively to add additional technical and managerial capability. Today we sit with strong talent and an unmatched collection of proprietary manufacturing and service offerings for the pharmaceutical industry, a solid and growing product pipeline, and fully modernized and qualified facilities. These factors should drive up earnings growth and return on capital dramatically over the next several years. With the resources in place and strong market demand, this segment has the potential to generate the fastest growth and highest returns for Cardinal.

Automation and Information Services

Operating earnings in Automation and Information Services (AIS) grew 22 percent to \$168 million on revenues of \$472 million, up 17 percent. Return on sales reached nearly 36 percent, a new record. Another nice picture, with earnings growing faster than sales, combined with high returns. We can earn high returns because we offer a proprietary value to the customer and continue to innovate.

The majority of the revenues in this segment come from Pyxis, the clear market leader in automated dispensing of pharmaceutical and medical-surgical supplies. Pyxis has broadened its product lines and entered new markets, including several foreign countries. The demand for solutions to medication safety issues and the need to reduce health-care costs create opportunities for strong growth for Pyxis into the foreseeable future. Our team will leverage its superior installed base, extremely high customer loyalty, and research and development capabilities to create new solutions for customers. Pyxis' innovation is measured by the percentage of sales coming from new products, which reached 54 percent in the fourth quarter of fiscal 2001.

As I noted earlier, we push authority and responsibility to the operating level to create decision makers who are closest to our customers and associates. And while the performance of each company is important—driven by incentives and measured closely—the power of related companies working together to

Financial Records & Operational Accomplishments

- ✓ Delivered 21% earnings per share growth, marking the 14th consecutive year of EPS growth greater than 20%.
- ✓ Grew operating revenues at 28% to \$38.7 billion.
- ✓ Invested over \$3 billion in capital and current earnings on strategic ventures and acquisitions, laying the groundwork for future growth.
- ✓ Raised return on committed capital to 30.0%.
- ✓ Generated \$871.7 million of operating cash flow, allowing Cardinal to reduce our net debt to total capital ratio to 15%.
- ✓ Increased return on sales in every business segment.
- ✓ Completed and integrated 13 acquisitions, adding new products, services and capacity to Cardinal's broad offering.
- ✓ Signed 42 corporate agreements with health care providers, more than doubling the company's portfolio of integrated agreements.
- ✓ Launched ArLight Systems, LLC, a venture with several major retail pharmacy chain partners to provide real time prescription sales data to pharmaceutical manufacturers.

find unique solutions to customers' needs clearly differentiates Cardinal.

Our strategy has always been to stay focused on health care, and to acquire companies that further strengthen our presence. So it is only logical that we aggressively market or cross-sell our products and services together. If not, why did we acquire these separate companies in the first place? Today we have the broadest offering of products and services in health care, whether aimed toward the provider or the manufacturer. Our corporate-level sales and marketing teams are having significant success. This cross-selling effort is a major initiative for Cardinal and is one of the primary reasons that we will continue to grow faster than the markets in which we compete.

The future for Cardinal is very bright. In the accompanying chart, I have listed "10 Reasons for Our Optimism". It starts with the favorable health-care environment and includes some of Cardinal's strengths that enable us to be particularly successful, like market-leading positions, superior scale and resources, and proprietary offerings. These strengths were developed during the past three decades and will serve us well into the future if we continue to take risks and invest for the long term.

The rich tradition and culture that exist within Cardinal give me particular comfort as I face the future. Our tradition is one of winning, playing fairly, acting ethically, continually raising our standards of performance, moving aggressively, taking appropriate risks to seek the resulting rewards and, finally, acting like owners. After all, our associates are owners. Our officers, directors and associates have an equity stake in the company of more than \$3 billion, making us collectively the second largest owner of Cardinal. We all know that the creation of economic value for ourselves and other shareholders depends on focused efforts to create value for our customers and the associates around us.

As you read this summary annual report, you will note that we are concentrating on four operational drivers that keep all of our associates moving in one direction: A relentless pursuit of *growth*, a total *focus on customer needs*, a continual push toward *operational excellence* in everything we do and, finally, a recognition that *leadership development* is critical to our future success. I think you will find an excellent blueprint for the future.

I am extremely appreciative of our associates, both those who have been with Cardinal for many years and those that have recently joined us. The future is bright for all of you. To our customers throughout health care, thank you for your long-term support. You are why we exist. And finally, thanks to the shareholders who have invested in us, particularly those that have stayed committed for the long-term. We have provided attractive rewards for you in the past and intend to do so in the future.

Sincerely,



Robert D. Walter
Chairman and Chief Executive Officer

10 Reasons for Our Optimism

1. *Favorable Health-care Environment* – Driven by strong demographic factors, health care will continue to grow much faster than the rest of the economy.
2. *Market-leading Positions* – Cardinal companies hold No. 1 or No. 2 positions in nearly all of their respective markets.
3. *Scale* – Cardinal has realized the size and position to achieve efficiency and profitability in its businesses.
4. *Proprietary Offerings* – Cardinal's businesses create unique and innovative solutions for customers with their individual offerings and collectively enhance each other.
5. *Heavy Past Investments* – The past attitude of continued investing for the future will deliver value.
6. *Superior Resources* – Relative to its competitors, Cardinal has superior human, financial and facilities resources.
7. *Diversified Business Model* – Balanced sources of earnings yield consistent performance.
8. *Seasoned Management Team* – The average tenure of senior management is 9.3 years.
9. *Risk and Ownership Orientation* – Cardinal's managers are shareholders of the company who balance the challenges of risk and reward to achieve optimal returns.
10. *Tradition and Culture* – The Cardinal environment is characterized by an entrepreneurial style, a focus on financial discipline and a strong work ethic.



The **Four Drivers** of Our Success.

Cardinal Health has established and reinforced a position of leadership in providing proprietary products and services to health-care providers and manufacturers worldwide. Superior scale, market leadership and proprietary offerings are the foundation of the company's strategy.

Cardinal is No. 1 or No. 2 in nearly every market it serves... delivers outstanding value and offers a broad range of products and services to customers...and uses the many advantages of superior scale and resources. We work at the heart of a vital industry—health care.

In all parts of the company, four “strategic drivers” focus people's work efforts. The four are growth, customer focus, operational excellence and leadership development—and Cardinal excels at each. Anything less inhibits the ability to utilize scale and resources fully, maintain market leadership, and develop innovative solutions for customers.

The following pages describe the concepts behind Cardinal's strategy. They provide examples of how these concepts are executed every day at Cardinal, and how they help us serve those who serve health care.



The \$2.2 billion merger with Bindley Western Industries added nuclear pharmacy services to Cardinal's product offerings through Bindley's Central Pharmacy Services subsidiary which operates 32 nuclear pharmacies in the United States.



Cardinal invested in both distribution capabilities and self-manufactured product lines for its medical-surgical products and services business to increase its presence with customers outside the acute care setting in the faster growing alternate site market place, such as the surgery center pictured here.

GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

At Cardinal, growth is an objective, not a by-product.

Some companies believe that growth is the result of doing things well. At Cardinal, we believe growth is the start of doing things well. Growth is an objective for us, not a by-product.

Cardinal looks at growth in both relative and absolute terms. For example, the pharmaceutical industry is expected to grow about 14 percent annually over the next five years. This is an attractive rate, especially given the growth of the general economy. But if Cardinal's pharmaceutical distribution business grows at 14 percent, it is not growing relative to its competition. Therefore, the company sets more aggressive growth targets designed to enhance its competitive position. Organic momentum, start-ups, joint ventures and acquisitions all provide opportunities for present and future expansion—and for absolute growth. Several examples:

Growth in Pharmaceutical Distribution

Cardinal's Pharmaceutical Distribution and Provider Services segment grew revenue 31 percent this year, with sales at Cardinal Distribution up over 20 percent to every customer segment. These businesses account for 81 percent of Cardinal's revenues. This revenue mix increased over the year as a result of the acquisition of Bindley Western Industries. That \$2.2 billion transaction brought together two of the nation's fastest-growing pharmaceutical distributors.

The integration of Bindley's business into Cardinal Distribution will result in higher revenues, substantial cost savings, improved productivity and numerous opportunities to introduce Cardinal services to Bindley

customers. Prior to the merger, Cardinal had 24 distribution centers averaging annual sales of \$900 million. Although 16 distribution centers were added from Bindley, by fiscal 2004 Cardinal expects to have 28 distribution centers in operation, with average annual sales of \$1.8 billion in today's dollars. Managing these facilities for maximum performance will result in better service for customers and higher returns for Cardinal.

Bindley also helps to expand our product base by bringing nuclear pharmacy services to Cardinal's offerings. Central Pharmacy Services, Inc. compounds, dispenses and delivers patient-specific prescriptions of radiopharmaceutical products, which are used to diagnose and monitor diseases, to imaging departments in hospitals and outpatient clinics from its 32 nuclear pharmacies in the United States.

Following the Patient

For decades, Allegiance Corporation, Cardinal's medical-surgical products subsidiary, has built and strengthened a leadership position in the hospital market. The next growth opportunity for this segment is in "alternate sites" of health care—surgery centers, physicians' offices, long-term care facilities and home health-care agencies—a market growing at an estimated 7 percent annually, vs. 3 percent at hospitals.

The acquisition of Bergen Brunswig Medical Corporation, completed in August 2000, significantly increased Cardinal's presence in the alternate-site market. The acquisition added 230 sales people who

GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

have spent most of their careers calling on this customer group. Additionally, Allegiance’s Witron warehouse automation system is well suited to handle the smaller shipments required by alternate-site customers. The Witron system has storage and retrieval capabilities that allow low-unit-of-measure picking at six times the rate of traditional methods.

In addition to smaller shipments, alternate-site customers have unique product needs. Self-manufactured products are another essential component in Allegiance’s intention to increase its presence in the alternate-site market. During the year Cardinal made seven acquisitions in this segment, including several self-manufactured product lines with strong applications in the alternate-site marketplace. These acquisitions included American Threshold, Critical Care Concepts and Ni-Med which add surgical masks, respiratory equipment and small procedure kits to Cardinal’s self-manufactured product lines.

The Comprehensive Source for Services

Pharmaceutical manufacturers are driven by the need to launch new drugs more quickly, develop and manufacture products more efficiently, and outsource specialized services. Cardinal’s Pharmaceutical Technologies and Services (PTS) group meets the need using a global, integrated approach for pharmaceutical product development, manufacturing, packaging and sales and marketing support.

Several factors contribute to a strong demand for outsourced pharmaceutical services. “Virtual” pharmaceutical and biotechnology companies, which are developing more than half of the products in the pharmaceutical pipeline today, have limited development, manufacturing, packaging, sales and distribution capabilities. Cardinal is uniquely placed to meet these needs. Additionally, many large pharmaceutical companies must reduce costs and improve efficiencies. Industry consolidation often means companies no longer wish to retain certain “core competencies” which are now offered by Cardinal.

In fiscal 2001, Cardinal continued to invest in its PTS segment in both new technologies and additional capacity. It now offers unique drug delivery technologies in the areas of modified release, encapsulation, topical and sterile fill. Cardinal also has significant packaging capabilities and a presence in all major pharmaceutical markets around the world.

Cardinal is further integrating its services by consolidating all of them under one roof. During fiscal 2001, Cardinal broke ground on the Pharmaceutical Technologies and Services Center in New Jersey that will showcase Cardinal’s contract drug development and delivery services. Additionally, the company acquired a facility in Puerto Rico that will house several proprietary drug delivery technologies and augments Cardinal’s strong contract packaging presence on the island. Located near the operations of more than 100 pharmaceutical companies, this facility will house capabilities in sterile fill, modified release and topical drug delivery technologies and will also manufacture traditional oral dosage forms.

Innovation through Technology

Data is a powerful tool for pharmaceutical manufacturers. They use data to track new and competitive product launches, evaluate new indications, plan direct-to-consumer campaigns and change promotional messaging.

In the recent past, pharmaceutical manufacturers received data on pharmacy sales approximately a month or more following the fill date. But these companies today need such data much more quickly, even on a “real-time” basis.

To meet this need, Cardinal has teamed up with several major retail chains to form a new company, ArcLight Systems, LLC. Using technology developed by Cardinal’s Automation and Information Services group, ArcLight captures data from pharmacies for approximately one billion prescriptions per year. ArcLight now provides valuable data to 13 pharmaceutical companies within approximately 10 minutes of the filling of a prescription.

In Fiscal 2001, Cardinal invested in a 33 acre campus in Puerto Rico, which will house capabilities in many of Cardinal's drug delivery technologies.



Darren Alkins of Bristol-Myers Squibb reviews prescription sales data in RxReal Time™, the flagship product of ArCLight Systems. ArCLight provides data in a ticker tape fashion approximately 10 minutes following the prescription being filled.





Top: Hospitals and other sites of care have implemented Pyxis' SUPPLYSTATION® automated dispensing technology to help control costs and improve utilization of supplies. Automation combined with programs such as Allegiance's ValueLink® and Procedure Based Delivery Systems have helped improve supply utilization and allow the hospital to operate on a just-in-time inventory basis for surgical supplies. Bottom: Cardinal's wireless technology saves valuable pharmacist time in selecting products for Pyxis' MEDSTATIONS® throughout the hospital.



GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

Driven to do more with less, customers look to Cardinal for unique solutions.

Health care is a relentless business. Perfection is required every day, all day. Speed and agility can be the difference between life and death. New technologies and new drugs fuel an already burgeoning demand from patients who sometimes can't afford the treatments that will save them. Cardinal's customers are on the front lines of such challenges.

Driven to do more with less, customers look to Cardinal for unique solutions, not just products and services. Cardinal's strategic response is to provide and constantly reinforce the greatest breadth of unique and innovative solutions in the industry. This approach is at work in all parts of the company, serving the largest of hospitals, pharmacy chains, and pharmaceutical manufacturers, as well as smaller organizations such as independent pharmacies, clinics, and young, research-intensive firms in the pharmaceutical field.

Customized Programs, Real Savings

New York-Presbyterian Hospital is the largest hospital in the nation's largest city. It has more than 2,000 beds and treats almost a million patients a year. The hospital is under constant pressure to reduce its costs and turned to Cardinal to help reduce inventory and labor costs.

Cardinal is this hospital's primary supplier of pharmaceuticals and medical-surgical and laboratory products and services. The company also provides cost-saving solutions in many interrelated areas.

Cardinal brought all of its capabilities together for this important customer. Working together, Cardinal and New York-Presbyterian implemented solutions such as:

- ✓ just-in-time delivery of supplies,
- ✓ supply-standardization review,
- ✓ pharmaceutical inventory-management systems,
- ✓ automated dispensing systems for pharmaceuticals and supplies, and
- ✓ electronic interfaces with various hospital systems.

The hospital has experienced real savings resulting from these programs, including reducing inventory in the central pharmacy by 37.5 percent, increasing pharmacy inventory turns from 12 to 20, reducing supply inventory by \$3.5 million, and reducing labor costs by \$1.2 million.

At this hospital and all corporate accounts, Cardinal representatives and hospital executives and staff meet biweekly to discuss ongoing programs and services and explore additional cost-reduction opportunities.

Ever More Efficient

Retail pharmacies face a variety of challenges. There certainly are opportunities presented by an aging population and its needs for pharmaceutical products. But such growth factors are challenged by labor shortages and by other cost pressures.

Cardinal Distribution has developed several proprietary programs to help pharmacy chains improve their

GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

efficiency. These programs are focused on criteria such as inventory levels as well as service levels provided to individual pharmacies.

An example: e-CIM (electronic Cardinal Inventory Management) allows pharmacists to reduce the amount of time they spend ordering and managing inventory, and to spend that time instead on their own customers. The e-CIM system is based on Cardinal's experience in advanced pharmacy inventory-management software, and on the company's expertise in managing its own \$5 billion worth of inventory.

e-CIM can improve inventory performance by 25 to 50 percent, decrease out-of-stock items by more than 50 percent, and improve service levels in serving typical chain or independent pharmacies. Inventory criteria can be set and measured at the store or headquarter level and the system automatically replenishes product based on the store's dispensing history. e-CIM also has unique built-in "intelligence" that handles changes in factors such as seasonality, package size, formulary and others.

The Value of Outsourced Services

Cardinal's pharmaceutical and biotechnology manufacturing customers also face operational

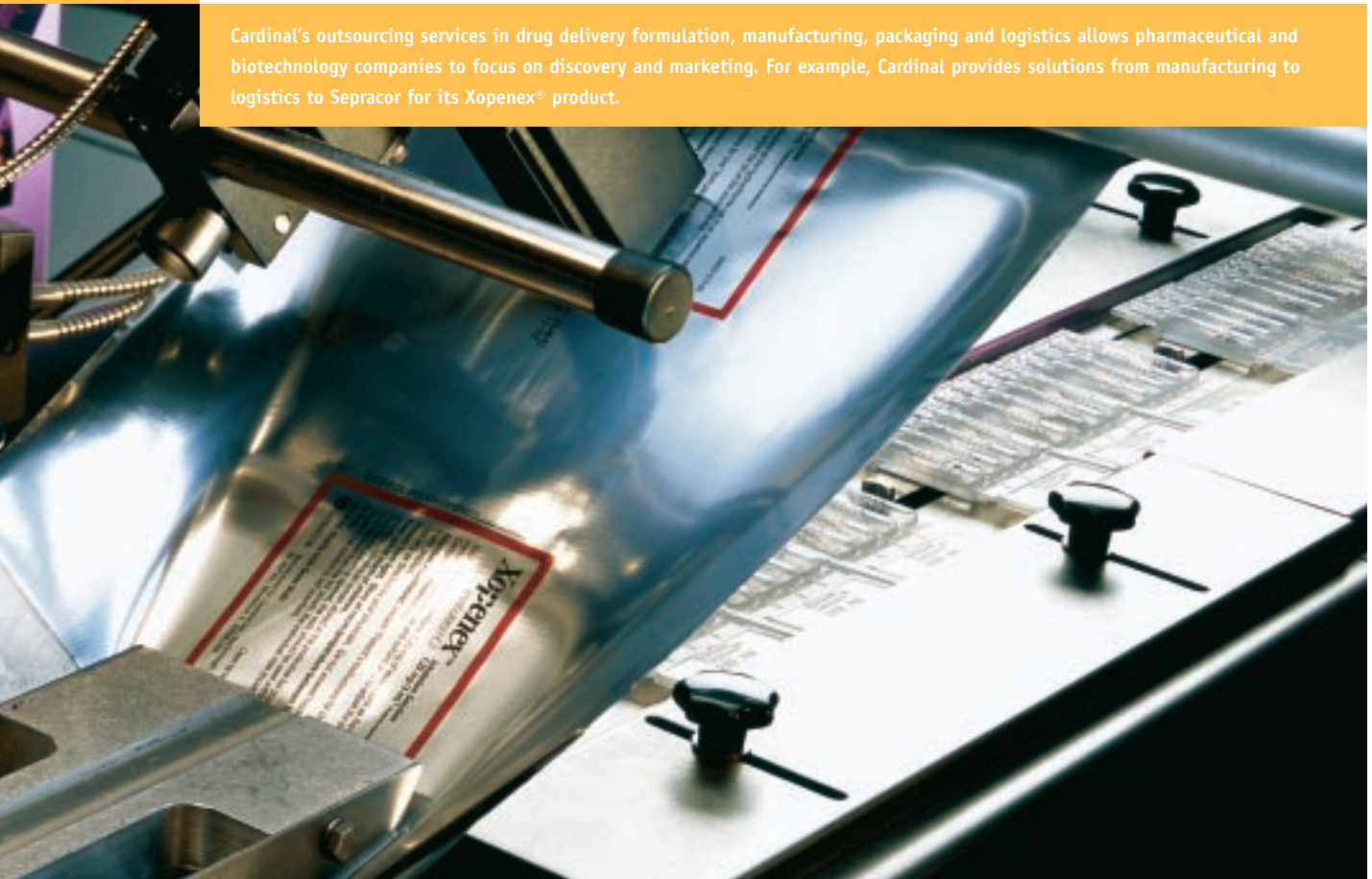
and cost-structure challenges. Cardinal's Pharmaceutical Technologies and Services (PTS) group provides a broad range of outsourced solutions for this important customer group. In fact, PTS's integrated offerings—ranging from product development to dose form manufacturing, packaging and sales—can often cut time-to-market for a new pharmaceutical in half.

Sepracor, Inc., a Massachusetts-based specialty pharmaceutical company, is a case in point. Sepracor is a leader in the "outsourced" pharmaceutical company concept, focusing its efforts on discovery. The company has elected at this time not to make investments to support non-core activities such as manufacturing, packaging and printing.

As a result, Sepracor uses Cardinal's services as part of its commercialization strategy. For Xopenex[®], Sepracor's first self-developed and self-marketed product, Cardinal handles activities from manufacturing to packaging, product inserts and logistics. This support allows Sepracor to focus its own efforts on the company's core activities.

Cardinal is also working with Sepracor on several early stage products in its pipeline. Plans in this area call for developing unique dosage forms and packages.

Cardinal's outsourcing services in drug delivery formulation, manufacturing, packaging and logistics allows pharmaceutical and biotechnology companies to focus on discovery and marketing. For example, Cardinal provides solutions from manufacturing to logistics to Sepracor for its Xopenex® product.



One of Cardinal's newest offerings, e-CIM, allows the retail pharmacist to reduce time spent on inventory management allowing more time to be spent on patient counseling activities.





Top: During the year, Cardinal opened the world's largest surgical-glove manufacturing facility in Thailand and in it implemented a new process developed by the company's engineers to reduce the cost structure in the manufacture of these gloves. Bottom: When a pharmaceutical distribution center grows to reach the need for automation, an A-frame can be added to automate the batch picking process.



GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

Cardinal's commitment to operational excellence drives higher quality and lower cost.

High quality and low cost are not mutually exclusive. In fact, in the health-care industry segments that Cardinal serves, higher demand for patient services runs into pressure on costs every day.

Cardinal is combining productivity and quality to add value to the health-care supply chain and reduce costs for all.

Some standard business disciplines, rigorously applied, are part of Cardinal's contribution. These include effective management of working capital, continuous improvements in quality and productivity, and other quantitative measures. Details are of the essence as well: low rates of product defect, on-time delivery, high levels of customer service, and high employee satisfaction. As humanistic a field as health care requires Cardinal constantly to be more creative and cost-effective.

Advantages of Scale in Pharmaceutical Distribution

Cardinal has achieved scale and leadership in pharmaceutical distribution by managing capital wisely and managing costs efficiently. This scale, in turn, makes Cardinal the low-cost operator in the industry. Cardinal Distribution's expenses as a percent of gross profit are less than 50 percent, compared with an industry average of more than 70 percent.

For example, Cardinal's distribution centers operate with a focus on high revenue and low cost. Following the Bindley Western merger, the company plans to decrease the number of centers by 30 percent while at the same time more than doubling annual sales per center and maintaining excellent customer service levels.

As sales growth increases, a distribution center goes through a two-tier process to increase capacity and efficiency to meet customer needs. The first is to increase throughput by speeding up the actual order-picking process through automation and process improvement. The second is to simply expand the size of the building, increasing its capacity. (Each center is located on enough land to accommodate expansion.)

As distribution centers reach maximum capacity and throughput, Cardinal will open a new distribution center in a strategic location to handle the business. In that case, Cardinal opens a new facility in an adjoining region and shifts some volume to create capacity to support future growth. During the past year, Cardinal opened new distribution centers in New Jersey, Arizona, Colorado and Georgia. In New Jersey for example, volume was transferred from three other centers that were operating at near-full capacity. The New Jersey facility operates within a very favorable cost structure, and the other centers now have capacity for growth.

Manufacturing Excellence in Surgeons' Gloves

Operational excellence works on a global stage. For example, the medical-surgical products business faced a difficult situation in the manufacturing of surgical gloves: Medical exam gloves and surgical gloves were made in the same plant in Malaysia, but each product had a very different cost structure.

Exam gloves are non-sterile, ambidextrous, packaged in bulk and available in only three sizes. Surgeons' gloves are sterile, packaged in pairs and

GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

available in eight sizes. New technology was needed to manufacture surgical gloves more cost-effectively.

To meet this challenge, Cardinal engineers and designers developed a new, less expensive technology for the manufacture of high-quality surgeons' gloves. However, the company also faced a labor shortage in Malaysia. The solution: build the world's largest surgical glove manufacturing facility in Thailand. The 440,000 square-foot plant, Thailand's largest construction project ever, was completed in just 300 days. More than 1,800 construction workers participated in the project. At the same time, the Malaysian plant supported the demand for surgeons' gloves during the construction period while it restructured its overhead.

Replacing a Manual Process

As part of its global "best-in-class" operations strategy, Cardinal's Pharmaceutical Technologies and Services group has implemented the Process Operations Management System (POMS®), a manufacturing system specifically engineered to increase quality. POMS replaces what is still a manual process in many pharmaceutical plants.

The modular program uses bar-codes to track pharmaceutical products from the receipt of raw materials through the completion of the manufacturing process. POMS documents all the receiving information for raw materials, including the freight bill and number of containers, assigns lot numbers, and weighs and dispenses the ingredients required for the product.

POMS was first implemented in our newest soft gel plant in Tampa, Florida. It has since been rolled out in Beinheim, France, and Swindon, England, where it is used both in the manufacture of soft gel capsules and instant-dissolve Zydis® wafers. During this past year, POMS was used to manage the receipt of more than

7.6 million kilograms of raw materials in the plant in Tampa alone.

Cardinal expanded POMS last year by installing 17 new workstations in several plants around the world. Placing the system in additional facilities is a top priority in fiscal 2002. When fully implemented, POMS will cover all activities from the receipt of raw materials to the shipment of finished products, resulting in significant cost and time savings.

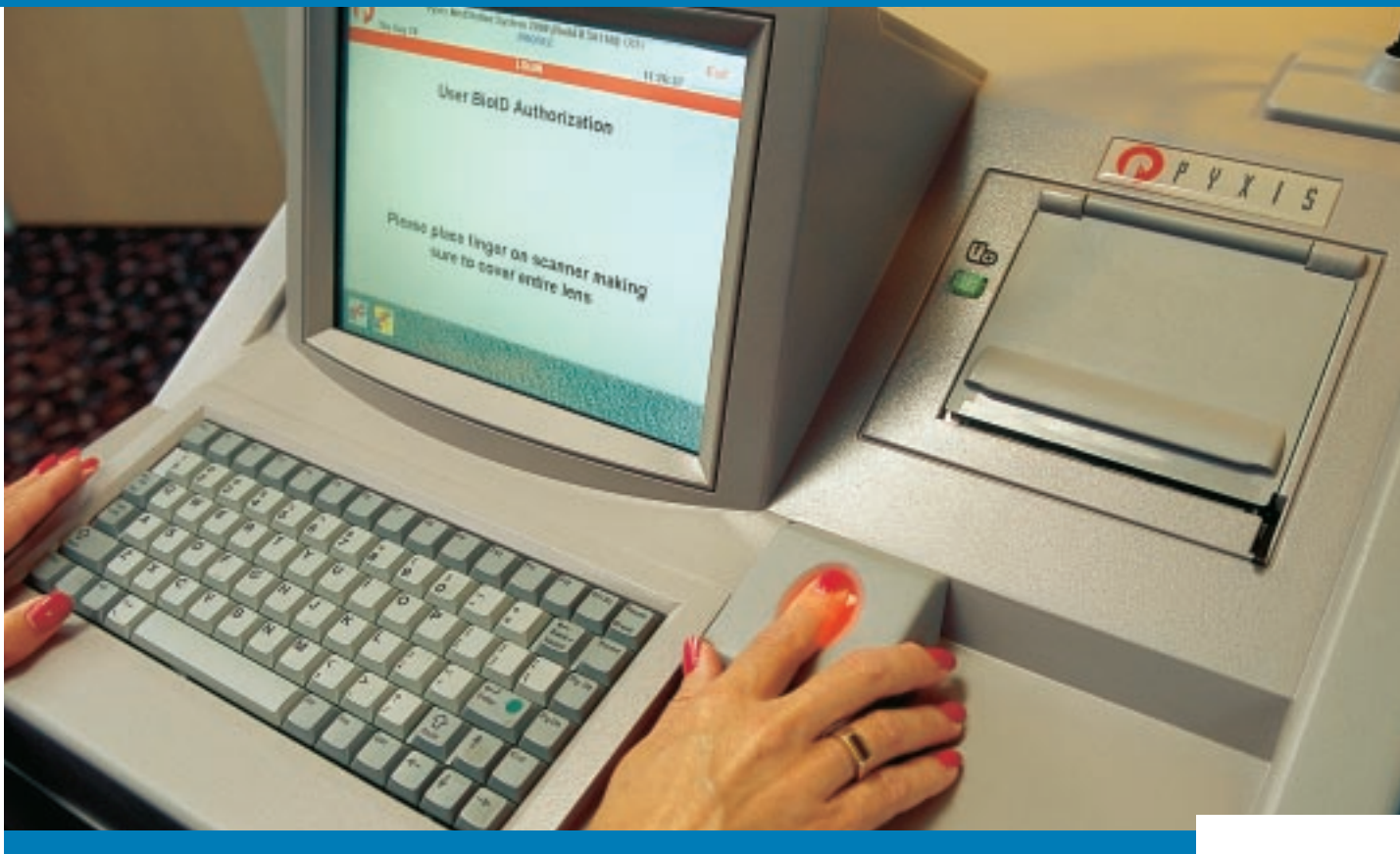
An Automated Solution to Patient Safety

Cardinal's Automation and Information group has the ability through its innovative development team to quickly respond to issues, such as medication safety, faced by hospitals. For instance, Cardinal's Pyxis business, a leading provider of automated medication and supply dispensing systems, brought its Pyxis SafetyNet suite of products, with its flagship MEDSTATION SN, to market in just four months. This rapid launch required a coordinated effort by Pyxis' research and development, project management, manufacturing and finance teams. Since the launch of this system, a little more than a year ago, Pyxis has installed more than 1,000 MEDSTATION SN units, making it Pyxis' fastest-growing product in recent history.

The MEDSTATION SN builds on Pyxis' existing point-of-use automated medication dispensing technology, offering functionality that helps reduce medication errors while improving the quality of care. This new functionality includes biometric identification and compartmentalized storage in the medication drawers to provide enhanced security and limited access to medications. MEDSTATION SN is now being used by hospitals to help improve medication safety and lower average processing time for doses, addressing both cost and quality.



Top: Cardinal's Pharmaceutical Technologies and Services businesses have implemented a bar-code tracking system in plants around the world to automate the documentation of the manufacturing process. Bottom: In fiscal 2001 Pyxis accelerated its SafetyNet campaign, which offers eight products including its flagship product, MEDSTATION SN with biometric identification required for access.





The Cardinal Leadership Forum brings together leaders from across Cardinal's businesses for an intense four-day training session including emphasis on financial measurements, valuation and strategic thinking.



GROWTH	OPERATIONAL EXCELLENCE
CUSTOMER FOCUS	LEADERSHIP DEVELOPMENT

Cardinal is a great company because we develop great people.

Without human effort, strategy cannot be executed. Cardinal is a great company because it has great people.

Leadership development is enabled by growth at Cardinal and is a key strategic priority company wide. Cardinal attracts, motivates, trains and retains the best. Talented people from a variety of backgrounds bring new ideas and fresh experience to the current mix of leaders.

Strategy and Opportunity

Outstanding people are attracted to places where real opportunities exist. They enjoy dynamic environments. Indicators of those environments include a stream of new products, ongoing acquisitions, operational excellence, risk-taking, a certain amount of restlessness and a heavy focus on the customer. The atmosphere is one of personal and organizational growth with ample opportunity for leadership.

Cardinal's emphasis on its corporate growth strategy is purposefully intense. The desire to have an environment of personal growth at all levels is no less. It is a matter of finding, hiring, motivating, keeping, challenging, promoting and developing the best possible people.

The company's growth in fiscal 2001 created a number of opportunities for senior leaders and for others at the company. In November 2000, as part of a new organizational structure, Cardinal appointed Jim Millar as president and COO of pharmaceutical distribution and medical products and George Fotiades as president and COO of pharmaceutical technologies and services. During the past year, the company also filled 12 president-level or general manager-level positions; current employees were promoted into all but one of those positions.

A Culture of Leadership

Cardinal's culture strongly encourages leadership development. People are granted responsibility early in their careers and

given the right mix of earnings responsibility, autonomy and training to run their operations. The entire organization is measured against consistent standards, but individual initiative also is rewarded.

In short, managers are expected to deliver planned results, but Cardinal recognizes that every facility at every location may not get there the same way. Managers are free to develop their own unique ideas and innovative processes to achieve their goals. At the same time, these goals must be achieved within the core values of the company. They must be accomplished in an ethical way by managers who are innovative, performance-driven and collaborative with others on the team and with customers.

Cardinal is committed to maintaining at all times a strong, diverse base of leadership talent. Formal planning for human resources takes place throughout the year and is reviewed by the board of directors. Each senior leader is responsible for evaluating the human resources strength of his or her organization. From this, Cardinal assesses its strengths and determines where additional talent must be developed or added. When evaluating a leader's potential, Cardinal reviews ten key criteria:

- ✓ customer orientation
- ✓ personal leadership qualities
- ✓ business acumen
- ✓ team attitude
- ✓ innovation and risk taking
- ✓ results orientation
- ✓ integrity
- ✓ strategic thinking
- ✓ interpersonal skills
- ✓ maturity and judgment

Cardinal attracts great people who meet these criteria and retains them by rewarding them in non-financial ways—by providing an exciting environment (serious as well as fun), a strong mission and clear guiding principles. All of these environmental factors foster partnership, trust and growth.

THE BUSINESSES OF CARDINAL HEALTH

Business Segment Description



Pharmaceutical Distribution & Provider Services

Through its Pharmaceutical Distribution and Provider Services segment, Cardinal distributes a broad line of pharmaceutical and other health-care products to hospital, retail and alternate-site pharmacies. The company also operates several specialty health-care distribution businesses which offer value-added services to the company's customers and suppliers, such as pharmaceutical repackaging; distribution of therapeutic plasma products, oncology products and other specialty pharmaceuticals to hospitals, clinics and other managed-care facilities; and third party logistics management for pharmaceutical and biotechnology manufacturers. In addition, the company operates centralized nuclear pharmacies that prepare and deliver radiopharmaceuticals to hospitals and clinics. Also within this segment, the company provides services to health-care providers through integrated pharmacy management and temporary staffing, as well as operating as a franchisor of apothecary-style retail pharmacies.



Medical-Surgical Products & Services

In its Medical-Surgical Products and Services segment, Cardinal offers a broad range of medical and laboratory products, representing more than 2,700 suppliers in addition to its own line of products, to hospitals and other health-care providers. It also manufactures sterile and non-sterile procedure kits, single-use surgical drapes, gowns and apparel, medical and surgical gloves, fluid suction and collection systems, respiratory therapy products, surgical instruments, instrument reprocessing products, special procedure products and other products. The company also provides consulting services to hospitals and other health-care providers to implement cost-saving projects.



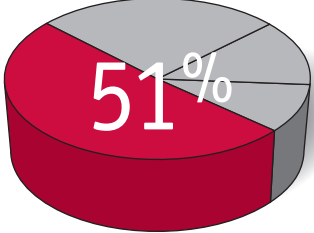
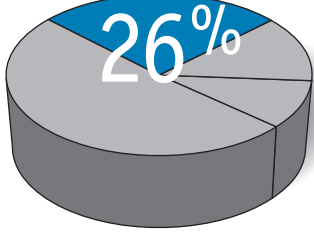
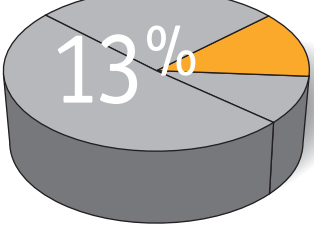
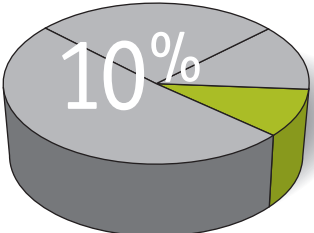
Pharmaceutical Technologies & Services

Through its Pharmaceutical Technologies and Services segment, Cardinal provides services to the makers of pharmaceutical and biotechnology products through a broad spectrum of complementary services including unique drug delivery systems and related manufacturing capabilities. The company is a leading provider of contract manufacturing and packaging of oral and sterile liquid pharmaceuticals and other health-care products in topical, inhaled and ophthalmic formulations, and also provides contract drug development and sales services to pharmaceutical companies. It is also a leading provider of diversified clinical and commercial packaging services both in the United States and Europe.



Automation & Information Services

Within its Automation and Information Services segment, Cardinal operates businesses focusing on meeting customer needs through unique and proprietary automation and information products and services, including point-of-use pharmacy systems which automate the distribution and management of medications and supplies in hospitals and other health-care facilities and information systems that analyze clinical outcomes and assist pharmacies in obtaining reimbursement from third-party payors.

FY01 Accomplishments	Customers	Employees	FY01 Revenue	FY01 Operating Earnings
<ul style="list-style-type: none"> ✓ Grew revenue and operating earnings 31%, more than 2x the rate of the pharmaceutical market ✓ Completed \$2.2 billion merger with Bindley Western Industries ✓ Constructed and opened four new state-of-the-art distribution centers, consolidated eight others ✓ Improved return on committed capital to 29.1% ✓ Achieved record cash flow generation 	Hospitals, Retail Pharmacies, Alternate Sites of Care	9,300	\$31.2B	\$884mm 
<ul style="list-style-type: none"> ✓ Grew revenue 19% and operating earnings 20% ✓ Completed seven acquisitions ✓ Opened new world class surgical glove manufacturing facility in Thailand ✓ Reduced expenses by 116 basis points to 14.60% of sales ✓ Improved return on committed capital to 31.9% 	Hospitals, Alternate Sites of Care	27,500	\$5.9B	\$442mm 
<ul style="list-style-type: none"> ✓ Grew revenue and operating earnings 9% ✓ Completed five acquisitions, expanding its portfolio of drug delivery technologies to include topical, controlled release, and parenteral (injectible) forms and expanded packaging capacity in key geographies ✓ Acquired operations of a manufacturing facility in Puerto Rico and made significant investments to expand it to house several proprietary drug delivery technologies and contract manufacturing capabilities of traditional dosage forms ✓ Commenced construction of \$80 million Pharmaceutical Technologies and Services Center in New Jersey 	Pharmaceutical Manufacturers, Biotechnology Companies	10,400	\$1.2B	\$219mm 
<ul style="list-style-type: none"> ✓ Grew revenue 17% and operating earnings 22% ✓ Formed ArcLight Systems, LLC, a new venture between Cardinal and several retail chain pharmacies to provide real-time pharmaceutical sales data to pharmaceutical manufacturers ✓ Developed and launched three new Pyxis products and eight Vistant products ✓ Expanded Pyxis' presence to seven new countries, bringing the total to 22 	Hospitals, Alternate Sites of Care, Retail Pharmacies	1,400	\$472mm	\$168mm 

PERFORMANCE SUMMARY

Operating Revenue

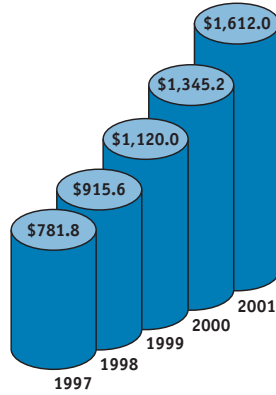
\$Billions (Fiscal year end June 30)



Operating Earnings

(Excluding special charges)

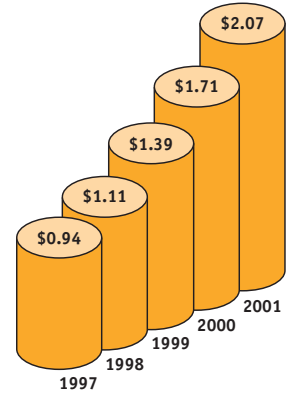
\$Millions (Fiscal year end June 30)



Diluted Net Earnings Per Share

(Excluding special charges)

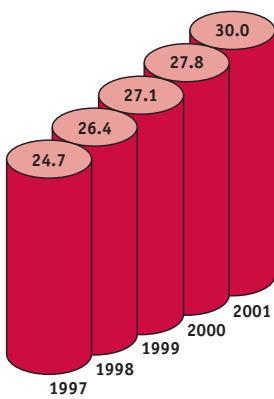
\$Dollars (Fiscal year end June 30)



Return on Committed Capital

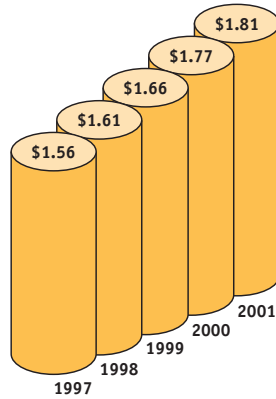
(Excluding special charges)

Percent (Fiscal year end June 30)



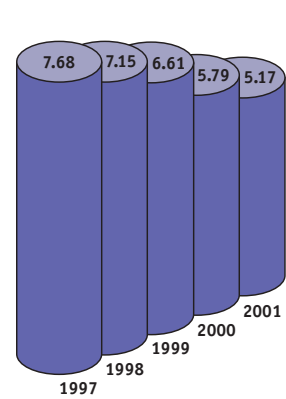
Margin Per Expense Dollar

\$Dollars (Fiscal year end June 30)



Expenses as a Percent of Operating Revenue

Percent (Fiscal year end June 30)



CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share amounts)

	Fiscal Year Ended June 30,		
	2001	2000	1999
Revenue:			
Operating revenue	\$ 38,660.1	\$ 30,257.8	\$ 25,682.5
Bulk deliveries to customer warehouses	9,287.5	8,092.1	7,050.4
Total revenue	47,947.6	38,349.9	32,732.9
Cost of products sold:			
Operating cost of products sold	35,050.2	27,163.8	22,867.6
Cost of products sold – bulk deliveries	9,285.8	8,089.9	7,048.1
Special charges	–	–	4.0
Total cost of products sold	44,336.0	35,253.7	29,919.7
Gross margin	3,611.6	3,096.2	2,813.2
Selling, general and administrative expenses	1,999.6	1,751.0	1,697.2
Special charges	124.9	64.7	161.4
Operating earnings	1,487.1	1,280.5	954.6
Interest expense and other	154.9	138.7	132.9
Earnings before income tax	1,332.2	1,141.8	821.7
Provision for income taxes	474.8	424.0	322.4
Net earnings	\$ 857.4	\$ 717.8	\$ 499.3
Net earnings per Common Share:			
Basic	\$ 1.93	\$ 1.64	\$ 1.14
Diluted	\$ 1.88	\$ 1.60	\$ 1.12
Weighted average number of Common Shares outstanding:			
Basic	443.2	438.8	434.9
Diluted	455.5	448.7	447.2
Net earnings	\$ 857.4	\$ 717.8	\$ 499.3
Pro forma adjustment for income taxes	–	–	(9.3)
Pro forma net earnings	\$ 857.4	\$ 717.8	\$ 490.0
Pro forma net earnings per Common Share:			
Basic	\$ 1.93	\$ 1.64	\$ 1.13
Diluted	\$ 1.88	\$ 1.60	\$ 1.10

Refer to the Cardinal Health, Inc. 2001 Annual Report on Form 10-K for a complete set of financial statements.

CONSOLIDATED BALANCE SHEETS

<i>(In millions)</i>	June 30, 2001	June 30, 2000
Assets		
Current assets:		
Cash and equivalents	\$ 934.1	\$ 539.5
Trade receivables, net	2,408.7	2,398.8
Current portion of net investment in sales-type leases	236.3	187.7
Inventories	6,286.1	4,657.0
Prepaid expenses and other	851.1	663.4
Total current assets	10,716.3	8,446.4
Property and equipment, at cost:		
Land, buildings and improvements	978.0	806.1
Machinery and equipment	2,167.5	2,115.4
Furniture and fixtures	200.4	144.0
Total	3,345.9	3,065.5
Accumulated depreciation and amortization	(1,507.6)	(1,337.2)
Property and equipment, net	1,838.3	1,728.3
Other assets:		
Net investment in sales-type leases, less current portion	671.7	578.6
Goodwill and other intangibles, net	1,175.4	1,043.7
Other	240.7	227.1
Total	\$ 14,642.4	\$ 12,024.1
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable & other short term borrowings	\$ 8.3	\$ 414.1
Current portion of long-term obligations	5.9	9.3
Accounts payable	5,319.9	3,895.1
Other accrued liabilities	1,240.7	1,228.2
Total current liabilities	6,574.8	5,546.7
Long-term obligations, less current portion	1,871.0	1,524.5
Deferred income taxes and other liabilities	759.5	552.5
Shareholders' equity:		
Common Shares, without par value	1,893.1	1,509.6
Retained earnings	4,146.0	3,331.6
Common Shares in treasury, at cost	(457.2)	(346.6)
Other comprehensive income	(140.3)	(81.9)
Other	(4.5)	(12.3)
Total shareholders' equity	5,437.1	4,400.4
Total	\$ 14,642.4	\$ 12,024.1

Refer to the Cardinal Health, Inc. 2001 Annual Report on Form 10-K for a complete set of financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(In millions)</i>	Fiscal Year Ended June 30,		
	2001	2000	1999
Cash Flows from Operating Activities:			
Net earnings	\$ 857.4	\$ 717.8	\$ 499.3
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	280.6	257.0	248.2
Provision for deferred income taxes	149.1	128.5	128.3
Provision for bad debts	41.4	37.5	33.1
Change in operating assets and liabilities, net of effects from acquisitions:			
Increase in trade receivables	(31.4)	(377.3)	(122.5)
Increase in inventories	(1,517.8)	(1,071.6)	(479.6)
Increase in net investment in sales-type leases	(141.8)	(159.5)	(282.3)
Increase in accounts payable	1,313.8	899.4	169.5
Other operating items, net	(79.6)	72.2	102.4
Net cash provided by operating activities	871.7	504.0	296.4
Cash Flows from Investing Activities:			
Acquisition/divestiture of subsidiaries, net of cash acquired	(364.3)	(69.6)	(147.5)
Proceeds from sale of property and equipment	72.1	60.2	58.0
Additions to property and equipment	(341.2)	(331.1)	(359.5)
Purchase of marketable securities available for sale	-	(7.7)	(15.6)
Proceeds from sale of marketable securities available for sale	-	56.1	13.5
Net cash used in investing activities	(633.4)	(292.1)	(451.1)
Cash Flows from Financing Activities:			
Net change in commercial paper and short-term debt	(824.9)	426.2	(334.9)
Reduction of long-term obligations	(53.8)	(179.8)	(118.8)
Proceeds from long-term obligations, net of issuance costs	911.3	0.5	223.7
Proceeds from securitized borrowings	-	125.8	224.2
Proceeds from issuance of Common Shares	252.1	97.5	88.9
Dividends on common shares, minority interests and cash paid in lieu of fractional shares	(36.6)	(30.0)	(77.3)
Purchase of treasury shares	(139.4)	(341.4)	(49.8)
Other	-	0.4	(4.8)
Net cash provided by (used in) financing activities	108.7	99.2	(48.8)
Net Increase (Decrease) in Cash and Equivalents	347.0	311.1	(203.5)
Change in Fiscal Year of Acquired Subsidiary	47.6	-	-
Cash and Equivalents at Beginning of Year	539.5	228.4	431.9
Cash and Equivalents at End of Year	\$ 934.1	\$ 539.5	\$ 228.4

Refer to the Cardinal Health, Inc. 2001 Annual Report on Form 10-K for a complete set of financial statements.

BOARD OF DIRECTORS



William E. Bindley
Chairman, Priority
Healthcare Corporation



Dave Bing
Chairman and
Chief Executive Officer,
The Bing Group, L.L.C.



George H. Conrades
Chairman and
Chief Executive Officer,
Akamai Technologies, Inc.



John F. Finn
Chairman and
Chief Executive Officer,
Gardner, Inc.



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



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



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



J. Michael Losh
Chairman,
Metaldyne Corporation



John B. McCoy
Chairman of the Board,
Corillian Corporation



Richard C. Notebart
President and
Chief Executive Officer,
Tellabs, Inc.



Michael D. O'Halleran
President and
Chief Operating Officer,
Aon Corporation



Robert D. Walter
Chairman and
Chief Executive Officer,
Cardinal Health, Inc.

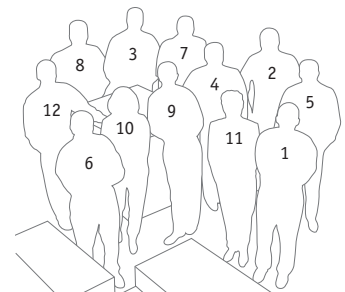


Melburn G. Whitmire
Retired Vice Chairman,
Cardinal Health, Inc.

OPERATING COMMITTEE



The Operating Committee at Cardinal Health, which is comprised of the company's executive officers, meets monthly to discuss the projects and issues across the company. Committee members are: (1) **Brendan A. Ford**, Executive Vice President – Corporate Development; (2) **George L. Fotiades**, Executive Vice President, President & Chief Operating Officer – Pharmaceutical Technologies and Services; (3) **Ronald K. Labrum**, Executive Vice President, Group President – Medical-Surgical Products & Services; (4) **James F. Millar**, Executive Vice President, President & Chief Operating Officer – Pharmaceutical Distribution and Medical Products; (5) **Richard J. Miller**, Executive Vice President, Chief Financial Officer & Principal Accounting Officer; (6) **Anthony J. Rucci**, Executive Vice President & Chief Administrative Officer; (7) **Stephen S. Thomas**, Executive Vice President, Group President – Automation & Information Services; (8) **Gordon A. Troup**, Executive Vice President, Group President – Pharmaceutical Distribution; (9) **Robert D. Walter**, Chairman & Chief Executive Officer; (10) **Carole S. Watkins**, Executive Vice President – Human Resources; (11) **Kathy Brittain White**, Executive Vice President & Chief Information Officer; (12) **Paul S. Williams**, Executive Vice President, Chief Legal Officer & Secretary.



INVESTOR INFORMATION

Fiscal 2001 Cash Dividend Data

Fiscal Quarter	Record Date	Payment Date	Per Common Share Amount
1st	October 1, 2000	October 15, 2000	\$0.020
2nd	January 1, 2001	January 15, 2001	\$0.020
3rd	April 1, 2001	April 15, 2001	\$0.020
4th	July 1, 2001	July 15, 2001	\$0.025

As adjusted for stock splits.

Common Share Price History

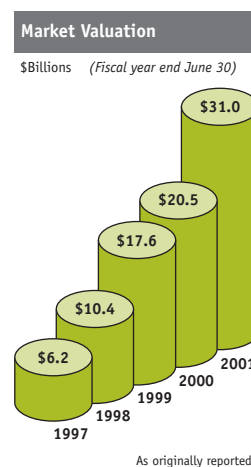
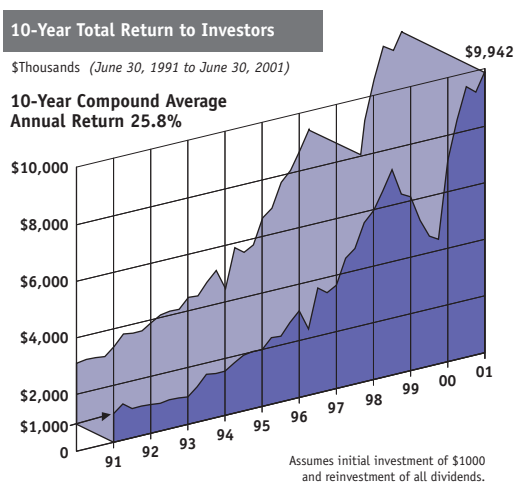
(Twelve months ended June 30)	2001	2000	1999	1998	1997
High	\$77.000	\$49.333	\$53.667	\$42.778	\$28.500
Low	\$45.271	\$24.792	\$36.556	\$24.278	\$19.852
Close	\$69.000	\$49.333	\$42.750	\$41.667	\$25.444

As adjusted for stock dividends and stock splits.

Dividend History

Year	Cash Dividends Declared	Stock Splits	Distribution Date of Dividend/Split
1991	\$0.015	5/4 Stock Split	September 30, 1990
1992	\$0.019	5/4 Stock Split	September 30, 1991
1993	\$0.023		
1994	\$0.029	5/4 Stock Split	June 30, 1994
1995	\$0.035		
1996	\$0.035		
1997	\$0.042	3/2 Stock Split	December 16, 1996
1998	\$0.049		
1999	\$0.067	3/2 Stock Split	October 30, 1998
2000	\$0.070		
2001	\$0.085	3/2 Stock Split	April 20, 2001

As adjusted for stock dividends and stock splits.



Corporate Office

Cardinal Health
7000 Cardinal Place
Dublin, Ohio 43017

(614) 757-5000
www.cardinal.com

Annual Meeting

The 2001 Annual Meeting of Shareholders will be held at 11:30 a.m. on Wednesday, November 7, 2001 at Cardinal Health's corporate office in Dublin, Ohio. Shareholders are cordially invited to attend.

Transfer Agent & Registrar

Shareholders with inquiries regarding address corrections, dividend payments, lost certificates, or changes in registered ownership should contact Cardinal Health's stock transfer agent:

EquiServe Trust Company
P.O. Box 2500
Jersey City, New Jersey 07303-2500

(800) 446-2617
(201) 324-0498

EquiServe has the ability to respond to inquiries via the Internet at: www.equiserve.com

Financial Information

Comprehensive financial information about Cardinal Health can be readily obtained by visiting the Investor Center at: www.cardinal.com.

This information including Cardinal Health's annual report, Forms 10-K and 10-Q, and other published corporate literature, is also available upon written request to the Investor Relations department at the corporate office, or by calling the Investor Relations Line at (614) 757-5222.

For other inquiries, call (614) 757-5000 and ask to speak to someone in the investor relations department.

Common Stock

Cardinal Health's common stock is listed on the New York Stock Exchange under the ticker symbol "CAH," and is a component of the Standard & Poor's 500 Index. As of August 17, 2001, Cardinal had approximately 22,000 shareholders of record.

Research Coverage

ABN Amro Inc.
A.G. Edwards & Sons, Inc.
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
Buckingham Research Group, Inc.
Credit Suisse First Boston Corporation
Dain Rauscher Wessels, Inc.
Deutsche Banc Alex. Brown Inc.
Dresdner Kleinwort Wasserstein
Edward Jones Investments
First Union Securities, Inc.
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.
Legg Mason Walker Wood, Inc.
Lehman Brothers Inc.
McDonald Investments, Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley Dean Witter & Co.
Salomon Smith Barney Inc.
Standard & Poor's Securities, Inc.
Value Line Securities, Inc.
UBS Warburg LLC/UBS PaineWebber Inc.
US Bancorp Piper Jaffray
William Blair & Company, L.L.C.



SELECTED CONSOLIDATED FINANCIAL DATA ⁽¹⁾

	Fiscal Year Ended June 30,				
<i>(In millions, except per share amounts)</i>	2001	2000	1999	1998	1997
Earnings Statement Data:					
Revenue:					
Operating revenue	\$ 38,660.1	\$ 30,257.8	\$ 25,682.5	\$ 20,844.8	\$ 18,123.2
Bulk deliveries to customer warehouses	9,287.5	8,092.1	7,050.4	7,541.1	5,659.3
Total revenue	\$ 47,947.6	\$ 38,349.9	\$ 32,732.9	\$ 28,385.9	\$ 23,782.5
Gross margin	3,611.6	3,096.2	2,813.2	2,407.1	2,173.8
Selling, general and administrative expenses	1,999.6	1,751.0	1,697.2	1,491.5	1,392.0
Special charges	(124.9)	(64.7)	(161.4)	(57.8)	(50.9)
Operating earnings ⁽⁴⁾	1,487.1	1,280.5	954.6	857.8	730.9
Net earnings ⁽⁴⁾	\$ 857.4	\$ 717.8	\$ 499.3	\$ 474.3	\$ 369.0
Net earnings per Common Share: ⁽²⁾⁽⁴⁾					
Basic	\$ 1.93	\$ 1.64	\$ 1.14	\$ 1.10	\$ 0.87
Diluted	\$ 1.88	\$ 1.60	\$ 1.12	\$ 1.07	\$ 0.85
Weighted average number of Common Shares outstanding:					
Basic	443.2	438.8	434.9	431.5	422.2
Diluted	455.5	448.7	447.2	445.3	436.1
Balance Sheet Data:					
Cash and equivalents	\$ 934.1	\$ 539.5	\$ 228.4	\$ 431.9	\$ 385.4
Trade receivables, net	\$ 2,408.7	\$ 2,398.8	\$ 2,055.6	\$ 2,054.9	\$ 1,651.9
Inventories	\$ 6,286.1	\$ 4,657.0	\$ 3,585.8	\$ 3,128.0	\$ 2,524.8
Property and equipment, net	\$ 1,838.3	\$ 1,728.3	\$ 1,654.3	\$ 1,555.6	\$ 1,460.9
Total assets	\$ 14,642.4	\$ 12,024.1	\$ 9,682.7	\$ 8,876.8	\$ 7,578.1
Short-term obligations	\$ 14.2	\$ 423.4	\$ 313.9	\$ 179.9	\$ 82.5
Accounts payable	\$ 5,319.9	\$ 3,895.1	\$ 3,004.4	\$ 2,881.3	\$ 2,182.3
Long-term obligations	\$ 1,871.0	\$ 1,524.5	\$ 1,224.5	\$ 1,362.2	\$ 1,420.7
Shareholders' equity	\$ 5,437.1	\$ 4,400.4	\$ 3,894.6	\$ 3,389.9	\$ 2,940.0
Total liabilities and shareholders' equity	\$ 14,642.4	\$ 12,024.1	\$ 9,682.7	\$ 8,876.8	\$ 7,578.1
Cash dividends declared per Common Share ⁽²⁾⁽³⁾	\$ 0.085	\$ 0.070	\$ 0.067	\$ 0.049	\$ 0.042

Refer to the Cardinal Health, Inc. 2001 Annual Report on Form 10-K for a complete set of financial statements.

⁽¹⁾ Restated to reflect business combinations accounted for as pooling-of-interests.

⁽²⁾ Net earnings and cash dividends per Common Share have been adjusted to retroactively reflect all stock dividends and stock splits through June 30, 2001.

⁽³⁾ Cash dividends per Common Share exclude dividends paid by all entities with which the Company has merged.

⁽⁴⁾ Amounts summarized above include special charges, which represent merger-related costs and other special charges recorded in connection with various business combinations and facility rationalizations. In addition, the net earnings and net earnings per common share do not reflect the impact of the pro forma adjustments related to the taxes for Automatic Liquid Packaging, Inc. ("ALP") for the fiscal years ended June 30, 1999 and 1998. The following information summarizes the results of operations of the Company, adjusted on a pro forma basis to reflect (a) the elimination of the effect of special charges and (b) the inclusion of the impact of the adjustments related to taxes for ALP.

	Fiscal Years Ended June 30,				
<i>(In millions, except per share amounts)</i>	2001	2000	1999	1998	1997
Operating earnings	\$ 1,612.0	\$ 1,345.2	\$ 1,120.0	\$ 915.6	\$ 781.8
Net earnings	942.7	767.6	621.6	493.9	405.5
Net earnings per Common Share:					
Basic	\$ 2.12	\$ 1.75	\$ 1.43	\$ 1.14	\$ 0.96
Diluted	\$ 2.07	\$ 1.71	\$ 1.39	\$ 1.11	\$ 0.94

Important Notice Regarding Forward-looking Statements

Some of the information in this report (including information incorporated by reference) includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “project,” and similar expressions, among others, identify “forward-looking statements,” which speak only as of the date the statement was made. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to materially differ from those projected, anticipated, or implied. The most significant of such risks, uncertainties and other factors are described in Cardinal’s Forms 10-K, 10-Q, and 8-K reports and exhibits to those reports filed with the Securities and Exchange Commission. Cardinal undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.



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