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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

Ohio	**31-0958666**
(State or other jurisdiction of incorporation or organization)	***(IRS Employer Identification No.)***
7000 Cardinal Place, Dublin, Ohio	**43017**
(Address of principal executive offices)	***(Zip Code)***

(614) 757-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	*Name of each exchange on which registered*
Common shares (without par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of voting stock held by non-affiliates or registrant on December 31, 2016 , was the following: $22,624,332,824 .

The number of the registrant's common shares, without par value, outstanding as of July 31, 2017, was the following: 316,453,664 .

Documents Incorporated by Reference:

Portions of the registrant's Definitive Proxy Statement to be filed for its 2017 Annual Meeting of Shareholders are incorporated by reference into the sections of this Form 10-K addressing the requirements of Part III of Form 10-K.

Cardinal Health

Fiscal 2017 Form 10-K

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Introduction

References to Cardinal Health and Fiscal Years

As used in this report, "we," "our," "us," "Cardinal Health" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2017 , 2016 , 2015 , 2014 and 2013 and to FY17 , FY16 , FY15 , FY14 and FY13 are to the fiscal years ended June 30, 2017 , 2016 , 2015 , 2014 and 2013 , respectively. Except as otherwise specified, information in this report is provided as of June 30, 2017 .

Non-GAAP Financial Measures

In this report, including in the "Fiscal 2017 Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we use financial measures that are derived from consolidated financial data but are not presented in our financial statements that are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Explanation and Reconciliation of Non-GAAP Financial Measures" section following MD&A in this report.

Important Information Regarding Forward-Looking Statements

This report (including information incorporated by reference) includes forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in MD&A, but there are others throughout this report, which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these risks and uncertainties are described in "Risk Factors" in this report and in Exhibit 99.1 to the Form 10-K included in this report. Forward-looking statements in this report speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.cardinalhealth.com), under the "Investors — Financial Reporting — SEC Filings" caption, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website (www.sec.gov) where you can search for annual, quarterly and current reports, proxy and information statements, and other information regarding us and other public companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

About Cardinal Health

Cardinal Health, Inc. is an Ohio corporation formed in 1979 and is a global, integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical.

Pharmaceutical Segment

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical, and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers to support the development, marketing, and distribution of specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals, as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products. This segment also imports and distributes pharmaceuticals, over-the-counter healthcare and consumer products and provides specialty pharmacy and other services in China.

Medical Segment

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States, Canada and China. This segment also distributes medical products to patients' homes and provides post-acute care management and transition services and software to hospitals, other healthcare providers and payers in the United States.

Consolidated Results

Fiscal 2017 Overview

Revenue
Revenue for fiscal 2017 was $130.0 billion , a 7 percent increase from the prior year, due primarily to sales growth from pharmaceutical distribution customers.

GAAP and Non-GAAP Operating Earnings

(in millions)	2017	2016	Change
GAAP	**$ 2,120**	$ 2,459	**(14)%**
Restructuring and employee severance	**56**	25	
Amortization and other acquisition-related costs	**527**	459	
Impairments and (gain)/loss on disposal of assets	**18**	21	
Litigation (recoveries)/charges, net	**48**	(69)	
Non-GAAP	**$ 2,769**	$ 2,895	**(4)%**

The sum of the components may not equal the total due to rounding.

During fiscal 2017 , GAAP operating earnings decreased 14 percent to $2.1 billion and non-GAAP operating earnings decreased 4 percent to $2.8 billion . The decreases in both GAAP and non-GAAP operating earnings were primarily due to generic pharmaceutical customer pricing changes and the previously disclosed loss of a large pharmaceutical distribution customer. The decreases were partially offset by the benefits of Red Oak Sourcing within our Pharmaceutical segment generics program and growth from our Medical segment. Changes in litigation (recoveries)/charges, net and amortization of acquisition-related intangible assets related to the acquisition of Cordis also contributed to the decrease in GAAP operating earnings during fiscal 2017 .

GAAP and Non-GAAP Diluted EPS

($ per share)	2017	2016	Change
GAAP	**$ 4.03**	$ 4.32	**(7)%**
Restructuring and employee severance	**0.11**	0.05	
Amortization and other acquisition-related costs	**1.13**	0.96	
Impairments and (gain)/loss on disposal of assets	**0.04**	0.04	
Litigation (recoveries)/charges, net	**0.09**	(0.13)	
Non-GAAP	**$ 5.40**	$ 5.24	**3 %**

The sum of the components may not equal the total due to rounding.

During fiscal 2017 , GAAP diluted earnings per share from continuing operations attributable to Cardinal Health, Inc. ("diluted EPS") decreased 7 percent to $4.03 and non-GAAP diluted EPS increased 3 percent to $5.40 . GAAP diluted EPS decreased due to lower GAAP operating earnings, partially offset by a lower effective tax rate and fewer shares outstanding as a result of share repurchases. Non-GAAP diluted EPS increased primarily due to a lower effective tax rate and fewer shares outstanding as a result of share repurchases, partially offset by lower non-GAAP operating earnings.

Cash and Equivalents
Our cash and equivalents balance was $6.9 billion at June 30, 2017 compared to $2.4 billion at June 30, 2016 . The increase in cash and equivalents during fiscal 2017 was driven by the proceeds from a $5.2 billion debt issuance and $1.2 billion provided by operating activities, partially offset by $600 million paid for share repurchases, $577 million paid in dividends, $387 million in capital expenditures and $310 million in debt repayments.

In July 2017, we used $6.1 billion to fund the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses from Medtronic plc, as discussed below, and used $403 million to redeem our 1.7% notes due 2018.

Significant Developments in Fiscal 2017 and Trends

Acquisition of Medtronic's Patient Recovery Business

On July 29, 2017, we acquired the Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses (the "Patient Recovery Business") from Medtronic plc ("Medtronic") for $6.1 billion in cash. The Patient Recovery Business manufactures 23 medical product categories sold into multiple healthcare channels, and includes numerous industry-leading brands, such as Curity, Kendall, Dover, Argyle and Kangaroo. The acquisition further expands the Medical segment's portfolio of self-manufactured products. We funded the acquisition through $4.5 billion in new long-term debt, the use of existing cash, and borrowings under our existing credit arrangements .

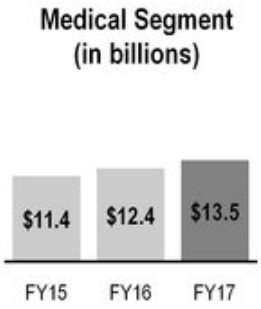
Trends

Within our Pharmaceutical segment, we expect fiscal 2018 segment profit to be less than our fiscal 2017 segment profit due primarily to generic pharmaceutical customer pricing changes, which also negatively impacted Pharmaceutical segment profit during fiscal 2017. However, as is generally the case, the frequency, timing, magnitude, and profit impact of pharmaceutical customer pricing changes and branded and generic pharmaceutical manufacturer pricing changes remain uncertain and their impact on Pharmaceutical segment profit and consolidated operating earnings in fiscal 2018 could be more or less than we expect.

In fiscal 2018, we expect the acquisition of the Patient Recovery Business will significantly increase the Medical segment's revenue and segment profit. We also expect the acquisition will significantly increase amortization and acquisition-related costs in fiscal 2018 due to the size and complexity of the acquisition. We expect our interest expense, net to increase in fiscal 2018 primarily due to the debt issued to fund a portion of the purchase price of the acquisition of the Patient Recovery Business.

Results of Operations

Revenue



	Revenue			Change	
(in millions)	**2017**	2016	2015	**2017**	2016
Pharmaceutical	**$ 116,463**	$109,131	$ 91,116	**7%**	20%
Medical	**13,524**	12,430	11,395	**9%**	9%
Total segment revenue	**129,987**	121,561	102,511	**7%**	19%
Corporate	**(11)**	(15)	20	**N.M.**	N.M.
Total revenue	**$ 129,976**	$121,546	$102,531	**7%**	19%

Fiscal 2017 Compared to Fiscal 2016

Pharmaceutical Segment
Fiscal 2017 Pharmaceutical segment revenue grew primarily due to sales growth from the addition of OptumRx and from other pharmaceutical distribution customers, including continued branded pharmaceutical price appreciation, all of which increased revenue by $7.0 billion.

Medical Segment
Fiscal 2017 Medical segment revenue grew primarily due to sales growth from new and existing customers and $212 million in contributions from acquisitions.

Fiscal 2016 Compared to Fiscal 2015

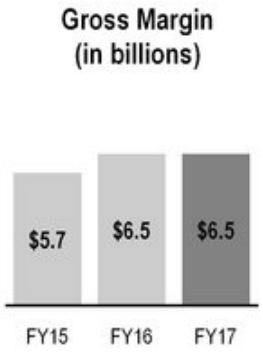
Pharmaceutical Segment
Fiscal 2016 Ph armaceutical segment revenue grew primarily due to sales growth from the addition of OptumRx and from other pharmaceutical distribution customers, including continued branded pharmaceutical price appreciation, all of which increased revenue by $16.9 billion. Acquisitions also contributed $2.1 billion to revenue growth.

Medical Segment
Fiscal 2016 Medical segment revenue grew primarily due to acquisitions, net of divestitures, which contributed $645 million, and sales growth from existing businesses.

Cost of Products Sold

Cost of products sold f or fiscal 2017 and 2016 increased $8.4 billion (7 percent) and $18.2 billion (19 percent) compared to the prior-year periods, respectively, as a result of the same factors affecting the changes in revenue and gross margin.

Gross Margin



	Consolidated Gross Margin			Change	
(in millions)	**2017**	2016	2015	**2017**	2016
Gross margin	**$ 6,544**	$ 6,543	$ 5,712	**N.M.**	15%

Fiscal 2017 Compared to Fiscal 2016

Fiscal 2017 consolidated gross margin was essentially flat versus the prior-year period.

Consolidated gross margin for fiscal 2017 was positively impacted by sales growth from pharmaceutical distribution customers ($260 million) and acquisitions in both segments ($132 million) and was negatively impacted by the previously disclosed loss of a large pharmaceutical distribution customer.

Gross margin rate contracted during fiscal 2017 , primarily due to generic pharmaceutical customer pricing changes, partially offset by the benefits from Red Oak Sourcing within our Pharmaceutical segment generics program.

Fiscal 2016 Compared to Fiscal 2015

Fiscal 2016 consolidated gross margin increased $831 million (15 percent), and was favorably impacted by sales growth from pharmaceutical distribution customers ($510 million) and acquisitions, net of divestitures ($576 million).

Gross margin rate contracted during fiscal 2016 , primarily due to changes in product mix driven by the on-boarding of a new mail order customer, OptumRx, starting in October 2015, and also due to the adverse impact of customer pricing changes. Our gross margin rate was favorably impacted by performance under our Pharmaceutical segment generics program. Our generics program had strong year-over-year performance from Red Oak Sourcing.

Distribution, Selling, General and Administrative ("SG&A") Expenses

	SG&A Expenses			Change	
(in millions)	**2017**	2016	2015	**2017**	2016
SG&A expenses	**$ 3,775**	$ 3,648	$ 3,240	**3%**	13%

Fiscal 2017 Compared to Fiscal 2016

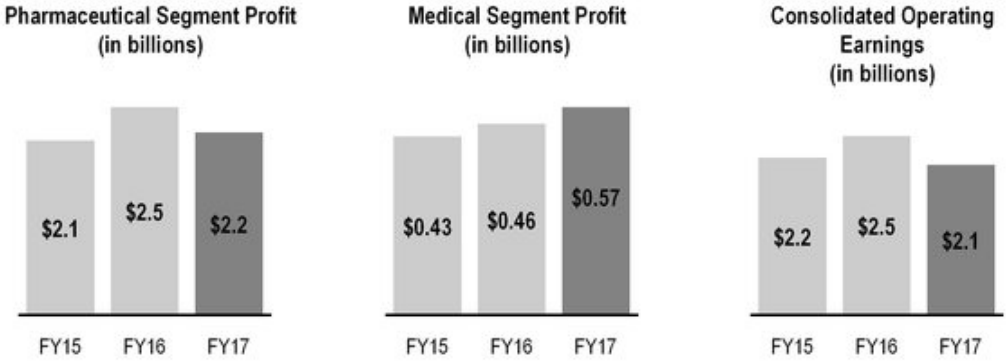
Fiscal 2017 SG&A expenses increased primarily due to acquisitions ($112 million) and costs related to a multi-year project to replace certain Pharmaceutical segment finance and operating information systems, partially offset by reduced enterprise-wide incentive compensation.

Fiscal 2016 Compared to Fiscal 2015

Fiscal 2016 SG&A expenses increased primarily due to acquisitions, net of divestitures ($370 million).

Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 15 of the "Notes to Consolidated Financial Statements" for additional information on segment profit.



	Segment Profit and Operating Earnings			Change	
(in millions)	**2017**	2016	2015	**2017**	2016
Pharmaceutical	**$ 2,187**	$ 2,488	$ 2,094	**(12)%**	19%
Medical	**572**	457	433	**25 %**	6%
Total segment profit	**2,759**	2,945	2,527	**(6)%**	17%
Corporate	**(639)**	(486)	(366)	**31 %**	33%
Total consolidated operating earnings	**$ 2,120**	$ 2,459	$ 2,161	**(14)%**	14%

Fiscal 2017 Compared to Fiscal 2016

Pharmaceutical Segment Profit
Fiscal 2017 Pharmaceutical segment profit decreased largely due to generic pharmaceutical customer pricing changes. The previously disclosed loss of a large pharmaceutical distribution customer, the adverse impact of customer repricings and reduced levels of branded pharmaceutical price appreciation also contributed to the decrease in Pharmaceutical segment profit. These were partially offset by the benefits of Red Oak Sourcing within our generics program.

Medical Segment Profit
Fiscal 2017 Medical segment profit increased due to strong performance from naviHealth, contributions from Cardinal Health branded products, reduced enterprise-wide incentive compensation, and contributions from distribution services. Cardinal Health branded products growth includes the prior year unfavorable impact on cost of products sold from the Cordis inventory fair value step up.

Corporate
As discussed further in sections that follow, the principal drivers for the change in Corporate during fiscal 2017 were the change in litigation (recoveries)/charges, net and higher amortization and other acquisition-related costs.

Fiscal 2016 Compared to Fiscal 2015

Pharmaceutical Segment Profit
Fiscal 2016 Pharmaceutical segment profit increased due to sales growth from pharmaceutical distribution customers and performance under our generics program, partially offset by the adverse impact of customer pricing changes. Acquisitions also contributed to Pharmaceutical segment profit growth. Our generics program benefited from strong year-over-year performance from Red Oak Sourcing.

Medical Segment Profit
Fiscal 2016 Medical segment profit increased due to the contribution from Cardinal Health branded products. Acquisitions, net of divestitures, which included the unfavorable impact on cost of products sold from the fair value step up of inventory acquired with Cordis, also contributed to segment profit growth. Fiscal 2016 Medical segment profit growth was partially offset by a decline in the results from our Canada business.

Corporate
As discussed further in sections that follow, the principal driver for the change in Corporate in fiscal 2016 was increased amortization and other acquisition-related costs primarily related to the acquisitions of Cordis and Harvard Drug, partially offset by litigation recoveries.

Other Components of Consolidated Operating Earnings

In addition to revenue, gross margin, and SG&A expenses discussed previously, consolidated operating earnings were impacted by the following:

(in millions)	2017	2016	2015
Restructuring and employee severance	**$ 56**	$ 25	$ 44
Amortization and other acquisition-related costs	**527**	459	281
Impairments and (gain)/loss on disposal of assets, net	**18**	21	(19)
Litigation (recoveries)/charges, net	**48**	(69)	5

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $392 million, $355 million and $189 million for fiscal 2017 , 2016 and 2015 , respectively. The increase in amortization of acquisition-related intangible assets during fiscal 2017 and fiscal 2016 was largely due to the acquisition of Cordis. Transaction and integration costs associated with the Cordis acquisition were $61 million and $78 million during fiscal 2017 and 2016 , respectively.

Transaction and integration costs associated with the acquisition of the Patient Recovery Business were $54 million during fiscal 2017 .

Litigation (Recoveries)/Charges, Net
During fiscal 2017 , we incurred litigation charges of $45 million due to accrued expenses relating to the Cordis-related IVC filter product liability claims and the settlement of the State of West Virginia matter. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information.

During fiscal 2016 and 2015 , we received and recognized income of $80 million and $71 million, respectively, from settlements of class action antitrust lawsuits in which we were a class member. During fiscal 2015 , we incurred litigation charges of $68 million related to government investigations.

Earnings From Continuing Operations Before Income Taxes

In addition to the items discussed above, earnings from continuing operations before income taxes was impacted by the following:

	Earnings from Continuing Operations Before Income Taxes			Change	
(in millions)	2017	2016	2015	2017	2016
Other (income)/expense, net	**$ (5)**	$ 5	$ (7)	**N.M.**	N.M.
Interest expense, net	**201**	178	141	**13%**	26 %
Loss on extinguishment of debt	**—**	—	60	**N.M.**	(100)%

Interest Expense, Net
Fiscal 2017 interest expense increased primarily due to $5.2 billion of new long-term debt issued in June 2017, $4.5 billion of which was used to fund the acquisition of the Patient Recovery Business in July 2017. Fees relating to a commitment for an unsecured bridge term loan facility obtained in connection with the acquisition also contributed to the increase in interest expense. No amounts were drawn under the bridge loan facility and we terminated the commitment letter in June 2017.

Fiscal 2016 interest expense increased primarily as a result of the additional $1.5 billion of debt issued in June 2015 to fund the Harvard Drug and Cordis acquisitions.

Loss on Extinguishment of Debt
In fiscal 2015, we redeemed certain debt resulting in a loss on the extinguishment of debt of $60 million ($37 million, net of tax).

Provision for Income Taxes

The provision for income taxes decreased in fiscal 2017 primarily due to a decrease in earnings from continuing operations and a 4.4 percentage point decrease in the effective tax rate as discussed below.

Generally, fluctuations in the effective tax rate are due to changes in the distribution of income among non-U.S. taxing jurisdictions with lower income tax rates and other reconciling items. A reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations is as follows (see Note 7 of the "Notes to Consolidated Financial Statements" for additional information):

	2017	2016	2015
Provision at Federal statutory rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes, net of federal benefit	**1.0**	1.5	4.1
Foreign tax rate differential	**(0.2)**	(0.6)	(2.4)
Nondeductible/nontaxable items	**0.2**	1.0	0.7
Other	**(3.3)**	0.2	1.0
Effective income tax rate	**32.7 %**	37.1 %	38.4 %

Fiscal 2017

The fiscal 2017 effective income tax rate was favorably impacted by the change in other items, which decreased 3.5 percentage points from fiscal 2016 primarily due to the realignment of foreign subsidiaries in anticipation of closing the acquisition of the Patient Recovery Business and also with deductions related to U.S. production activities. The state and local income tax rate decreased 0.5 percentage points primarily due to resolutions with state taxing authorities.

Ongoing Audits

The IRS is currently conducting audits of fiscal years 2008 through 2014.

Fiscal 2016 and Fiscal 2015

The fiscal 2016 effective income tax rate was favorably impacted by the state and local income tax rate, which decreased 2.6 percentage points from fiscal 2015 due to resolutions with state taxing authorities and a shift in the distribution of income among jurisdictions. The foreign tax rate differential decreased 1.8 percentage points primarily due to the deferred tax benefits recognized in fiscal 2015.

The fiscal 2015 effective income tax rate was unfavorably impacted by the state and local income tax rate, which increased 1.9 percentage points due to the de-recognition of certain state tax benefits. The foreign tax rate differential also increased 1.2 percentage points primarily due to recognition of deferred tax benefits resulting from new tax legislation. In addition, the change in measurement of uncertain tax positions increased 1.3 percentage points primarily as a result of proposed assessment of additional tax.

Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, dividends, and share repurchases. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

Cash and Equivalents

Our cash and equivalents balance was $6.9 billion at June 30, 2017 compared to $2.4 billion at June 30, 2016 . The increase in cash and equivalents during fiscal 2017 was driven by the proceeds from the $5.2 billion debt issuance and $1.2 billion provided by operating activities, partially offset by $600 million paid for share repurchases, $577 million paid in dividends, $387 million in capital expenditures and $310 million in debt repayments. The $1.8 billion decrease in net cash provided by operating activities was primarily due to an increase in working capital as a result of changes in timing of customer and vendor payments, some of which related to implementation of the new Pharmaceutical segment finance and operating information systems. At June 30, 2017 , our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments. On July 29, 2017, we acquired the Patient Recovery Business for $6.1 billion in cash.

The cash and equivalents balance at June 30, 2017 included $569 million of cash held by subsidiaries outside of the United States. Although the vast majority of cash is available for repatriation, bringing the cash into the United States could trigger U.S federal, state and local income tax obligations. Because the earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not practicable to evaluate the amount of U.S. tax that might be payable on the remittance of such earnings.

The decrease in cash and equivalents during fiscal 2016 of $2.2 billion was driven by $3.6 billion deployed for acquisitions, $651 million paid for share repurchases, $512 million paid in dividends and $465 million in capital expenditures, partially offset by net cash provided by operating activities of $3.0 billion , which was positively impacted by increased net earnings and working capital improvements.

During fiscal 2015 we deployed $1.0 billion of cash on share repurchases, $503 million on acquisitions and $460 million on dividends. Net cash provided by operating activities of $2.5 billion benefited from a net working capital decrease in excess of $500 million as a result of the Walgreens contract expiration.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases and payments to vendors in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at June 30, 2017 include a $1.75 billion revolving credit facility and a $700 million committed receivables sales facility program. We also have a $1.75 billion commercial paper program, backed by our revolving credit facility. At June 30, 2017 , we had no amounts outstanding under our revolving credit facility or our committed receivables sales facility program. Under our commercial paper program, we had a maximum amount outstanding of $855 million and an average daily amount outstanding of $58 million during fiscal 2017.

Our revolving credit facility and committed receivables sales facility programs require us to maintain a consolidated leverage ratio of no more than 3.25-to-1 as of the last day of each quarter. As a result of the acquisition of the Patient Recovery Business , we temporarily increased this ratio to 4.25-to-1. As of June 30, 2017 , we were in compliance with these financial covenants.

Long-Term Obligations

At June 30, 2017 , we had total long-term obligations of $9.1 billion .

In June 2017, we sold $1 billion aggregate principal amount of 1.948% notes due 2019, $1.15 billion aggregate principal amount of 2.616% notes due 2022, $350 million aggregate principal amount of floating rate notes due 2022, $750 million aggregate principal amount of 3.079% notes due 2024, $1.35 billion aggregate principal amount of 3.410% notes due 2027 and $600 million aggregate principal amount of 4.368% notes due 2047. In addition to funding a portion of the purchase price of the acquisition of the Patient Recovery Business described below, in July 2017 we used a portion of the debt proceeds to redeem our $400 million 1.7% notes due 2018.

Funding for Acquisition of Medtronic's Patient Recovery Business

On July 29, 2017 , we acquired the Patient Recovery Business from Medtronic for $6.1 billion in cash. We funded the acquisition using $4.5 billion of the proceeds from long-term debt issued in June 2017, cash on hand, $400 million in commercial paper and $300 million borrowed under our receivables sales facility. The new long-term debt was issued in June 2017 primarily to fund a portion of the purchase price of this acquisition. We also had obtained a commitment letter in April 2017 from a financial institution for a $4.5 billion unsecured bridge term loan facility that could have been used to complete the acquisition. We incurred fees related to the facility, which are included in interest expense, net. No amounts were drawn under the bridge term loan facility and we terminated the commitment letter in June 2017.

Available-for-Sale Securities

At June 30, 2017 and 2016 , we held $65 million and $200 million , respectively, of marketable securities, which are classified as available-for-sale. In July 2017, we liquidated $65 million of our marketable securities.

Risk Management

We use interest rate swaps, foreign currency contracts and commodity contracts to manage our exposure to cash flow variability. We also use interest rate swaps to protect the value of our debt and use foreign currency forward contracts to protect the value of our existing and forecasted foreign currency assets and liabilities. See the "Quantitative and Qualitative Disclosures About Market Risk" section as well as Note 1 and Note 11 of the "Notes to Consolidated Financial Statements" for information regarding the use of financial instruments and derivatives as well as foreign currency, interest rate and commodity exposures.

Capital Deployment

Capital Expenditures

Capital expenditures during fiscal 2017 , 2016 and 2015 were $387 million , $465 million and $300 million , respectively.

We expect capital expenditures in fiscal 2018 to be between $500 million and $540 million primarily for information technology projects, growth projects in our core business and for integration of the acquisition of the Patient Recovery Business.

Dividends

During fiscal 2017 , we paid quarterly dividends totaling $1.80 per share, an increase of 16 percent from fiscal 2016 .

On May 3, 2017, our Board of Directors approved a quarterly dividend of $0.4624 per share, or $1.85 per share on an annualized basis, which was paid on July 15, 2017 to shareholders of record on July 3, 2017.

Share Repurchases

During fiscal 2017, we repurchased $600 million of our common shares. We funded the repurchases with available cash. At June 30, 2017, we had $443 million remaining under our existing $1.0 billion share repurchase program.

Acquisition of Medtronic's Patient Recovery Business

Described above under "Funding for Acquisition of Medtronic's Patient Recovery Business."

Long-Term Obligations Repayment Plans

We plan to reduce our long-term obligations by approximately $500 million in each of fiscal 2018, 2019 and 2020 by paying off long-term debt as it comes due.

Contractual Obligations

At June 30, 2017 , our contractual obligations, including estimated payments due by period, are as follows:

(in millions)	2018	2019 to 2020	2021 to 2022	There-after	Total
Long-term debt and short-term borrowings (1)	$ 1,328	$ 1,950	$ 1,750	$ 5,424	**$ 10,452**
Interest on long-term debt	320	590	542	2,250	**3,702**
Capital lease obligations (2)	2	5	2	2	**11**
Other liabilities (3)	4	—	—	—	**4**
Operating leases (4)	110	171	100	107	**488**
Purchase obligations and other payments (5)	341	331	234	244	**1,150**
Total contractual obligations (6)	**$ 2,105**	**$ 3,047**	**$ 2,628**	**$ 8,027**	**$ 15,807**

(1) Represents maturities of our long-term debt obligations and other short-term borrowings excluding capital lease obligations described below. See Note 6 of the "Notes to Consolidated Financial Statements" for further information.

(2) Represents maturities of our capital lease obligations included within long-term obligations in our consolidated balance sheets.

(3) Represents cash outflows by period for certain of our liabilities in which cash outflows could be reasonably estimated. Long-term liabilities, such as unrecognized tax benefits and deferred taxes, have been excluded from the table above because of the inherent uncertainty of the underlying tax positions or because of the inability to reasonably estimate the timing of any cash outflows. See Note 7 of the "Notes to Consolidated Financial Statements" for further discussion of income taxes. Additionally, the carrying value of redeemable noncontrolling interests are excluded from the table, as the ultimate amount and timing of any future cash payments related to the redemption amount are uncertain. See Note 1 and Note 12 of the "Notes to Consolidated Financial Statements" for additional information regarding redeemable noncontrolling interests.

(4) Represents minimum rental payments for operating leases having initial or remaining non-cancelable lease terms as described in Note 8 of the "Notes to Consolidated Financial Statements."

(5) A purchase obligation is defined as an agreement to purchase goods or services that is legally enforceable and specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally canceled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period. Purchase obligations and other payments also includes quarterly payments of $45.6 million that we are required to pay CVS Health Corporation ("CVS"), in connection with the establishment of Red Oak Sourcing and will be in place for the remaining seven years of the agreement. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information.

(6) Excludes obligations from acquisitions not closed as of June 30, 2017.

Off-Balance Sheet Arrangements

We had no significant "off-balance sheet arrangements" at June 30, 2017 , as that term is defined in the SEC rules.

Recent Financial Accounting Standards

See Note 1 of the "Notes to Consolidated Financial Statements" for a discussion of recent financial accounting standards.

Critical Accounting Policies and Sensitive Accounting Estimates

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ. In this section, we describe the significant policies applied in preparing our consolidated financial statements that management believes are the most dependent on estimates and assumptions. For further discussion of accounting policies for items within this section and of additional accounting policies, see Note 1 of the "Notes to Consolidated Financial Statements."

Allowance for Doubtful Accounts

The allowance for doubtful accounts includes general and specific reserves. We determine our allowance for doubtful accounts by reviewing accounts receivable aging, industry trends, customer financial strength and credit standing, historical write-off trends and payment history. We regularly evaluate how changes in economic conditions may affect credit risks. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Receivables and Allowance for Doubtful Accounts.

A hypothetical 0.1 percent increase or decrease in the reserve as a percentage of trade receivables at June 30, 2017 , would result in an increase or decrease in bad debt expense of $8 million . We believe the reserve maintained and expenses recorded in fiscal 2017 are appropriate. At this time, we are not aware of any analytical findings or customer issues that are likely to lead to a significant future increase in the allowance for doubtful accounts as a percentage of revenue.

The following table presents information regarding the allowance for doubtful accounts over the past three fiscal years:

(in millions, except percentages)	2017	2016	2015
Allowance for doubtful accounts	**$ 137**	$ 135	$ 135
Reduction to allowance for customer deductions and write-offs	**58**	74	66
Charged to costs and expenses	**60**	74	64
Allowance as a percentage of customer receivables	**1.7%**	1.8%	2.0%
Allowance as a percentage of revenue	**0.11%**	0.11%	0.13%

Inventories

A substantial portion of our inventories (56 percent and 58 percent at June 30, 2017 and 2016 , respectively) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These are primarily merchandise inventories at the core pharmaceutical distribution facilities within our Pharmaceutical segment ("distribution facilities"). The LIFO impact on the consolidated statements of earnings depends on pharmaceutical manufacturer price appreciation or deflation and our fiscal year-end inventory levels, which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end. Prices for branded pharmaceuticals generally tend to rise, resulting in an increase in cost of products sold, whereas prices for generic pharmaceuticals generally tend to decline, resulting in a decrease in cost of products sold. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Inventories.

Using LIFO, if there is a decrease in inventory levels that have experienced pharmaceutical price appreciation, the result generally will be a decrease in future cost of products sold as our older inventory is held at a lower cost. Conversely, if there is a decrease in inventory levels that have experienced a pharmaceutical price decline, the result generally will be an increase in future cost of products sold as our older inventory is held at a higher cost.

We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation. If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2017 or 2016 because inventories valued at LIFO were $46 million and $9 million higher than the average cost value at June 30, 2017 and 2016 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record any changes in our LIFO reserve in fiscal 2017 and 2016 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or market. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $76 million and $79 million at June 30, 2017 and 2016 , respectively. We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age of on-hand inventory and manufacturer return policies. If actual conditions are less favorable than our assumptions, additional inventory reserves may be required.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. For further discussion of the Business Combinations accounting policy, see Note 1 of the "Notes to Consolidated Financial Statements."

Critical estimates and assumptions include: expected future cash flows for customer relationships, trademarks, trade names, patents, developed technology, in-process research and development ("IPR&D") and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. See Note 2 of the "Notes to Consolidated Financial Statements" for additional information regarding our acquisitions.

Goodwill and Other Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear Pharmacy Services division and Cardinal Health China - Pharmaceutical division); Nuclear Pharmacy Services division; Cardinal Health China - Pharmaceutical division; Medical operating segment (excluding our Cardinal Health at Home division and naviHealth division) ("Medical Unit"); Cardinal Health at Home division; and naviHealth division.

Goodwill impairment testing involves judgment, including the identification of reporting units and the estimation of the fair value of each reporting unit and, if necessary, the estimation of the implied fair value of goodwill. Our determination of estimated fair value of our reporting units is based on a combination of the income-based and market-based approaches. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment. If a reporting unit fails to achieve expected earnings or otherwise fails to meet current financial plans, or if there were changes to any other key assumptions used in the tests, the reporting unit could incur a goodwill impairment in a future period.

We performed annual impairment testing in fiscal 2017, 2016 and 2015 and concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. For our annual impairment test in fiscal 2017, the fair value of our Medical Unit exceeded its carrying value of $6.8 billion by approximately 6 percent, which is lower than in past years due to recent performance of our Cordis acquisition. For this test, we used a discount rate of 8.5 percent and a terminal growth rate of 2.0 percent. The goodwill balance for our Medical Unit is $2.6 billion. A decrease in future cash flows, an increase in the discount rate or a decrease in the terminal growth rate, among other things, could result in a goodwill impairment for the Medical Unit. If we were to alter our impairment testing in fiscal 2017 by increasing the discount rate by 1.0 percent, there would have been an impairment indicator for our Medical Unit and we would have performed Step 2 of the goodwill impairment test. Similarly, changes in other key assumptions used in the test could result in an impairment indicator for our Medical Unit. For any of our other reporting units, there would not have been an impairment indicator for fiscal 2017 if we raised the discount rate by 1.0 percent. Subsequent to June 30, 2017, we acquired the Patient Recovery Business as discussed in Note 18, which will be included in the Medical Unit going forward and is expected to significantly contribute to the profit of this unit.

Intangible assets with finite lives are amortized using a combination of straight-line and accelerated methods based on the expected cash flows from the asset over their estimated useful lives. We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

The impairment test for indefinite-lived intangibles other than goodwill (primarily IPR&D) requires comparing the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date.

We estimate the fair value of our indefinite-lived intangibles under the income approach using a discounted cash flow model. We use our internal forecasts to estimate future cash flows, which we believe are consistent with those of a market participant, and include an estimate of long-term growth rates based on our most recent views of the long-term outlook for the indefinite-lived intangible including, among other factors, assumptions on regulatory approval for IPR&D.

Determining whether an impairment of indefinite-lived intangibles occurred requires estimating future undiscounted cash flows expected to be generated by the asset group. Actual results may differ materially from those used in our forecasts.

See Note 1 of "Notes to Consolidated Financial Statements" for additional information regarding goodwill and other intangible assets.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputed transactions are researched and resolved based upon findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. For further discussion on the Vendor Reserves, see Note 1 of "Notes to Consolidated Financial Statements."

Vendor reserves were $50 million and $62 million at June 30, 2017 and 2016 , respectively. Approximately 77 percent of the vendor reserve at the end of fiscal 2017 pertained to the Pharmaceutical segment compared to 66 percent at the end of fiscal 2016 . The reserve balance will fluctuate due to variations in outstanding claims from period-to-period, timing of resolutions and specific vendor issues.

The ultimate outcome of specific claims may be different than our original estimate and may require adjustment. We believe, however, that reserves recorded for such disputes are reasonable based upon current facts and circumstances.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Because these matters are inherently unpredictable and unfavorable developments or outcomes can occur, assessing contingencies is highly subjective and requires judgments about future events.

We also self-insure for employee healthcare, certain product liability matters, auto liability, property and workers' compensation and maintain insurance for individual losses exceeding certain limits when available.

Self-insurance accruals include an estimate for expected settlements on pending claims, defense costs, administrative fees, claims adjustment costs and an estimate for claims incurred but not reported.

For certain types of exposures, we develop the estimate of expected ultimate costs to settle each claim which is based on specific information related to each claim if available. Other estimates are based on an assessment of outstanding claims, historical analysis and current payment trends. For claims incurred but not reported, the liabilities are calculated and derived in accordance with generally accepted actuarial practices or using an estimated lag period.

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. The amount of loss may differ from these estimates. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information regarding loss contingencies and product liability lawsuits.

Provision for Income Taxes

Our income tax expense, deferred income tax assets and liabilities, and unrecognized tax benefits reflect management's assessment of estimated future taxes to be paid on items in the consolidated financial statements.

The following table presents information about our tax position at June 30:

(in millions)	2017	2016
Total deferred income tax assets (1)	**$ 692**	$ 567
Valuation allowance for deferred income tax assets (2)	**(237)**	(93)
Net deferred income tax assets	**455**	474
Total deferred income tax liabilities	**(2,331)**	(2,130)
Net deferred income tax liability	**$ (1,876)**	$ (1,656)

(1) Total deferred income tax assets included $378 million and $193 million of loss and tax credit carryforwards at June 30, 2017 and 2016 , respectively.

(2) The valuation allowance primarily relates to federal, state and international loss carryforwards for which the ultimate realization of future benefits is uncertain.

Expiring loss and credit carryforwards and the required valuation allowances are adjusted quarterly. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described above.

We believe that our estimates for the valuation allowances against deferred tax assets and unrecognized tax benefits are appropriate based on current facts and circumstances. The amount we ultimately pay when matters are resolved may differ from the amounts accrued. For a further discussion on Provision for Income Taxes, see Note 1 of the "Notes to the Consolidated Financial Statements."

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation processes. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

If any of our assumptions or estimates were to change, an increase or decrease in our effective income tax rate by 1 percent would have caused income tax expense to increase or decrease $19 million for fiscal 2017 . See Note 7 of the "Notes to Consolidated Financial Statements" for additional information regarding unrecognized tax benefits.

Share-Based Compensation

Employee share-based compensation is recognized in the consolidated statements of earnings based on the grant date fair value of the awards. The grant date market price of our common shares determines the fair value of restricted share units and performance share units. The fair value of stock options is determined using a lattice valuation model. We believe the lattice model provides reasonable estimates because it takes into account employee exercise patterns based on changes in our stock price and other variables and it provides for a range of input assumptions.

We analyze historical data to estimate option exercise behaviors and post-vesting forfeitures to be used within the lattice model. The expected life of the options granted, which represents the length of time in years that the options granted are expected to be outstanding, is calculated from the option valuation model. Expected volatilities are based on implied volatility from traded options on our common shares and historical volatility over a period of time commensurate with the contractual term of the option grant (up to ten years).The forfeiture estimates are adjusted as circumstances change and ultimately reflect actual forfeitures when an award vests. Actual forfeitures in future reporting periods could be higher or lower than our current estimates. Compensation expense for nonvested performance share units depends on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. See Note 16 of the "Notes to Consolidated Financial Statements" for additional information regarding share-based compensation.

Explanation and Reconciliation of Non-GAAP Financial Measures

This report, including the "Fiscal 2017 Overview" section within MD&A, contains financial measures that are not calculated in accordance with GAAP. In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, evaluate the balance sheet, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges from non-GAAP metrics allows for a better comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- Restructuring and employee severance costs are excluded because they relate to programs in which we fundamentally change our operations and because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs are excluded primarily for consistency with the presentation of the financial results of our peer group companies. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion allows for better comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.
- Impairments and gain or loss on disposal of assets are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and their exclusion results in a metric that more meaningfully reflects the sustainability of our operating performance.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount. Beginning in the third quarter of fiscal 2017, consistent with the presentation of financial results by peer medical device companies, in litigation recoveries or charges, net we began to classify accrued losses and legal fees, net of expected recoveries, related to mass tort product liability claims, including claims for injuries allegedly caused by Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. Such amounts would not have materially affected litigation recoveries or charges, net in prior periods, so have not been reclassified for those periods.
- Loss on extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt financing transactions.

The tax effect for each of the items listed above is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

Explanation and Reconciliation of Non-GAAP Financial Measures

Definitions

Growth rate calculation : growth rates in this report are determined by dividing the difference between current period results and prior period results by prior period results.

Non-GAAP operating earnings : operating earnings excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets and (5) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes : earnings before income taxes excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net and (6) loss on extinguishment of debt.

Non-GAAP net earnings attributable to Cardinal Health, Inc. : net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net and (6) loss on extinguishment of debt, each net of tax.

Non-GAAP diluted EPS attributable to Cardinal Health, Inc. : non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

Explanation and Reconciliation of Non-GAAP Financial Measures

GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings [1,2]	Net Earnings [1,2] Growth Rate	Diluted EPS [1,2]	Diluted EPS [1,2] Growth Rate
				Fiscal Year 2017				
GAAP	**$ 2,120**	**(14)%**	**$ 1,924**	**$ 630**	**$ 1,288**	**(10)%**	**$ 4.03**	**(7)%**
Restructuring and employee severance	56		56	20	36		0.11	
Amortization and other acquisition-related costs	527		527	165	362		1.13	
Impairments and loss on disposal of assets	18		18	6	12		0.04	
Litigation (recoveries)/charges, net	48		48	19	29		0.09	
Non-GAAP	**$ 2,769**	**(4)%**	**$ 2,572**	**$ 839**	**$ 1,727**	**— %**	**$ 5.40**	**3 %**
				Fiscal Year 2016				
GAAP	$ 2,459	14 %	$ 2,276	$ 845	$ 1,427	18 %	$ 4.32	20 %
Restructuring and employee severance	25		25	9	16		0.05	
Amortization and other acquisition-related costs	459		459	143	316		0.96	
Impairments and loss on disposal of assets	21		21	6	15		0.04	
Litigation (recoveries)/charges, net	(69)		(69)	(27)	(42)		(0.13)	
Non-GAAP	$ 2,895	17 %	$ 2,711	$ 976	$ 1,732	18 %	$ 5.24	20 %
				Fiscal Year 2015				
GAAP	$ 2,161	15 %	$ 1,967	$ 755	$ 1,212	4 %	$ 3.61	7 %
Restructuring and employee severance	44		44	15	29		0.09	
Amortization and other acquisition-related costs	281		281	100	181		0.54	
Impairments and (gain)/loss on disposal of assets	(19)		(19)	(10)	(9)		(0.03)	
Litigation (recoveries)/charges, net	5		5	(14)	19		0.06	
Loss on extinguishment of debt	—		60	23	37		0.11	
Non-GAAP	$ 2,472	16 %	$ 2,339	$ 870	$ 1,469	11 %	$ 4.38	14 %
				Fiscal Year 2014				
GAAP	$ 1,885	89 %	$ 1,798	$ 635	$ 1,163	247 %	$ 3.37	247 %
Restructuring and employee severance	31		31	11	20		0.06	
Amortization and other acquisition-related costs	223		223	79	144		0.42	
Impairments and (gain)/loss on disposal of assets	15		15	5	10		0.03	
Litigation (recoveries)/charges, net	(21)		(21)	(8)	(13)		(0.04)	
Non-GAAP	$ 2,133	4 %	$ 2,047	$ 722	$ 1,324	3 %	$ 3.84	3 %
				Fiscal Year 2013				
GAAP	$ 996	(44)%	$ 888	$ 553	$ 335	(69)%	$ 0.97	(68)%
Restructuring and employee severance	71		71	27	44		0.13	
Amortization and other acquisition-related costs	158		158	52	106		0.31	
Impairments and (gain)/loss on disposal of assets	859		859	37	822		2.39	
Litigation (recoveries)/charges, net	(38)		(38)	(15)	(23)		(0.07)	
Non-GAAP	$ 2,046	10 %	$ 1,938	$ 654	$ 1,284	15 %	$ 3.73	16 %

1 from continuing operations
2 attributable to Cardinal Health, Inc.

The sum of the components may not equal the total due to rounding.
We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Selected Financial Data

The consolidated financial data below includes all business combinations as of the date of acquisition that occurred during these periods. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and MD&A.

(in millions, except per common share amounts)	**2017**	2016	2015	2014	2013 (1)
Earnings Data:					
Revenue	**$ 129,976**	$ 121,546	$ 102,531	$ 91,084	$ 101,093
Operating earnings	**2,120**	2,459	2,161	1,885	996
Earnings from continuing operations	**1,294**	1,431	1,212	1,163	335
Earnings/(loss) from discontinued operations, net of tax	**—**	—	3	3	(1)
Net earnings	**1,294**	1,431	1,215	1,166	334
Less: Net earnings attributable to noncontrolling interests	**(6)**	(4)	—	—	—
Net earnings attributable to Cardinal Health, Inc.	**$ 1,288**	$ 1,427	$ 1,215	$ 1,166	$ 334
Basic earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 4.06**	$ 4.36	$ 3.65	$ 3.41	$ 0.98
Discontinued operations	**—**	—	0.01	0.01	—
Net basic earnings per common share attributable to Cardinal Health, Inc.	**$ 4.06**	$ 4.36	$ 3.66	$ 3.42	$ 0.98
Diluted earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 4.03**	$ 4.32	$ 3.61	$ 3.37	$ 0.97
Discontinued operations	**—**	—	0.01	0.01	—
Net diluted earnings per common share attributable to Cardinal Health, Inc.	**$ 4.03**	$ 4.32	$ 3.62	$ 3.38	$ 0.97
Cash dividends declared per common share	**$ 1.8091**	$ 1.6099	$ 1.4145	$ 1.2500	$ 1.0900
Balance Sheet Data:					
Total assets	**$ 40,112**	$ 34,122	$ 30,142	$ 26,033	$ 25,819
Long-term obligations, less current portion	**9,068**	4,952	5,211	3,171	3,686
Total Cardinal Health, Inc. shareholders' equity	**6,808**	6,554	6,256	6,401	5,975

(1) During fiscal 2013, we recognized a non-cash goodwill impairment charge of $829 million ($799 million, net of tax) related to our Nuclear Pharmacy Services division.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to foreign exchange, interest rate, and commodity price-related changes. We maintain a hedging program to manage volatility related to these market exposures which employs operational, economic, and derivative financial instruments in order to mitigate risk. See Note 1 and Note 11 of the "Notes to Consolidated Financial Statements" for further discussion regarding our use of derivative instruments.

Foreign Exchange Rate Sensitivity

By the nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. Principal drivers of this foreign exchange exposure include the Canadian dollar, Euro, Thai baht, Mexican peso, Japanese yen, Chinese renminbi, Philippine peso, Singapore dollar, Russian ruble, and Australian dollar.

Transactional Exposure

Transactional exposure arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our subsidiaries. As part of our risk management program, at the end of each fiscal year we perform a sensitivity analysis on our forecasted transactional exposure for the upcoming fiscal year. These analyses include the estimated impact of our hedging program, which is designed to mitigate transactional exposure. Our forecasted transactional exposure at June 30, 2017 increased from the prior year primarily as a result of the increased transaction volume in foreign currencies due to the acquisition of Cordis, and we expect our transactional exposure to further increase in fiscal 2018 due to our acquisition of the Patient Recovery Business . At June 30, 2017 and 2016 , we had hedged approximately 25 and 29 percent of transactional exposures, respectively.

The following table summarizes the analysis as it relates to transactional exposure and the impact of a hypothetical 10 percent fluctuation in foreign currency exchange rates, assuming rates collectively shift in the same direction and we are unable to change customer pricing in response to those shifts, for the upcoming fiscal year:

	June 30	
(in millions)	**2017 (1)**	2016
Net hypothetical transactional exposure	**$ 638**	$ 621
Sensitivity gain/loss	**$ 64**	$ 62
Estimated offsetting impact of hedges	**(16)**	(18)
Hypothetical net gain/loss	**$ 48**	$ 44

(1) This analysis excludes exposures that may be added as a result of acquisitions that have not yet closed as of June 30, 2017.

Translational Exposure

We have exposure related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. We perform a similar analysis to that previously described related to this translational exposure. Our forecasted translational exposure at June 30, 2017 was essentially flat compared to the prior period, however we expect our translational exposure to increase in fiscal 2018 due to our acquisition of the Patient Recovery Business . We have not typically hedged any of our translational exposure and no hedging impact was included in our analysis at June 30, 2017 and 2016 .

The following table summarizes translational exposure and the impact of a hypothetical 10 percent strengthening or weakening in the U.S. dollar, assuming rates collectively shift in the same direction, for the upcoming fiscal year:

	June 30	
(in millions)	**2017 (1)**	2016
Net hypothetical translational exposure	**$ 199**	$ 201
Sensitivity gain/loss	**20**	20

(1) This analysis excludes exposures that may be added as a result of acquisitions that have not yet closed as of June 30, 2017.

Interest Rate Sensitivity

We are exposed to changes in interest rates primarily as a result of our borrowing and investing activities to maintain liquidity and fund operations. The nature and amount of our long-term and short-term debt can be expected to fluctuate as a result of business requirements, market conditions and other factors. Our policy is to manage exposures to interest rates using a mix of fixed and floating rate debt as deemed appropriate by management. We utilize interest rate swap instruments to mitigate our exposure to interest rate movements.

As part of our risk management program, we perform an annual sensitivity analysis on our forecasted exposure to interest rates for the upcoming fiscal year. This analysis assumes a hypothetical 50 basis point change in interest rates. At June 30, 2017 and 2016 , the potential increase or decrease in annual interest expense under this analysis as a result of this hypothetical change was $16 million and $9 million, respectively.

We are also exposed to market risk from changes in interest rates related to our cash and cash equivalents, which includes marketable securities that are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. The fair value of our cash and cash equivalents is subject to change primarily as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. At both June 30, 2017 and 2016 , a hypothetical increase or decrease of 50 basis points in interest rates would cause a potential increase or decrease of up to $1 million and $11 million, respectively, in the estimated fair value.

Commodity Price Sensitivity

We are directly exposed to market price changes for certain commodities, including oil-based resins, nitrile, cotton, diesel fuel and latex. We typically purchase raw materials at either market prices or prices tied to a commodity index and some finished goods at prices based in part on a commodity price index. We also are indirectly exposed to fluctuations in certain commodity prices through the purchase of finished goods and various energy-related commodities, including natural gas and electricity, through our normal course of business where our contracts are not directly tied to a commodity index. As part of our risk management program, we perform sensitivity analysis on our forecasted commodity exposure for the upcoming fiscal year. Our forecasted commodity exposure at June 30, 2017 was essentially flat compared to the prior period, however we expect our commodity exposure to increase in fiscal 2018 due to our acquisition of the Patient Recovery Business . At June 30, 2017 and 2016 , we had hedged a portion of these direct commodity exposures (see Note 11 of the "Notes to Consolidated Financial Statements" for further discussion).

The table below summarizes our analysis of these forecasted direct and indirect commodity exposures and the potential gain/loss given a hypothetical 10 percent fluctuation in commodity prices, assuming pricing collectively shifts in the same direction and we are unable to change customer pricing in response to those shifts, for the upcoming fiscal year:

	June 30	
(in millions)	**2017 (1)**	2016
Hypothetical commodity exposure	**$ 411**	$ 417
Sensitivity gain/loss	**$ 41**	$ 42
Hypothetical offsetting impact of hedges	**(1)**	(1)
Hypothetical net gain/loss	**$ 40**	$ 41

(1) This analysis excludes exposures that may be added as a result of acquisitions that have not yet closed as of June 30, 2017.

We believe our total gross range of direct and indirect exposure to commodities, excluding exposure that may be added as a result of the acquisition of the Patient Recovery Business , is $400 million to $500 million for fiscal 2018.

Business

General

Cardinal Health, Inc. is a global, integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency from hospital to home. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management.

Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

- distributes branded and generic pharmaceutical and over-the-counter healthcare and consumer products through its Pharmaceutical Distribution division to retailers (including chain and independent drug stores and pharmacy departments of supermarkets and mass merchandisers), hospitals and other healthcare providers. This division:
  - maintains prime vendor relationships that streamline the purchasing process resulting in greater efficiency and lower costs for our retail, hospital and other healthcare provider customers;
  - provides services to pharmaceutical manufacturers, including distribution, inventory management, data reporting, new product launch support and chargeback administration;
  - provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers, and operates pharmacies in community health centers; and
  - repackages generic pharmaceuticals and over-the-counter healthcare products;
- distributes specialty pharmaceutical products to hospitals and other healthcare providers; provides consulting, patient support and other services for specialty pharmaceutical products to pharmaceutical manufacturers and healthcare providers; and provides specialty pharmacy services through its Specialty Solutions division; and
- operates nuclear pharmacies and manufacturing facilities through its Nuclear Pharmacy Services division, which manufactures, prepares and delivers radiopharmaceuticals for use in nuclear imaging and other procedures in hospitals and physician offices. During fiscal 2017, this division also began operating a facility to contract manufacture a radiopharmaceutical treatment (Xofigo) and acquired the North American rights to Lymphoseek, a radiopharmaceutical diagnostic imaging agent.

In China, the Pharmaceutical segment distributes branded, generic and specialty pharmaceutical, over-the-counter healthcare and consumer products, provides logistics, marketing and other services and operates direct-to-patient specialty pharmacies through Cardinal Health China. In July 2017, we announced that we are exploring strategic alternatives for the Cardinal Health China pharmaceutical and medical distribution businesses. Our other medical product businesses in China, including Cordis and the Patient Recovery Business acquired from Medtronic, are not part of this exploration.

See Note 15 of the "Notes to Consolidated Financial Statements" for Pharmaceutical segment revenue, profit and assets for fiscal 2017 , 2016 and 2015 .

Pharmaceutical Distribution

Our Pharmaceutical Distribution division's gross margin includes margin from our generic pharmaceutical program, from distribution services agreements with branded pharmaceutical manufacturers and from over-the-counter healthcare and consumer products. It also includes manufacturer cash discounts.

Margin from our generic pharmaceutical program includes price discounts and rebates from manufacturers and may include price appreciation on some products. Our earnings on generic pharmaceuticals are generally highest during the period immediately following the initial launch of a product, because generic pharmaceutical selling prices are generally highest during that period and tend to decline over time.

Margin from distribution services agreements with branded pharmaceutical manufacturers relates primarily to fees we receive for providing a range of distribution and related services to manufacturers and also, to a lesser extent, includes benefits from price appreciation on branded pharmaceutical products.

Sourcing Venture With CVS Health Corporation

In July 2014, we established Red Oak Sourcing, a U.S.-based generic pharmaceutical sourcing venture with CVS with an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of both companies.

Specialty Pharmaceutical Products and Services

We refer to products and services offered by our Specialty Solutions division as "specialty pharmaceutical products and services." The Specialty Solutions division distributes oncology, rheumatology, urology, nephrology and other pharmaceutical products ("specialty pharmaceutical products") and human-derived plasma products to hospitals, dialysis clinics, physician offices and other healthcare providers; provides consulting, patient support, logistics, group purchasing and other services to pharmaceutical manufacturers and healthcare providers primarily supporting the development, marketing and distribution of specialty pharmaceutical products; and provides specialty pharmacy services. Our use of the

terminology "specialty pharmaceutical products and services" may not be comparable to the terminology used by other industry participants.

Medical Segment

Our Medical segment manufactures and sources Cardinal Health branded medical, surgical and laboratory products, including cardiovascular and endovascular products; wound care products; single-use surgical drapes, gowns and apparel; exam and surgical gloves; and fluid suction and collection systems. We further expanded this segment's portfolio of manufactured products through the acquisition of the Patient Recovery Business from Medtronic in July 2017, which includes incontinence, wound care, enteral feeding, urology, operating room supply, electrode and needle, syringe and sharps disposal product lines. Our manufactured products are sold directly or through third-party distributors in the United States, Canada, Europe, Asia and other markets.

The Medical segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States, Canada and China.

This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at Home division and provides services and software to hospitals, other healthcare providers and payers to help manage the complex processes of patient discharge from an acute-care facility ("post-acute care") through naviHealth.

This segment also assembles and sells sterile and non-sterile procedure kits. It also provides supply chain services, including spend management, distribution management and inventory management services, to healthcare providers.

See Note 15 of the "Notes to Consolidated Financial Statements" for Medical segment revenue, profit and assets for fiscal 2017 , 2016 and 2015 .

Acquisitions

We have acquired a number of businesses over the years that have enhanced our core strategic areas of self-manufactured medical products, generic pharmaceutical distribution and services, specialty pharmaceutical products and services, international and post-acute care. We expect to continue to pursue additional acquisitions in the future.

During the last five fiscal years, we completed the following three large acquisitions:

Date	Company	Location	Lines of Business	Acquisition Price (in millions)
10/15	Cordis business of Johnson & Johnson	Fremont, CA	Cardiovascular and endovascular products	$1,944
07/15	The Harvard Drug Group	Livonia, MI	Pharmaceutical product distribution	$1,115
03/13	AssuraMed, Inc.	Twinsburg, OH	Medical product distribution to patients' homes	$2,070

We have also completed several smaller acquisitions during the last five fiscal years, including: in fiscal 2017, the acquisition of the North American rights to Lymphoseek, a radiopharmaceutical diagnostic imaging agent, from Navidea Biopharmaceuticals, Inc.; in fiscal 2016, the acquisition of an 82 percent ownership interest in naviHealth, a provider of post-acute care management services, and CuraSpan Health Group, Inc., a provider of discharge planning and care transition software; in fiscal 2015, the acquisitions of Tradex International, Inc., a supplier of disposable gloves, and Metro Medical Supply, Inc., a distributor of specialty pharmaceuticals and medical and surgical products; and in fiscal 2014, the acquisition of Access Closure, Inc., a manufacturer and distributor of extravascular closure devices.

As discussed above, on July 29, 2017, we acquired the Patient Recovery Business from Medtronic for $6.1 billion in cash.

Customers

Our largest customers, CVS and OptumRx, accounted for 23 percent and 11 percent of our fiscal 2017 revenue, respectively. In the aggregate, our five largest customers, including CVS and OptumRx, accounted for 50 percent of our fiscal 2017 revenue. Our pharmaceutical distribution agreements with CVS extend through June 2019.

We have agreements with group purchasing organizations ("GPOs") that act as agents to negotiate vendor contracts on behalf of their members. Our two largest GPO relationships in terms of member revenue are with Vizient Inc. and Premier, Inc. Sales to members of these two GPOs, under numerous contracts across all of our businesses, collectively accounted for 21 percent of our revenue in fiscal 2017 .

Suppliers

We rely on many different suppliers. Products obtained from our five largest suppliers accounted for an aggregate of 27 percent of our revenue during fiscal 2017 , but no single supplier's products accounted for more than 7 percent of revenue.

Competition

We operate in a highly competitive environment in the distribution of pharmaceuticals and related healthcare services. We also operate in a highly competitive environment in the development, manufacturing and distribution of medical and surgical products. We compete on many levels, including price, service offerings, support services, breadth of product lines and product quality and efficacy.

In the Pharmaceutical segment, we compete with wholesale distributors with national reach (including McKesson Corporation and AmerisourceBergen Corporation), regional wholesale distributors, self-warehousing chains, specialty distributors, third-party logistics companies, companies that provide specialty pharmaceutical services and nuclear pharmacies, among others. In addition, the Pharmaceutical segment has experienced competition from a number of organizations offering generic pharmaceuticals, including telemarketers. We also compete with manufacturers that sell their products directly.

In the Medical segment, our manufacturing and procedural kit businesses compete with diversified healthcare companies as well as companies that are more focused on specific product categories. We also compete with many different national medical product distributors, including Medline Industries, Inc. and Owens & Minor, Inc., regional medical product distributors, companies that distribute medical products to patients' homes and third-party logistics companies. In addition, we compete with manufacturers that sell their products directly.

Employees

At June 30, 2017 , we had approximately 28,000 employees in the United States and approximately 12,400 employees outside of the United States. In July 2017, we added approximately 3,500 employees in the United States and approximately 5,900 employees outside the United States through the acquisition of the Patient Recovery Business . Overall, we consider our employee relations to be good.

Intellectual Property

We rely on a combination of trade secret, patent, copyright and trademark laws, nondisclosure and other contractual provisions, and technical measures to protect our products, services and intangible assets. We hold patents, and continue to pursue patent protection throughout the world, relating to the manufacture, operation and use of various medical and surgical products, to certain distribution and logistics systems, to the production and distribution of our nuclear pharmacy products and to other service offerings. We also operate under licenses for certain proprietary technologies, and in certain instances we license our technologies to third parties.

We believe that we have taken all necessary steps to protect our proprietary rights, but no assurance can be given that we will be able to successfully enforce or protect our rights in the event that they are infringed upon by a third party. While all of these proprietary rights are important to our operations, we do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

Our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. Depending upon the specific business, we may be subject to regulation by government entities including:

- the U.S. Drug Enforcement Administration (the "DEA");
- state controlled substance authorities and boards of pharmacy;
- certain agencies within the U.S. Department of Health and Human Services, including the U.S. Food and Drug Administration (the "FDA"), the Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights;
- state health departments, insurance departments, Medicaid departments or other comparable state agencies;
- the U.S. Nuclear Regulatory Commission (the "NRC");
- the U.S. Federal Trade Commission (the "FTC");
- U.S. Customs and Border Protection; and
- agencies comparable to those listed above in markets outside the United States.

These regulatory agencies have a variety of civil, administrative and criminal sanctions at their disposal for failure to comply with applicable legal or regulatory requirements. They can suspend our ability to manufacture and distribute products, initiate product recalls, seize products or impose criminal, civil and administrative sanctions.

Distribution

The FDA, DEA and various state authorities regulate the marketing, purchase, storage and distribution of pharmaceutical and medical products under various federal and state statutes including the federal Prescription Drug Marketing Act of 1987, Drug Quality and Security Act of 2013 (the "DQSA"), and Controlled Substances Act (the "CSA"). The CSA governs the sale, packaging, storage and distribution of controlled substances. Wholesale distributors of controlled substances must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the CSA.

Manufacturing and Marketing

We sell our manufactured products in the United States, Canada, Europe, Asia and other markets. The FDA and other governmental agencies in the United States, as well as foreign governmental agencies, administer requirements that cover the design, testing, safety, effectiveness, manufacturing (including good manufacturing practices), quality systems, labeling, promotion and advertising (including restrictions on promoting or advertising a product other than for the product's cleared or approved uses), distribution, importation and post-market surveillance for most of our manufactured products. In addition, we need specific approval or clearance from, and registrations with, regulatory authorities before we can market and sell some products in the United States and certain other countries, including countries in the European Union ("EU").

In the United States, authorization to commercially market a medical device is generally received in one of two ways. The first, known as pre-market notification or the 510(k) process, requires us to demonstrate that a medical device is substantially equivalent to a legally marketed medical device. The second more rigorous process, known as pre-market approval ("PMA"), requires us to independently demonstrate that a medical device is safe and effective. Many of our Medical segment products are cleared through the 510(k) process and certain Cordis products must be approved through the PMA process.

In the EU, we are required to comply with applicable Medical Device Directives ("MDDs") and obtain CE Mark Certification in order to market medical devices. The EU regulatory bodies finalized a new Medical Device Regulation ("MDR") in 2017, which replaces the existing MDDs after a three-year transition period. Among other things, the MDR clarifies that private label distributors are deemed to be the manufacturer, which will increase our regulatory obligations in the EU with respect to private label products.

It can be costly and time-consuming to obtain regulatory approvals, clearances and registrations of medical devices, and they might not be granted on a timely basis, if at all. Even after we obtain approval or clearance to market a product or obtain product registrations, the product and our manufacturing processes are subject to continued regulatory oversight, including periodic inspection of manufacturing facilities by FDA and other regulatory authorities both in the United States and internationally.

From time to time, we may determine that products we manufacture or market do not meet our specifications, regulatory requirements or published standards. When we or a regulatory agency identify a quality or regulatory issue, we investigate and take appropriate corrective action, which may include recalling the product, correcting the product at the customer location, revising product labeling and notifying customers.

Nuclear Pharmacies and Related Businesses

Our nuclear pharmacies and radiopharmaceutical manufacturing facilities (including for Xofigo) require licenses or permits and must abide by regulations issued by the NRC, applicable state boards of pharmacy and the radiologic health agency or department of health of each state in which we operate, including pharmacy sterile compounding standards and practices. In addition, our radiopharmaceutical manufacturing facilities also must comply with FDA regulations, including good manufacturing practices.

Product Tracing and Supply Chain Integrity

Title II of the DQSA, known as the Drug Supply Chain Security Act, establishes a phased-in national system for tracing pharmaceutical products through the pharmaceutical distribution supply chain to prevent the introduction of counterfeit, adulterated or mislabeled drugs. The first phase of implementation began in 2015, and upon full implementation in 2023, we and other supply chain stakeholders will participate in an electronic, interoperable, prescription drug tracing system. In addition, the FDA also has issued regulations requiring most medical device labeling to bear a unique device identifier. These regulations are being phased in through 2020. The

MDR finalized in the EU in 2017 also introduces a new unique device identifier requirement with a three-year transition period.

Government Healthcare Programs

We are subject to U.S. federal healthcare fraud and abuse laws. These laws generally prohibit persons from soliciting, offering, receiving or paying any compensation in order to induce someone to order, recommend or purchase products or services that are in any way paid for by Medicare, Medicaid or other federally-funded healthcare programs. They also prohibit submitting any fraudulent claim for payment by the federal government. There are similar state healthcare fraud and abuse laws that apply to Medicaid and other state-funded healthcare programs. Violations of these laws may result in criminal or civil penalties, as well as breach of contract claims and *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments).

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program. These businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements. Other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our U.S. federal and state government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Health and Personal Information Practices

We collect, handle and maintain patient-identifiable health information. The U.S. Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as augmented by the Health Information Technology for Economic and Clinical Health Act, and state laws regulate the use and disclosure of patient-identifiable health information, including requiring specified privacy and security measures. We also collect, handle and maintain other sensitive personal and financial information that is subject to U.S. federal and state laws protecting such information.

The processing and disclosure of personal information is also highly regulated in many other countries in which we operate. In Europe, for example, we are subject to the EU data protection regulations, including the current EU Directive on Data Protection, which requires member states to impose minimum restrictions on the collection, use and transfer of personal data. A new EU General Data Protection Regulation ("GDPR") that will become effective in 2018 and will apply uniformly across the EU includes, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. The GDPR also requires companies processing personal data of individuals residing in the EU to comply with EU privacy and data protection rules.

Antitrust Laws

The U.S. federal government, most U.S. states and many foreign countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Environmental, Health and Safety Laws

In the United States and other countries, we are subject to various federal, state and local environmental laws, as well as laws relating to safe working conditions and laboratory practices.

Laws Relating to Foreign Trade and Operations

U.S. and foreign laws require us to abide by standards relating to the import and export of finished goods, raw materials and supplies and the handling of information. We also must comply with various export control and trade embargo laws, which may require licenses or other authorizations for transactions within some countries or with some counterparties.

Similarly, we are subject to U.S. and foreign laws concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws, the U.K. Bribery Act and other foreign anti-bribery laws. Among other things, these laws generally prohibit companies and their intermediaries from offering, promising or making payments to officials of foreign governments for the purpose of obtaining or retaining business.

Other Information

Although our agreements with manufacturers sometimes require us to maintain inventory levels within specified ranges, our distribution businesses are generally not required by our customers to maintain particular inventory levels other than as needed to meet service level requirements. Certain supply contracts with U.S. government entities require us to maintain sufficient inventory to meet emergency demands, but we do not believe those requirements materially affect inventory levels.

Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return products that can be added back to inventory and resold at full value, or that can be returned to vendors for credit.

We offer market payment terms to our customers.

Revenue and Long-Lived Assets by Geographic Area

See Note 15 of the "Notes to Consolidated Financial Statements" for revenue and long-lived assets by geographic area.

Risk Factors

The risks described below could materially and adversely affect our results of operations, financial condition, liquidity or cash flows. These are not the only risks we face. Our businesses also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

We could suffer the adverse effects of competitive pressures.
As described in greater detail in the "Business" section, we operate in markets that are highly competitive. Because of competition, our businesses face continued pricing pressure from our customers and suppliers. If we are unable to offset margin reductions caused by these pricing pressures through steps such as sourcing or cost control measures, additional service offerings and sales of higher margin products, our results of operations and financial condition could be adversely affected.

Our Pharmaceutical segment's generic pharmaceutical program could be adversely affected by pricing changes and fewer product launches.
Prices for generic pharmaceuticals generally decline over time. During fiscal 2017, generic pharmaceutical customer pricing changes negatively impacted Pharmaceutical segment profit and our consolidated operating earnings and are expected to have a similar negative effect in fiscal 2018. At times, some generic pharmaceuticals may experience price appreciation, which can positively affect our margins. The number of generic pharmaceuticals experiencing price appreciation or declines and the magnitude of pricing changes is uncertain in future fiscal years, and could adversely affect our margins.

The number of new generic pharmaceutical launches also varies from year to year, and the margin impact of these launches varies from product to product. Fewer product launches or launches that are less profitable than prior launches could adversely affect our margins.

Our generic pharmaceutical program has benefited from sourcing generic pharmaceuticals through our Red Oak Sourcing venture with CVS, which sources for both us and CVS. If the venture does not continue to be successful, our margins could be adversely affected.

Our Pharmaceutical segment's margins under our distribution services agreements with branded pharmaceutical manufacturers are affected by service fees we receive from the manufacturers and prices established by the manufacturers.
Our distribution services agreements with branded pharmaceutical manufacturers generally provide that we receive fees from the manufacturers to compensate us for the services we provide them. Under some agreements, branded pharmaceutical price appreciation also serves as part of our compensation. If our service fees are reduced or, in cases where our compensation is based in part on branded pharmaceutical price appreciation, if manufacturers determine not to increase prices or to implement only small increases, our margins could be adversely affected.

Our business is subject to rigorous regulatory and licensing requirements.
As described in greater detail in the "Business" section, our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. If we fail to comply with regulatory requirements, or if allegations are made that we fail to comply, our results of operations and financial condition could be adversely affected.

To lawfully operate our businesses, we are required to obtain and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. For example, as a wholesale distributor of controlled substances, we must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the CSA. Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on our results of operations and financial condition.

Products that we manufacture, source, distribute or market must comply with regulatory requirements. Noncompliance or concerns over noncompliance may result in suspension of our ability to distribute, import or manufacture products, product bans, recalls or seizures, or criminal or civil sanctions, which, in turn, could result in product liability claims and lawsuits, including class actions. In addition, it can be costly and time-consuming to obtain regulatory approvals or product registrations to market a medical device, and such approvals or registrations might not be granted on a timely basis, if at all.

We are required to comply with laws relating to healthcare fraud and abuse. The requirements of these laws are complex and subject to varying interpretations, and it is possible that regulatory authorities could challenge our policies and practices. If we fail to comply with these laws, we could be subject to federal or state government investigations or *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments), which could result in civil or criminal sanctions, including the loss of licenses or the ability to participate in Medicare, Medicaid and other federal and state healthcare programs. Such sanctions and damages could adversely affect our results of operations and financial condition.

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid program and the federal 340B drug pricing program. In addition, other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

We collect, handle and maintain patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information. Regulations currently in place continue to evolve, and new laws in this area could further restrict our ability to collect, handle and maintain personal or patient information, or could require us to incur additional compliance costs, either of which could have an adverse impact on our results of operations. Violations of federal, state or foreign laws concerning privacy and data protection could subject us to civil or criminal penalties, breach of contract claims, costs for remediation and harm to our reputation.

Our global operations are required to comply with the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws. If we fail to comply with any of these laws, we could suffer civil or criminal sanctions.

Our China operations are subject to national, regional and local regulations. The regulatory environment in China is evolving, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations. It is possible that the Chinese government's current or future interpretation and application of existing or new regulations will negatively impact our China operations, result in regulatory investigations or lead to fines or penalties.

CVS is a large customer that generates a significant amount of our revenue.
Our sales and credit concentration is significant. CVS accounted for 23 percent of our fiscal 2017 revenue and 20 percent of our gross trade receivable balance at June 30, 2017 . Our pharmaceutical distribution agreements with CVS extend through June 2019. If CVS does not renew our agreements with them, terminates the agreements due to an alleged default by us, defaults in payment or significantly reduces its purchases from us, our results of operations and financial condition could be adversely affected.

We could be subject to adverse changes in the tax laws or challenges to our tax positions.
We are a large multinational corporation with operations in the United States and many foreign countries. As a result, we are subject to the tax laws of many jurisdictions.

From time to time, legislative initiatives are proposed in the United States and other jurisdictions in which we operate that could adversely affect our tax positions, effective tax rate or tax payments. Examples of such initiatives include the repeal of the LIFO (last-in, first-out) method of inventory accounting for income tax purposes, a change in the current U.S. taxation treatment of income from foreign operations, new U.S. import tariffs or taxes, the establishment or increase in taxation at the U.S. state level on the basis of gross revenues, recommendations of the base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid.

Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

Changes to the U.S. healthcare environment may not be favorable to us.
In recent years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include adoption of the Patient Protection and Affordable Care Act, a general decline in Medicare and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models, and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

We expect the U.S. healthcare industry to continue to change significantly in the future. Possible changes include repeal and replacement of major parts of the Patient Protection and Affordable Care Act, further reduction or limitations on governmental funding at the state or federal level, efforts by healthcare insurance companies to further limit payments for products and services or changes in legislation or regulations governing prescription pharmaceutical pricing, healthcare services or mandated benefits. These possible changes, and the uncertainty surrounding these possible changes, may cause healthcare industry participants to reduce the amount of products and services they purchase from us or the price they are willing to pay for our products and services, which could adversely affect us.

Consolidation in the U.S. healthcare industry may negatively impact our results of operations.
In recent years, U.S. healthcare industry participants, including distributors, manufacturers, healthcare providers, insurers and pharmacy chains, have consolidated or formed strategic alliances. Consolidations create larger enterprises with greater negotiating power, and also could result in the possible loss of a customer where the combined enterprise selects one distributor from two incumbents. If this consolidation trend continues, it could adversely affect our results of operations.

Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks. Our business could be adversely affected if we experience a cyber-attack or other systems breach.
We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

- facilitate the purchase and distribution of inventory items from numerous distribution centers;

- receive, process and ship orders on a timely basis;
- manage accurate billing and collections for thousands of customers;
- process payments to suppliers;
- facilitate manufacturing and assembly of medical products; and
- generate financial information.

Our business also depends on the proper functioning of our critical facilities, including our national logistics center, and our distribution networks. Our results of operations could be adversely affected if our or a service provider's information systems, critical facilities or distribution networks are disrupted (including disruption of access), are damaged or fail, whether due to physical disruptions, such as fire, natural disaster, pandemic or power outage, or due to cyber-security incidents, ransomware or other actions of third parties, including labor strikes, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities.

The Pharmaceutical segment is in a multi-year project to replace certain of its finance and operating information systems. If these new systems are not effectively implemented or they fail to operate as intended, it could adversely affect the Pharmaceutical segment's supply chain operations and our internal control over financial reporting. In addition, from time to time, other businesses perform business process improvements or infrastructure modernizations or use service providers for key systems and processes, such as receiving and processing customer orders, customer service and accounts payable. If any of these initiatives are not successfully or efficiently implemented or maintained, they could adversely affect our business and our internal control over financial reporting.

Our business relies on the secure transmission, storage and hosting of patient-identifiable health information, financial information and other sensitive information relating to our customers, company and workforce. We have programs in place to detect, contain and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, hardware, software or applications developed internally or procured from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties also may attempt to gain access to our or a service provider's systems or facilities through fraud, trickery or other forms of deception. Any compromise of our or a service provider's information systems, including unauthorized access to or use or disclosure of sensitive information, could adversely impact our operations, results of operations or our ability to satisfy legal requirements, including those related to patient-identifiable health information.

We may become involved in legal proceedings that could adversely impact our cash flows or results of operations.

Due to the nature of our business, which includes the distribution of controlled substances and the manufacture of medical products, we may from time to time become involved in disputes, litigation and regulatory matters. Litigation is inherently unpredictable and the unfavorable outcome of one or more of these legal proceedings could adversely affect our results of operations or financial condition.

For example, a number of governmental entities (including counties and municipalities) have filed lawsuits against pharmaceutical wholesale distributors (including us), pharmaceutical manufacturers and retail chains relating to the distribution of prescription opioid pain medications. Some states and other governmental entities have indicated they are considering filing similar lawsuits. We are vigorously defending ourselves in these lawsuits. The defense and resolution of these current and future lawsuits could adversely affect our results of operations and financial condition. See Note 8 of the "Notes to Consolidated Financial Statements" regarding these matters.

Some of the products that we distribute or manufacture have been and may in the future be alleged to cause personal injury, subjecting us to product liability claims. For example, we are a defendant in product liability lawsuits that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products and we have accrued an amount for losses and legal defense costs related to these lawsuits, which are discussed in Note 8 of the "Notes to Consolidated Financial Statements." Any settlement of or judgment for a product liability claim that is not covered by insurance and is in excess of any prior accruals could adversely affect our results of operations and financial condition.

We also operate in an industry characterized by extensive intellectual property litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or force us to make royalty payments in order to continue selling the affected products.

Acquisitions can have unanticipated results.

An important element of our growth strategy has been to acquire other businesses that expand or complement our existing businesses. In fiscal 2017 , we spent $132 million to acquire other businesses and in July 2017, we acquired the Patient Recovery Business from Medtronic for $6.1 billion . The acquisition of the Patient Recovery Business as well as other acquisitions involve the following risks: we may overpay for a business or fail to realize the synergies and other benefits we expect from the acquisition; our management's attention may be diverted to integration efforts; we may fail to retain key personnel of the acquired business; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems; we may assume liabilities related to legal proceedings involving the acquired business; we may face challenges retaining the customers of the acquired business; or we may encounter unforeseen internal control, regulatory or compliance issues.

We depend on certain suppliers to make their raw materials and products available to us and are subject to fluctuations in costs of raw materials and products.

We depend on the availability of various components, compounds, raw materials and energy supplied by others for our operations. In some instances, for reasons of quality assurance, cost effectiveness, or availability, we procure certain components and raw materials from a sole supplier. Any of our supplier relationships could be interrupted due to events beyond our control, including natural disasters, or could be terminated. In addition, due to the stringent regulations and requirements of the FDA regarding the manufacture of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. A sustained supply reduction or interruption, and an inability to develop alternative sources for such supply, could have an adverse effect on our business.

Our manufacturing businesses use oil-based resins, pulp, cotton, latex and other commodities as raw materials in many products. Prices of oil and gas also affect our distribution and transportation costs. Prices of these commodities are volatile and can fluctuate significantly, causing our costs to produce and distribute our products to fluctuate. Due to competitive dynamics and contractual limitations, we may be unable to pass along cost increases through higher prices. If we cannot fully offset cost increases through other cost reductions, or recover these costs through price increases or surcharges, our results of operations could be adversely affected.

Our results of operations may suffer upon the bankruptcy, insolvency, or other credit failure of a customer that has a substantial amount owed to us.
Most of our customers buy products and services from us on credit, which is made available to customers based on our assessment of creditworthiness. The bankruptcy, insolvency or other credit failure of any customer that has a substantial amount owed to us could adversely affect our results of operations.

Recent acquisitions have increased the extent of our exposure to the economic, political and currency risks of international operations.
We conduct our operations in various regions of the world outside of the United States, including Europe and Asia. The scope and complexity of our international operations expanded with the acquisitions of Cordis and the Patient Recovery Business and we may continue to expand our operations outside the United States. Global developments can affect our business in many ways. Our global operations are affected by local economic environments, including inflation, recession and competition. In addition, we conduct our business in U.S. dollars and various functional currencies of our foreign subsidiaries. Changes in foreign currency exchange rates could adversely affect our financial results, which are reported in U.S. dollars. We may not be able to hedge to protect us against these exposures, and any hedges may not successfully mitigate these exposures. Political changes also can disrupt our global operations, as well as our customers and suppliers, in a particular location. Divergent or unfamiliar regulatory systems and labor markets also can increase the risks and burdens of operating in numerous countries.

Our goodwill may become impaired, which would require us to record a significant charge to earnings in accordance with generally accepted accounting principles.
U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. The testing required by GAAP involves estimates and judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions, including a failure to meet business plans or other unanticipated events and circumstances such as a rise in interest rates, may affect the accuracy or validity of such estimates. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill is determined, which charge could adversely affect our results of operations. See "Critical Accounting Policies and Sensitive Accounting Estimates" in MD&A above for more information regarding goodwill impairment testing.

Economic conditions may adversely affect demand for our products and services.
Deterioration in general economic conditions in the United States and other countries in which we do business could adversely affect the amount of prescriptions filled and the number of medical procedures undertaken and, therefore, reduce purchases of our products and services, which could adversely affect our results of operations. In addition, deteriorating economic conditions may increase bankruptcies, insolvencies or other credit failures of customers or suppliers, which, if they have a substantial amount owed to us, also could adversely affect our results of operations.

Properties

In the United States and Puerto Rico, at June 30, 2017 , the Pharmaceutical segment operated 24 primary pharmaceutical distribution facilities and one national logistics center; six specialty distribution facilities; and more than 140 nuclear pharmacy and radiopharmaceutical manufacturing facilities. The Medical segment operated more than 70 medical-surgical distribution, assembly, manufacturing and other operating facilities in the United States and Puerto Rico. Our U.S. operating facilities are located in 45 states.

Outside the United States and Puerto Rico, at June 30, 2017 , our Medical segment operated 20 facilities in Canada, the Dominican Republic, Malaysia, Malta, Mexico and Thailand that engage in manufacturing, distribution or research. In addition, our Pharmaceutical and Medical segments utilized various distribution and pharmacy facilities in China.

At June 30, 2017 , we owned more than 70 operating facilities and leased more than 230 operating facilities around the world. Our principal executive offices are headquartered in an owned building located at 7000 Cardinal Place in Dublin, Ohio.

In connection with the acquisition of the Patient Recovery Business in July 2017, we acquired nine manufacturing facilities in the United States and eight manufacturing facilities outside the United States in Canada, Costa Rica, Germany, Ireland, Japan, Malaysia, Mexico and Thailand.

We consider our operating properties to be in satisfactory condition and adequate to meet our present needs. However, we regularly evaluate operating properties and may make further additions and improvements or consolidate locations as we seek opportunities to expand or enhance the efficiency of our business.

Legal Proceedings

The legal proceedings described in Note 8 of the "Notes to Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the New York Stock Exchange under the symbol "CAH." The following table reflects the range of the reported high and low closing prices of our common shares as reported on the New York Stock Exchange Composite Tape and the per share dividends declared for the fiscal years ended June 30, 2017 and 2016 and paid quarterly. It also reflects the range of the reported high and low closing prices of our common shares from July 1, 2017 through the period ended on July 31, 2017 and the per share dividends declared from July 1, 2017 through the period ended on July 31, 2017:

	High	Low	Dividends Declared
Fiscal 2016			
Quarter Ended:			
September 30, 2015	$ 87.02	$ 76.72	$ 0.3870
December 31, 2015	90.85	77.12	0.3870
March 31, 2016	89.68	76.16	0.3870
June 30, 2016	87.20	73.69	0.4489
Fiscal 2017			
Quarter Ended:			
September 30, 2016	$ 84.92	$ 75.26	$ 0.4489
December 31, 2016	76.71	65.17	0.4489
March 31, 2017	83.80	72.47	0.4489
June 30, 2017	82.71	71.18	0.4624
Fiscal 2018	$ 78.69	$ 76.29	$ —

At July 31, 2017 there were approximately 8,239 shareholders of record of our common shares.

We anticipate that we will continue to pay quarterly cash dividends in the future. The payment and amount of future dividends remain, however, within the discretion of our Board of Directors and will depend upon our future earnings, financial condition, capital requirements and other factors.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2) (in millions)
April 2017	104	$ 72.21	—	$ 443
May 2017	104	72.33	—	443
June 2017	104	75.55	—	443
Total	**312**	**$ 73.36**	—	**$ 443**

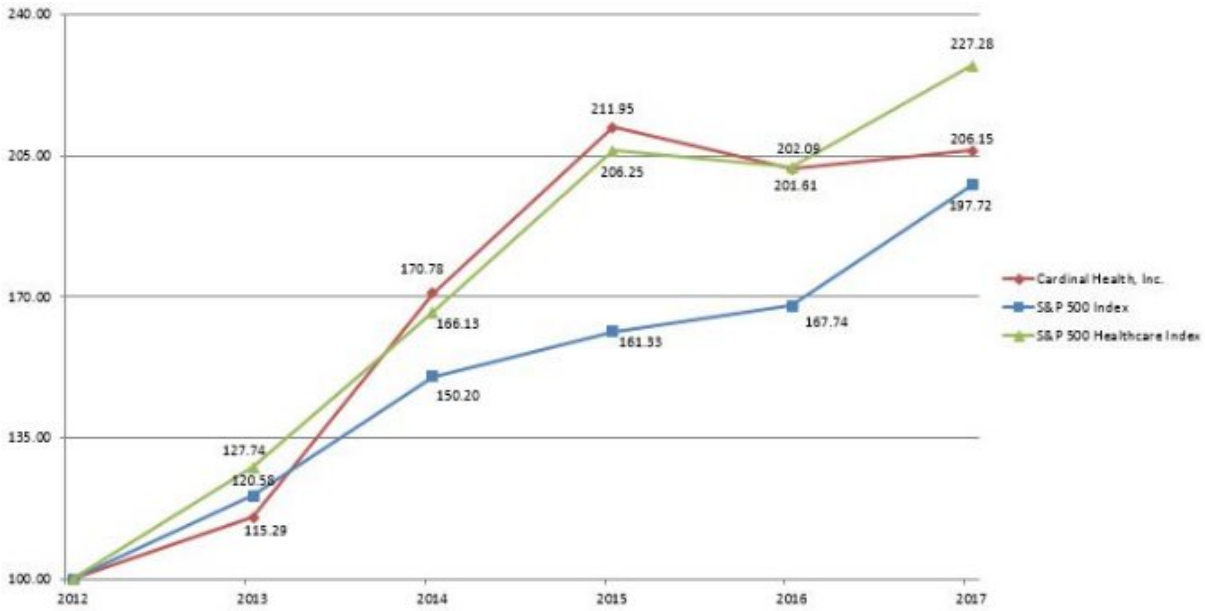
(1) Reflects 104 , 104 and 104 common shares purchased in April, May and June 2017 , respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On May 4, 2016, our Board of Directors approved a $1.0 billion share repurchase program that expires on December 31, 2019. During the three months ended June 30, 2017 , we repurchased no common shares under this program. We have $443 million available under this program.

Market for Registrant's Common Equity

Five Year Performance Graph

The following line graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor's Composite—500 Stock Index (the "S&P 500 Index") and the Standard & Poor's Composite—500 Healthcare Index (the "S&P 500 Healthcare Index"). The line graph assumes, in each case, an initial investment of $100 on June 30, 2012, based on the market prices at the end of each fiscal year through and including June 30, 2017 , and reinvestment of dividends. The S&P 500 Index and S&P 500 Healthcare Index investments are weighted on the basis of market capitalization at the beginning of each period.



	June 30					
	2012	2013	2014	2015	2016	**2017**
Cardinal Health, Inc.	$ 100.00	$ 115.29	$ 170.78	$ 211.95	$ 201.61	**$ 206.15**
S&P 500 Index	100.00	120.58	150.20	161.33	167.74	**197.72**
S&P 500 Healthcare Index	100.00	127.74	166.13	206.25	202.09	**227.28**

Management Reports

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2017 . Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2017 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls deemed effective now may become inadequate in the future because of changes in conditions, or because compliance with policies or procedures has deteriorated or been circumvented.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2017 . In making this assessment, management used the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). Based on management's assessment and the COSO criteria, management believes that our internal control over financial reporting was effective as of June 30, 2017 .

Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on our internal control over financial reporting. Ernst & Young LLP's report appears following this "Management Reports" section and expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

The Pharmaceutical segment is in a multi-year project to replace certain finance and operating information systems, which is affecting internal control over financial reporting. During the quarter ended June 30, 2017, we continued to transition selected processes to the new systems. If these new systems are not effectively implemented or fail to operate as intended, it could adversely affect our internal control over financial reporting. Except for the changes made in connection with implementing the new systems described above, there were no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Cardinal Health, Inc.

We have audited Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2017 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Cardinal Health, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cardinal Health, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017 , based on the COSO criteria **.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cardinal Health, Inc. and subsidiaries as of June 30, 2017 and 2016 and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2017 of Cardinal Health, Inc. and subsidiaries and our report dated August 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio

August 10, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Cardinal Health, Inc.

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries as of June 30, 2017 and 2016 , and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2017 . Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cardinal Health, Inc. and subsidiaries at June 30, 2017 and 2016 , and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2017 , in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2017 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio

August 10, 2017

Financial Statements and Supplementary Data

Consolidated Statements of Earnings

(in millions, except per common share amounts)	2017	2016	2015
Revenue	$ 129,976	$ 121,546	$ 102,531
Cost of products sold	123,432	115,003	96,819
Gross margin	6,544	6,543	5,712
Operating expenses:			
Distribution, selling, general and administrative expenses	3,775	3,648	3,240
Restructuring and employee severance	56	25	44
Amortization and other acquisition-related costs	527	459	281
Impairments and (gain)/loss on disposal of assets, net	18	21	(19)
Litigation (recoveries)/charges, net	48	(69)	5
Operating earnings	2,120	2,459	2,161
Other (income)/expense, net	(5)	5	(7)
Interest expense, net	201	178	141
Loss on extinguishment of debt	—	—	60
Earnings from continuing operations before income taxes	1,924	2,276	1,967
Provision for income taxes	630	845	755
Earnings from continuing operations	1,294	1,431	1,212
Earnings from discontinued operations, net of tax	—	—	3
Net earnings	1,294	1,431	1,215
Less: Net earnings attributable to noncontrolling interests	(6)	(4)	—
Net earnings attributable to Cardinal Health, Inc.	$ 1,288	$ 1,427	$ 1,215
Basic earnings per common share attributable to Cardinal Health, Inc.:			
Continuing operations	$ 4.06	$ 4.36	$ 3.65
Discontinued operations	—	—	0.01
Net basic earnings per common share attributable to Cardinal Health, Inc.	$ 4.06	$ 4.36	$ 3.66
Diluted earnings per common share attributable to Cardinal Health, Inc.:			
Continuing operations	$ 4.03	$ 4.32	$ 3.61
Discontinued operations	—	—	0.01
Net diluted earnings per common share attributable to Cardinal Health, Inc.	$ 4.03	$ 4.32	$ 3.62
Weighted-average number of common shares outstanding:			
Basic	317	327	332
Diluted	320	330	335

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Comprehensive Income

(in millions)	2017	2016	2015
Net earnings	**$ 1,294**	$ 1,431	$ 1,215
Other comprehensive income/(loss):			
Foreign currency translation adjustments and other	**(25)**	(82)	(104)
Net unrealized gain/(loss) on derivative instruments, net of tax	**16**	(11)	11
Total other comprehensive loss, net of tax	**(9)**	(93)	(93)
Total comprehensive income	**1,285**	1,338	1,122
Less: comprehensive income attributable to noncontrolling interests	**(6)**	(4)	—
Total comprehensive income attributable to Cardinal Health, Inc.	**$ 1,279**	$ 1,334	$ 1,122

The accompanying notes are an integral part of these consolidated statements.

Consolidated Balance Sheets

(in millions)	June 30 2017	2016
Assets		
Current assets:		
Cash and equivalents	$ **6,879**	$ 2,356
Trade receivables, net	**8,048**	7,405
Inventories, net	**11,301**	10,615
Prepaid expenses and other	**2,117**	1,580
Total current assets	**28,345**	21,956
Property and equipment, net	**1,879**	1,796
Goodwill and other intangibles, net	**9,207**	9,426
Other assets	**681**	944
Total assets	$ **40,112**	$ 34,122
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ **17,906**	$ 17,306
Current portion of long-term obligations and other short-term borrowings	**1,327**	587
Other accrued liabilities	**1,988**	1,808
Total current liabilities	**21,221**	19,701
Long-term obligations, less current portion	**9,068**	4,952
Deferred income taxes and other liabilities	**2,877**	2,781
Redeemable noncontrolling interests	**118**	117
Shareholders' equity:		
Preferred shares, without par value:		
Authorized— **500 thousand** shares, Issued— **none**	—	—
Common shares, without par value:		
Authorized— **755 million** shares, Issued— **327 million** shares and 364 million shares at **June 30, 2017** and 2016, respectively	**2,697**	3,010
Retained earnings	**4,967**	6,419
Common shares in treasury, at cost: **11 million** shares and 42 million shares at **June 30, 2017** and 2016, respectively	**(731)**	(2,759)
Accumulated other comprehensive loss	**(125)**	(116)
Total Cardinal Health, Inc. shareholders' equity	**6,808**	6,554
Noncontrolling interests	**20**	17
Total shareholders' equity	**6,828**	6,571
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$ **40,112**	$ 34,122

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Shareholders' Equity

(in millions)	Common Shares Issued	Common Shares Amount	Retained Earnings	Treasury Shares	Treasury Shares Amount	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	**Total Shareholders' Equity**
Balance at June 30, 2014	364	$ 2,980	$ 4,774	(27)	$ (1,423)	$ 70	$ —	**$ 6,401**
Net earnings			1,215					**1,215**
Other comprehensive loss, net of tax						(93)		**(93)**
Employee stock plans activity, including tax impact of $52 million	—	23		4	214			**237**
Treasury shares acquired				(13)	(1,036)			**(1,036)**
Dividends declared			(471)					**(471)**
Other			3					**3**
Balance at June 30, 2015	364	3,003	5,521	(36)	(2,245)	(23)	—	**6,256**
Net earnings			1,427				3	**1,430**
Other comprehensive loss, net of tax						(93)		**(93)**
Purchase of noncontrolling interests							(7)	**(7)**
Employee stock plans activity, including tax benefit of $33 million	—	7		2	137			**144**
Treasury shares acquired				(8)	(651)			**(651)**
Dividends declared			(529)					**(529)**
Other			—				21	**21**
Balance at June 30, 2016	364	3,010	6,419	(42)	(2,759)	(116)	17	**6,571**
Net earnings			**1,288**				**2**	**1,290**
Other comprehensive loss, net of tax						**(9)**		**(9)**
Purchase of noncontrolling interests							**(1)**	**(1)**
Employee stock plans activity, including tax benefit of $34 million	**—**	**(11)**		**2**	**167**			**156**
Treasury shares acquired				**(8)**	**(600)**			**(600)**
Dividends declared			**(580)**					**(580)**
Other			**(1)**				**2**	**1**
Retirement of Treasury Shares	**(37)**	**(302)**	**(2,159)**	**37**	**2,461**			**—**
Balance at June 30, 2017	**327**	**$ 2,697**	**$ 4,967**	**(11)**	**$ (731)**	**$ (125)**	**$ 20**	**$ 6,828**

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

(in millions)	2017	2016	2015
Cash flows from operating activities:			
Net earnings	**$ 1,294**	$ 1,431	$ 1,215
Earnings from discontinued operations, net of tax	**—**	—	(3)
Earnings from continuing operations	**1,294**	1,431	1,212
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	**717**	641	451
Loss on extinguishment of debt	**—**	—	60
(Gain)/Loss on sale of other investments	**4**	—	(5)
Impairments and (gain)/loss on disposal of assets, net	**18**	21	(19)
Share-based compensation	**96**	111	110
Provision for deferred income taxes	**291**	87	219
Provision for bad debts	**63**	73	52
Change in fair value of contingent consideration obligation	**(5)**	(16)	8
Change in operating assets and liabilities, net of effects from acquisitions:			
Increase in trade receivables	**(665)**	(866)	(870)
Increase in inventories	**(673)**	(1,179)	(779)
Increase in accounts payable	**564**	2,815	1,948
Other accrued liabilities and operating items, net	**(520)**	(147)	153
Net cash provided by operating activities	**1,184**	2,971	2,540
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	**(132)**	(3,614)	(503)
Additions to property and equipment	**(387)**	(465)	(300)
Purchase of available-for-sale securities and other investments	**(194)**	(200)	(342)
Proceeds from sale of available-for-sale securities and other investments	**228**	136	206
Proceeds from maturities of available-for-sale securities	**77**	50	37
Proceeds from divestitures and disposal of property and equipment and held for sale assets	**3**	13	53
Net cash used in investing activities	**(405)**	(4,080)	(849)
Cash flows from financing activities:			
Payment of contingent consideration obligation	**(3)**	(25)	(7)
Net change in short-term borrowings	**3**	26	(12)
Net purchase of noncontrolling interests	**(12)**	(10)	—
Reduction of long-term obligations	**(310)**	(6)	(1,221)
Proceeds from interest rate swap terminations	**14**	—	—
Proceeds from long-term obligations, net of issuance costs	**5,171**	—	2,672
Net tax proceeds/(withholding) from share-based compensation	**26**	6	72
Excess tax benefits from share-based compensation	**34**	33	52
Dividends on common shares	**(577)**	(512)	(460)
Purchase of treasury shares	**(600)**	(651)	(1,036)
Net cash provided by/(used in) financing activities	**3,746**	(1,139)	60
Effect of exchange rates changes on cash and equivalents	**(2)**	(12)	—
Net increase/(decrease) in cash and equivalents	**4,523**	(2,260)	1,751
Cash and equivalents at beginning of period	**2,356**	4,616	2,865
Cash and equivalents at end of period	**$ 6,879**	$ 2,356	$ 4,616
Supplemental Information:			
Cash payments for interest	**$ 200**	$ 174	$ 150
Cash payments for income taxes	**686**	635	529

The accompanying notes are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cardinal Health, Inc. is a global, integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. The company provides medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency from hospital to home. Cardinal Health, Inc. connects patients, providers, payers, pharmacists, and manufacturers for integrated care coordination and better patient management. References to "we", "our" and similar pronouns in these consolidated financial statements are to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context otherwise requires.

Our fiscal year ends on June 30. References to fiscal 2017 , 2016 and 2015 in these consolidated financial statements are to the fiscal years ended June 30, 2017 , 2016 and 2015 , respectively.

Basis of Presentation

Our consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. To conform to the current year presentation, certain prior year amounts have been reclassified. The results of businesses acquired or disposed of are included in the consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively.

Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in accordance with GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates, judgments and assumptions are used in the accounting and disclosure related to, among other items, allowance for doubtful accounts, inventory valuation, business combinations, goodwill and other intangible asset impairment, vendor reserves, loss contingencies, self-insurance accruals, income taxes and share-based compensation. Actual amounts could ultimately differ from these estimated amounts.

Cash Equivalents

We consider liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Receivables and Allowance for Doubtful Accounts

Trade receivables are presented net of an allowance for doubtful accounts of $137 million and $135 million at June 30, 2017 and 2016 , respectively. An account is considered past due on the first day after its due date. In accordance with contract terms, we generally have the ability to charge customers service fees or higher prices if an account is considered past due. We regularly monitor past due accounts and establish appropriate reserves to cover potential losses, which are based primarily on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

We provide financing to various customers. Such financing arrangements range from 1 year to 5 years at interest rates that are generally subject to fluctuation. Interest income on these arrangements is recognized as it is earned. The financings may be collateralized, guaranteed by third parties or unsecured. Finance notes and related accrued interest were $171 million (current portion $53 million) and $145 million (current portion $31 million) at June 30, 2017 and 2016 , respectively, and are included in other assets (current portion is included in prepaid expenses and other) in the consolidated balance sheets. Finance notes receivable allowance for doubtful accounts were $9 million and $19 million at June 30, 2017 and 2016 , respectively. We estimate an allowance for these financing receivables based on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

Concentrations of Credit Risk

We maintain cash depository accounts with major banks, and we invest in high quality, short-term liquid instruments, and in marketable securities. Our short-term liquid instruments mature within three months and we have not historically incurred any related losses. Investments in marketable debt securities consist of a portfolio of high-grade instruments. Such investments are made only in instruments issued by highly-rated institutions, whose financial condition we monitor.

Our trade receivables and finance notes and related accrued interest are exposed to a concentration of credit risk with customers in the retail and healthcare sectors. Credit risk can be affected by changes in reimbursement and other economic pressures impacting the healthcare industry. Such credit risk is limited due to supporting collateral and the diversity of the customer base, including its wide geographic dispersion. We perform regular credit evaluations of our customers' financial conditions and maintain reserves for losses through the established allowance for doubtful accounts. Historically, such losses have been within our expectations. Refer to the "Receivables and Allowance for Doubtful Accounts" section within this Note for additional information on the accounting treatment of reserves for allowance for doubtful accounts.

Major Customers

CVS Health Corporation ("CVS") and OptumRx, which are primarily serviced through our Pharmaceutical segment, are our only customers that individually account for at least 10 percent of revenue and gross trade receivables.

The table below summarizes historical percent of revenue and gross trade receivables from CVS and OptumRx.

	Percent of Revenue			Percent of Gross Trade Receivables at June 30	
	2017	2016	2015	**2017**	2016
CVS	**23%**	25%	27%	**20%**	22%
OptumRx	**11%**	7%	0%	**1%**	1%

Our pharmaceutical distribution contract with OptumRx began in fiscal 2016 and did not exceed 10 percent until fiscal 2017 .

We have entered into agreements with group purchasing organizations ("GPOs") which act as purchasing agents that negotiate vendor contracts on behalf of their members. Vizient, Inc. and Premier, Inc. are our two largest GPO member relationships in terms of revenue. Sales to members of these two GPOs collectively accounted for 21 percent , 17 percent and 18 percent of revenue for fiscal 2017 , 2016 and 2015 , respectively. Our trade receivable balances are with individual members of the GPO, and therefore no significant concentration of credit risk exists with these types of arrangements.

Inventories

A substantial portion of our inventories (56 percent and 58 percent at June 30, 2017 and 2016 , respectively) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These inventories are included within the core pharmaceutical distribution facilities of our Pharmaceutical segment ("distribution facilities") and are primarily merchandise inventories. The LIFO method presumes that the most recent inventory purchases are the first items sold, so LIFO helps us better match current costs and revenue. We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within the distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation.

If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2017 or 2016 because inventories valued at LIFO were $46 million and $9 million higher than the average cost value at June 30, 2017 and 2016 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record any changes in our LIFO reserve in fiscal 2017 and 2016 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or market. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $76 million and $79 million at June 30, 2017 and 2016 , respectively. We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory and age of on-hand inventory.

Cash Discounts

Manufacturer cash discounts are recorded as a component of inventory cost and recognized as a reduction of cost of products sold when the related inventory is sold.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Property and equipment held for sale are recorded at the lower of cost or fair value less cost to sell. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including capital lease assets which are depreciated over the terms of their respective leases. We generally use the following range of useful lives for our property and equipment categories: buildings and improvements— 3 to 39 years ; machinery and equipment— 3 to 20 years ; and furniture and fixtures— 3 to 7 years . We recorded depreciation expense of $314 million , $277 million and $254 million for fiscal 2017 , 2016 and 2015 , respectively.

The following table presents the components of property and equipment, net at June 30:

(in millions)		**2017**		2016
Land, building and improvements	**$**	**1,637**	$	1,735
Machinery and equipment		**2,860**		2,608
Furniture and fixtures		**130**		133
Total property and equipment, at cost		**4,627**		4,476
Accumulated depreciation and amortization		**(2,748)**		(2,680)
Property and equipment, net	**$**	**1,879**	$	1,796

Repairs and maintenance expenditures are expensed as incurred. Interest on long-term projects is capitalized using a rate that approximates the weighted-average interest rate on long-term obligations, which was 3 percent at June 30, 2017 . The amount of capitalized interest was immaterial for all periods presented.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. We base the fair values of identifiable intangible assets on detailed valuations that require management to make significant judgments, estimates and assumptions. Critical estimates and assumptions include: expected future cash flows for customer relationships, trade names and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. When an acquisition involves contingent consideration, we recognize a liability equal to the fair value of the contingent consideration obligation at the acquisition date. The estimate of fair value of a contingent consideration obligation requires subjective assumptions to be made regarding future business results, discount rates, discount periods and probabilities assigned to various potential business result scenarios. See Note 2 for additional information regarding our acquisitions.

Goodwill and Other Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually or when indicators of impairment exist.

Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component). Goodwill impairment testing involves judgment, including the identification of reporting units and the estimation of the fair value of each reporting unit and, if necessary, the estimation of the implied fair value of goodwill.

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear Pharmacy Services division and Cardinal Health China - Pharmaceutical division); Nuclear Pharmacy Services division; Cardinal Health China - Pharmaceutical division; Medical operating segment (excluding our Cardinal Health at Home division and naviHealth division); Cardinal Health at Home division; and naviHealth division.

Fair value can be determined using market, income or cost-based approaches. Our determination of estimated fair value of the reporting units is based on a combination of the income-based and market-based approaches. Under the income-based approach, we use a discounted cash flow model in which cash flows anticipated over several future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate risk-adjusted rate of return. We use our internal forecasts to estimate future cash flows, which we believe are consistent with those of a market participant, and include an estimate of long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ materially from those used in our forecasts. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Discount rates used in our reporting unit valuations ranged from 8.5 percent to 12.5 percent . Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. To further confirm fair value, we compare the aggregate fair value of our reporting units to our total market capitalization. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including forecasted operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment.

We performed annual impairment testing in fiscal 2017 , 2016 and 2015 and concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value.

The impairment test for indefinite-lived intangibles other than goodwill (primarily in-process research and development ("IPR&D")) consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. If the carrying amount of the indefinite-lived intangible exceeds its fair value, an impairment loss must be recognized in an amount equal to that excess. We estimate the fair value of our indefinite-lived intangibles under the income approach using a discounted cash flow model. We use our internal forecasts, which we believe are consistent with those of a market participant, to estimate future cash flows and include an estimate of long-term growth rates based on our most recent views of the long-term outlook for the indefinite-lived intangible including, among other factors, assumptions on regulatory approval for IPR&D.

Intangible assets with finite lives, primarily customer relationships; trademarks, trade names and patents; and developed technology, are amortized using a combination of straight-line and accelerated methods based on the expected cash flows from the asset over their estimated useful lives. We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of the future forecasted undiscounted cash flows expected to be generated by the asset group. Actual results may differ materially from those used in our forecasts.

Investments

Investments in non-marketable equity securities are accounted for under either the cost or equity method of accounting and are included in other assets in the consolidated balance sheets. For investments in which we can exercise significant influence, we use the equity method of accounting. Our share of the earnings and losses was immaterial, both individually and in the aggregate, for all periods presented and is recorded in other income, net in the consolidated statements of the earnings. We monitor investments for other-than-temporary impairment by considering factors such as the operating performance of the investment and current economic and market conditions.

Marketable securities are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are included within shareholders' equity in accumulated other comprehensive income ("AOCI"). We monitor these securities for other-than-temporary impairment by considering factors such as the duration that, and the extent to which, the fair value is below cost, the operating performance and credit worthiness of the issuer of the securities and current economic and market conditions. See Note 5 for additional information regarding available-for-sale securities.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputes are researched and resolved based upon the findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. Though the claim types are relatively consistent, we periodically refine our methodology by updating the reserve estimate percentages to reflect actual historical experience. The ultimate outcome of certain claims may be different than our original estimate and may require an adjustment. All adjustments to vendor reserves are included in cost of products sold. In addition, the reserve balance will fluctuate due to variations of outstanding claims from period-to-period, timing of settlements and specific vendor issues, such as bankruptcies. Vendor reserves were $50 million and $62 million at June 30, 2017 and 2016 , respectively, excluding third-party returns. See separate section within this Note for a description of third-party returns.

Distribution Services Agreement and Other Vendor Fees

Our Pharmaceutical segment recognizes fees received from distribution services agreements and other fees received from vendors related to the purchase or distribution of the vendors' inventory when those fees have been earned and we are entitled to payment. Since the benefit provided to a vendor is related to the purchase and distribution of the vendor's inventory, we recognize the fees as a reduction in the carrying value of the inventory that generated the fees, and as such, a reduction of cost of products sold in our consolidated statements of earnings when the inventory is sold.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We also self-insure for employee healthcare, general liability, certain product liability matters, auto liability, property and workers' compensation. Self-insurance accruals include an estimate for expected settlements or pending claims, defense costs, administrative fees, claim adjustment costs and an estimate for claims incurred but not reported. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies and other liabilities is highly subjective and requires judgments about future events. We regularly review contingencies and our self-insurance accruals to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates. See Note 8 for additional information regarding loss contingencies and product liability lawsuits.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. Deferred taxes are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are permanently reinvested.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation processes. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. See Note 7 for additional information regarding income taxes.

Other Accrued Liabilities

Other accrued liabilities represent various current obligations, including certain accrued operating expenses and taxes payable.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests represent the portion of net earnings, comprehensive income and net assets that is not attributable to Cardinal Health, Inc.

The redeemable noncontrolling interests relate to our ownership interest in naviHealth Holdings, LLC ("naviHealth"), which we acquired during fiscal 2016. The redeemable noncontrolling interests are redeemable at the option of the third-party noncontrolling interest holders at any time after the two-year anniversary of the closing, or earlier if a trigger event occurs. As such, the noncontrolling interests have been presented as redeemable noncontrolling interests in our consolidated balance sheets. The noncontrolling interests will be adjusted each period for net earnings and dividends attributable to the noncontrolling interests and changes in the noncontrolling ownership interests, if any. An additional adjustment to the carrying value of the noncontrolling interests may be required if the redemption value under the terms of the agreement exceeds the carrying value. Changes in the carrying value of the noncontrolling interests related to a change in the redemption value will be recorded through retained earnings and will not affect net earnings attributable to Cardinal Health, Inc. See Note 2 and Note 12 for additional information regarding redeemable noncontrolling interests.

Share-Based Compensation

Share-based compensation provided to employees is recognized in the consolidated statements of earnings based on the grant date fair value of the awards. The fair value of stock options is determined on the grant date using a lattice valuation model. The fair value of restricted share units and performance share units is determined by the grant date market price of our common shares. The compensation expense associated with nonvested performance share units is dependent on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. The compensation expense recognized for share-based awards is net of estimated forfeitures and is recognized ratably over the service period of the awards. We classify share-based compensation expense in distribution, selling, general and administrative ("SG&A") expenses to correspond with the same line item as the majority of the cash compensation paid to employees. If awards are modified in connection with a restructuring activity, the incremental share-based

compensation expense is classified in restructuring and employee severance. See Note 16 for additional information regarding share-based compensation.

Dividends

We paid cash dividends per common share of $1.80 , $1.55 and $1.37 in fiscal 2017 , 2016 and 2015 , respectively.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, product delivery has occurred or the services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

Pharmaceutical Segment

The Pharmaceutical segment recognizes distribution revenue when title transfers to its customers and we have no further obligation to provide services related to such merchandise.

Revenue for deliveries that are directly shipped to customers from the manufacturer when we act as an intermediary in the ordering and delivery of products is recorded gross. This is in accordance with accounting standards addressing reporting revenue on a gross basis as a principal versus on a net basis as an agent. This revenue is recorded on a gross basis since we incur credit risk from the customer, bear the risk of loss for incomplete shipments and do not receive a separate fee or commission for the transaction and, as such, are the primary obligor. Revenue from these sales is recognized when title transfers to the customer and we have no further obligation to provide services related to such merchandise.

Radiopharmaceutical revenue is recognized upon delivery of the product to the customer and we have no further obligation to provide services related to such merchandise.

Medical Segment

The Medical segment recognizes revenue when title transfers to its customers and we have no further obligation to provide services related to such products.

Sales Returns and Allowances

Revenue is recorded net of sales returns and allowances. Our customer return policies generally require that the product be physically returned, subject to restocking fees, in a condition suitable to be added back to inventory and resold at full value, or returned to vendors for credit ("merchantable product"). Product returns are generally consistent throughout the year and typically are not specific to any particular product or customer.

We accrue for estimated sales returns and allowances at the time of sale based upon historical customer return trends, margin rates and processing costs. Our accrual for sales returns is reflected as a reduction of revenue and cost of products sold for the sales price and cost, respectively. At June 30, 2017 and 2016 , the accrual for estimated sales returns and allowances was $347 million and $386 million , respectively, the impact of which is reflected in trade receivables, net and inventories, net in the consolidated balance sheets. Sales returns and allowances were $2.3 billion , $2.2 billion and $2.0 billion , for fiscal 2017 , 2016 and 2015 , respectively.

Third-Party Returns

Since we generally do not accept non-merchantable product returns from our customers, many of our customers return non-merchantable pharmaceutical products to the manufacturer through third parties. Since our customers generally do not have a direct relationship with manufacturers, our vendors pass the value of such returns to us (usually in the form of an accounts payable deduction) for distribution to customers. We, in turn, pass the value received, less an administrative fee, to our customer. In certain instances, we pass the estimated value of the return to our customer prior to our receipt of the value from the vendor. Although we believe we have satisfactory protections, we could be subject to claims from customers or vendors if our administration of this overall process was deficient in some respect or our contractual terms with vendors are in conflict with our contractual terms with our customers. We have maintained reserves for some of these situations based on their nature and our historical experience with their resolution.

Shipping and Handling

Shipping and handling costs are primarily included in SG&A expenses in our consolidated statements of earnings. Shipping and handling costs include all delivery expenses as well as all costs to prepare the product for shipment to the end customer. Shipping and handling costs were $496 million , $504 million and $454 million , for fiscal 2017 , 2016 and 2015 , respectively. Revenue received for shipping and handling was immaterial for all periods presented.

Restructuring and Employee Severance

We consider restructuring activities to be programs by which we fundamentally change our operations, such as closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process sourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including realignment of the management structure of a business unit in response to changing market conditions). See Note 3 for additional information regarding our restructuring activities.

Amortization and Other Acquisition-Related Costs

We classify certain costs incurred in connection with acquisitions as amortization and other acquisition-related costs in our consolidated statements of earnings. These costs consist of amortization of acquisition-related intangible assets, transaction costs, integration costs and changes in the fair value of contingent consideration obligations. Transaction costs are incurred during the initial evaluation of a potential acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as due diligence activities. Integration costs relate to activities required to combine the operations of an acquired enterprise into our operations and, in the case of the Cordis business, to stand-up the systems and processes needed to support its global footprint. We record changes in the fair value of contingent consideration obligations relating to acquisitions as income or expense in amortization and other acquisition-related costs. See Note 4 for additional information regarding amortization of acquisition-related intangible assets and

Note 10 for additional information regarding contingent consideration.

Translation of Foreign Currencies

Financial statements of our subsidiaries outside the United States are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign subsidiaries into U.S. dollars are accumulated in shareholders' equity through AOCI utilizing period-end exchange rates. Revenues and expenses of these foreign subsidiaries are translated using average exchange rates during the year.

The foreign currency translation gains/(losses) included in AOCI at June 30, 2017 and 2016 are presented in Note 13 . Foreign currency transaction gains and losses for the period are included in the consolidated statements of earnings in their respective financial statement line item.

Interest Rate, Currency and Commodity Risk

All derivative instruments are recognized at fair value on the consolidated balance sheets and all changes in fair value are recognized in net earnings or shareholders' equity through AOCI, net of tax.

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. Any contract not designated as a hedge, or so designated but ineffective, is adjusted to fair value and recognized immediately in net earnings. If a fair value or cash flow hedge ceases to qualify for hedge accounting treatment, the contract continues to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value are recognized immediately in net earnings. If a forecasted transaction is probable not to occur, amounts previously deferred in AOCI are recognized immediately in net earnings. See Note 11 for additional information regarding our derivative instruments, including the accounting treatment for instruments designated as fair value, cash flow and economic hedges.

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are:

Level 1 - Observable prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

See Note 10 for additional information regarding fair value measurements.

Recent Financial Accounting Standards

In May 2017, the Financial Accounting Standards Board ("FASB") issued final guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. This guidance will be effective for us in the first quarter of fiscal 2019 and the impact of this new guidance is dependent on future events.

In February 2017, the FASB clarified the guidance on how to account for the derecognition of nonfinancial assets (e.g., real estate, land, buildings, intangibles) and in-substance nonfinancial assets once an entity adopts the new revenue recognition guidance that is discussed in more detail in this section below. The guidance also defines what constitutes an in-substance nonfinancial asset. This guidance will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In January 2017, the FASB issued amended accounting guidance that simplifies the accounting for goodwill impairment by eliminating the step of measuring a goodwill impairment by estimating the implied fair value of goodwill. Instead, goodwill impairment will be measured as the amount by which the reporting unit's carrying value exceeds its fair value, limited to the carrying value of the goodwill. This guidance will be effective for us in the first quarter of fiscal 2021, with early adoption permitted. We are currently evaluating the timing of adoption. The impact of this new guidance is dependent on future events.

Also in January 2017, the FASB issued new accounting guidance that changes the definition of a business when evaluating whether a set of transferred assets and activities is considered a business. This guidance will be effective for us in the first quarter of fiscal 2019, with early adoption permitted. We are currently evaluating the timing of adoption. The impact of adoption is dependent on future events.

In November 2016, the FASB issued amended accounting guidance on the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires an entity to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flows. This amendment will be effective for us in the first quarter of fiscal 2019, with early adoption permitted. We are currently evaluating the timing of adoption and the impact of this standard on our consolidated financial statements.

In October 2016, the FASB issued amended accounting guidance that requires an entity to recognize the income tax effect of intercompany sales and transfers of assets other than inventory at the time that the transfer occurs rather than when the asset is sold

to a third party. This amendment will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In August 2016, the FASB issued accounting guidance which clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to contingent consideration payments made after a business combination, distributions received from equity method investees, debt prepayment or debt extinguishment costs and proceeds from the settlement of insurance claims. This guidance will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In June 2016, the FASB issued amended accounting guidance that will require entities to measure credit losses on trade and other receivables, held-to-maturity debt securities, loans and other instruments using an "expected credit loss" model that considers historical experience, current conditions and reasonable supportable forecasts. This guidance also requires that credit losses on available-for-sale debt securities with unrealized losses be recognized as allowances rather than as deductions in the amortized cost of the securities. This guidance will be effective for us in the first quarter of fiscal 2021. We are currently evaluating the impact of adoption on our consolidated financial statements.

In March 2016, the FASB issued amended accounting guidance that will change the accounting for certain aspects of share-based compensation to employees. The guidance requires all income tax effects of share-based awards to be recognized in the statement of earnings as awards vest or are settled. Additionally, the guidance increases the amount employers can withhold in shares to cover employee income taxes without requiring liability classification and allows a policy election for accounting for forfeitures. We anticipate the primary impact of the adoption will result in the recognition of excess tax benefits in the income statement on a prospective basis, rather than as a component of equity, and therefore we expect to recognize an immaterial discrete tax benefit or expense in income tax expense on our consolidated financial statements upon adoption in the first quarter of fiscal 2018. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for income taxes as the amount of excess tax benefits or deficiencies from share-based compensation awards depends on our stock price at the date the awards vest.

In February 2016, the FASB issued amended accounting guidance that requires lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. This guidance will be effective for us in the first quarter of fiscal 2020, with early adoption permitted. We are currently evaluating the impact of the adoption on our consolidated financial statements.

In July 2015, the FASB issued amended accounting guidance that simplifies the current guidance surrounding the measurement of inventory. Under this amended guidance, inventory is measured at the lower of cost and net realizable value, which eliminates the need to determine replacement cost and evaluate whether the inventory is above or below net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amended guidance does not apply to inventory measured under the LIFO method. We adopted this guidance in the fourth quarter of fiscal 2017. The adoption of this guidance did not impact our consolidated financial statements.

In April 2015, the FASB issued amended accounting guidance that clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. If it is determined that a software license does not exist in the arrangement, the customer would account for this arrangement as a service contract. We adopted this guidance in the first quarter of fiscal 2017. The adoption of this guidance did not have a material impact on our financial position or results of operations.

Also in April 2015, the FASB issued amended accounting guidance related to the presentation of debt issuance costs in the financial statements. This guidance requires an entity to present such costs in the balance sheet as a direct deduction from the related debt rather than as an asset. We adopted this guidance in the first quarter of fiscal 2017. Upon adoption of this guidance, debt issuance costs of $29 million were reclassified from other assets to long-term obligations, less current portion within the consolidated balance sheet.

In August 2014, the FASB issued amended accounting guidance related to uncertainties about an entity's ability to continue as a going concern. This guidance requires management to evaluate whether there is substantial doubt about a company's ability to continue as a going concern. We adopted this guidance in the fourth quarter of fiscal 2017. The adoption of this guidance did not impact our financial statement disclosures.

In May 2014, the FASB issued amended accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to customers. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The FASB also subsequently issued several amendments to the standard, including clarification on principal versus agent considerations, performance obligations and licensing, and certain scope improvements and practical expedients.

We continue to make progress on our evaluation of the amended guidance, including identification of revenue streams and customer contract reviews. Our revenue is primarily distribution revenue, which we recognize at a point in time when title transfers to customers and we have no further obligation to provide services related to such merchandise. Although we are continuing to assess the impact of the amended guidance, we generally anticipate that the timing of recognition of distribution revenue will be substantially unchanged under the amended guidance.

The amended guidance will be effective for us in the first quarter of fiscal 2019 and permits adoption under either the full retrospective

approach (recognize effects of the amended guidance in each prior reporting period presented) or the modified retrospective approach (recognize the cumulative effect of adoption as an adjustment to retained earnings at the date of initial application). We are still evaluating our method of adoption.

2. Acquisitions

While we have completed acquisitions impacting the Pharmaceutical segment during fiscal 2017 , the pro forma results of operations and the results of operations for acquired businesses since the acquisition dates have not been separately disclosed because the effects were not significant compared to the consolidated financial statements, individually or in the aggregate. The cash paid for these acquisitions, net of cash acquired, was $ 132 million . During the three months ended June 30, 2017 , we completed the largest of these acquisitions for a purchase price of approximately $ 80 million , which was paid in cash, and potential maximum contingent payments of $ 230 million . As of June 30, 2017 , we recorded a $19 million contingent consideration obligation in connection with this acquisition.

Cordis

On October 2, 2015 , we acquired Cordis from Ethicon, Inc., a wholly-owned subsidiary of Johnson & Johnson, for $1.9 billion using cash on hand and proceeds from our debt offering in June 2015 . The acquisition of Cordis, a global manufacturer and distributor of interventional cardiology devices and endovascular solutions with operations in more than 50 countries, expands our Medical segment's portfolio of self-manufactured products and its geographic scope. We closed the Cordis acquisition in 20 principal countries on October 2, 2015 , and acquired control of, as described in GAAP, and the rights to, the net economic benefit from the entire Cordis business in the remaining countries at that time.

Transaction and integration costs associated with the acquisition of Cordis were $61 million and $78 million during fiscal 2017 and 2016 , respectively, and are included in amortization and other acquisition-related costs in the consolidated statements of earnings.

naviHealth

On August 26, 2015 , we acquired a 71 percent ownership interest in naviHealth for $238 million , net of cash acquired of $53 million . We funded the acquisition with cash on hand. The acquisition of naviHealth, a leader in post-acute care management solutions, expands our ability to serve hospitals, other healthcare providers, and payers. We consolidate the results of naviHealth in our consolidated financial statements and report its consolidated results in our Medical segment. The terms of the agreement provide us with the option to acquire any remaining noncontrolling interests at any time after the two -year anniversary of the closing. The third-party noncontrolling interest holders also hold an option, which allows them to sell their noncontrolling interests to us at any time after the two-year anniversary of the closing, or earlier if a trigger event occurs. Refer to Note 12 for further information on the redeemable noncontrolling interests. We also completed acquisitions within naviHealth during fiscal 2016 for $242 million , which were paid in cash and increased our ownership interest to 82 percent .

Harvard Drug

On July 2, 2015 , we completed the acquisition of The Harvard Drug Group ("Harvard Drug") for $1.1 billion using cash on hand and proceeds from our debt offering in June 2015 . The acquisition of Harvard Drug, a distributor of generic pharmaceuticals, over-the-counter healthcare and related products to retail, institutional, and alternate care customers, enhances our Pharmaceutical segment's generic pharmaceutical distribution and related services businesses. Harvard Drug also repackages generic pharmaceuticals and over-the-counter healthcare products.

Fair Value of Assets Acquired and Liabilities Assumed

The allocation of the fair value of assets acquired and liabilities assumed for the acquisitions of Cordis, Harvard Drug and naviHealth were finalized during the fiscal year ended June 30, 2017 .

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition dates for Cordis, naviHealth and Harvard Drug:

(in millions)	Cordis	naviHealth	Harvard Drug
Identifiable intangible assets:			
Customer relationships (1)	$ 225	$ 38	$ 470
Trade names (2)	125	16	130
Developed technology (3)	395	61	—
In-process research and development (4)	55	—	—
Total identifiable intangible assets acquired	800	115	600
Cash and equivalents	—	53	44
Trade receivables	—	31	67
Inventories	205	—	49
Prepaid expenses and other	4	14	11
Property and equipment	97	5	16
Other assets	44	1	—
Accounts payable	(82)	(2)	(47)
Other accrued liabilities	(85)	(95)	(37)
Deferred income taxes and other liabilities	(13)	(33)	(188)
Redeemable noncontrolling interests	—	(119)	—
Total identifiable net assets/(liabilities) acquired	970	(30)	515
Goodwill	914	321	634
Total net assets acquired	**$ 1,884**	**$ 291**	**$ 1,149**

(1) The weighted-average useful lives of customer relationships range from 4 to 13 years.

(2) The weighted-average useful lives of trade names range from 10 to 20 years.

(3) The weighted-average useful life of developed technology is 10 years.

(4) Acquired in-process research and development intangible assets have an indefinite life.

3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

(in millions)	2017	2016	2015
Employee-related costs (1)	$ 51	$ 15	$ 34
Facility exit and other costs (2)	5	10	10
Total restructuring and employee severance	**$ 56**	$ 25	$ 44

(1) Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods.

(2) Facility exit and other costs primarily consist of lease termination costs, accelerated depreciation, equipment relocation costs, project consulting fees and costs associated with restructuring our delivery of information technology infrastructure services.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2015	$ 22	$ —	$ 22
Additions	17	2	19
Payments and other adjustments	(24)	(1)	(25)
Balance at June 30, 2016	15	1	16
Additions	43	1	44
Payments and other adjustments	(17)	(2)	(19)
Balance at June 30, 2017	**$ 41**	**$ —**	**$ 41**

4. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

(in millions)	Pharmaceutical (1)	Medical	Total
Balance at June 30, 2015	$ 2,199	$ 2,871	$ 5,070
Goodwill acquired, net of purchase price adjustments	738	1,382	2,120
Foreign currency translation adjustments and other	(18)	(5)	(23)
Balance at June 30, 2016	2,919	0 4,248	7,167
Goodwill acquired, net of purchase price adjustments	29	35	64
Foreign currency translation adjustments and other	(9)	(1)	(10)
Balance at June 30, 2017	**$ 2,939**	**$ 4,282**	**$ 7,221**

(1) At June 30, 2017 the accumulated goodwill impairment loss was $829 million .

The increase in the Pharmaceutical segment goodwill during fiscal 2017 is due to acquisitions. Goodwill recognized in connection with acquisitions primarily represents the expected benefits from synergies of integrating this business, the existing workforce of the acquired entity and the expected growth from new customers.

The increase in the Medical segment goodwill during fiscal 2017 is primarily due to the Cordis acquisition. During fiscal 2017, we recorded additional goodwill for Cordis, substantially all of which was to increase an accrual for assumed pre-acquisition product liability lawsuits. The majority of the goodwill acquired in connection with the acquisition of Cordis is deductible for tax purposes. See Note 8 for further discussion of the product liability lawsuits.

See Note 2 for further discussion of these acquisitions.

Other Intangible Assets

The following tables summarize other intangible assets by class at June 30:

	2017			
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
Indefinite-life intangibles:				
IPR&D, trademarks and other	**$ 61**	**$ —**	**$ 61**	**N/A**
Total indefinite-life intangibles	**61**	**—**	**61**	**N/A**
Definite-life intangibles:				
Customer relationships	**1,966**	**967**	**999**	**9**
Trademarks, trade names, and patents	**509**	**195**	**314**	**14**
Developed technology and other	**916**	**304**	**612**	**10**
Total definite-life intangibles	**3,391**	**1,466**	**1,925**	**10**
Total other intangible assets	**$ 3,452**	**$ 1,466**	**$ 1,986**	**N/A**

	2016		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 72	$ —	$ 72
Total indefinite-life intangibles	72	—	72
Definite-life intangibles:			
Customer relationships	1,946	737	1,209
Trademarks, trade names, and patents	508	140	368
Developed technology and other	808	198	610
Total definite-life intangibles	3,262	1,075	2,187
Total other intangible assets	$ 3,334	$ 1,075	$ 2,259

Total amortization of intangible assets was $395 million , $355 million and $191 million for fiscal 2017 , 2016 and 2015 , respectively. The estimated annual amortization for intangible assets, excluding intangible assets that may be added as a result of acquisitions that had not yet closed as of June 30, 2017, for fiscal 2018 through 2022 is as follows: $370 million , $301 million , $270 million , $219 million and $195 million .

5. Available-for-Sale Securities

We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. We held the following investments in marketable securities at fair value at June 30:

(in millions)	2017	2016
Current available-for-sale securities:		
Commercial paper	$ —	$ —
Treasury bills	**25**	3
International bonds	**3**	2
Corporate bonds	**30**	58
U.S. agency bonds	**3**	6
Asset-backed securities	**3**	28
International equity securities	**1**	2
U.S. agency mortgage-backed securities	**—**	14
Total current available-for-sale securities	**65**	113
Long-term available-for-sale securities:		
Treasury bills	**—**	10
International bonds	**—**	1
Corporate bonds	**—**	36
U.S. agency bonds	**—**	9
Asset-backed securities	**—**	17
U.S. agency mortgage-backed securities	**—**	14
Total long-term available-for-sale securities	**—**	87
Total available-for-sale securities	**$ 65**	$ 200

Gross unrealized gains and losses were immaterial at both June 30, 2017 and 2016 . During fiscal 2017 , 2016 and 2015 gross realized gains and losses were immaterial and we did not recognize any other-than-temporary-impairments. At June 30, 2017 , the weighted-average effective maturity of our current investments is approximately 7 months .

6. Long-Term Obligations and Other Short-Term Borrowings

The following table summarizes long-term obligations and other short-term borrowings at June 30:

(in millions) (1)	2017	2016
1.9% Notes due 2017	$ —	$ 251
1.7% Notes due 2018	**400**	405
1.95% Notes due 2018	**547**	554
1.948% Notes due 2019	**996**	—
2.4% Notes due 2019	**453**	461
4.625% Notes due 2020	**519**	528
2.616% Notes due 2022	**1,142**	—
3.2% Notes due 2022	**248**	253
Floating Rate Notes due 2022	**347**	—
3.2% Notes due 2023	**544**	549
3.079% Notes due 2024	**744**	—
3.5% Notes due 2024	**396**	398
3.75% Notes due 2025	**481**	505
3.410% Notes due 2027	**1,340**	—
4.6% Notes due 2043	**346**	349
4.5% Notes due 2044	**341**	345
4.9% Notes due 2045	**445**	450
4.368% Notes due 2047	**594**	—
7.8% Debentures due 2016	**—**	37
7.0% Debentures due 2026	**124**	124
Other obligations	**388**	330
Total	**10,395**	5,539
Less: current portion of long-term obligations and other short-term borrowings	**1,327**	587
Long-term obligations, less current portion	**$ 9,068**	$ 4,952

(1) Maturities are presented on a calendar year basis.

Maturities of existing long-term obligations and other short-term borrowings for fiscal 2018 through 2022 and thereafter are as follows: $1,327 million , $998 million , $454 million , $521 million , $1,738 million and $5,357 million .

Long-Term Debt

All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 7.0% and 7.8% Debentures represent unsecured obligations of Allegiance Corporation (a wholly-owned subsidiary), which Cardinal Health, Inc. has guaranteed. None of these obligations are subject to a sinking fund and the Allegiance obligations are not redeemable prior to maturity. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $17.9 billion .

In June 2017, we issued additional debt with the aggregate principal amount of $5.2 billion to fund a portion of the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses (the " Patient Recovery Business ") from Medtronic plc ("Medtronic"),

which closed on July 29, 2017 , to redeem the 1.7% Notes due 2018 and for general corporate purposes. The notes issued in conjunction with the acquisition are 1.948% Notes due 2019, 2.616% Notes due 2022, 3.079% Notes due 2024, 3.410% Notes due 2027, 4.368% Notes due 2047, and floating rate Notes due 2022. The amount of the notes issued net of discounts, premiums, mark-to-market of any interest rate swaps and debt issuance costs was $5.2 billion . We also had obtained a commitment letter in April 2017 from a financial institution for a $4.5 billion unsecured bridge term loan facility that could have been used to complete the acquisition of the Patient Recovery Business. We incurred fees related to the facility, which are included in interest expense, net. No amounts were drawn under the bridge term loan facility and we terminated the commitment letter in June 2017.

In June 2015, we sold $550 million aggregate principal amount of 1.95% Notes that mature on June 15, 2018, $500 million aggregate principal amount of 3.75% Notes that mature on September 15, 2025, and $450 million aggregate principal amount of 4.9% Notes that mature on September 15, 2045. We used the net proceeds from the offering to pay part of the purchase price to acquire Harvard Drug on July 2, 2015 and Cordis on October 2, 2015 , as discussed further in Note 2 .

In November 2014, we sold $450 million aggregate principal amount of 2.4% Notes that mature on November 15, 2019, $400 million aggregate principal amount of 3.5% Notes that mature on November 15, 2024 and $350 million aggregate principal amount of 4.5% Notes that mature on November 15, 2044.

In December 2014, we redeemed certain outstanding notes at a redemption price equal to 100% of the principal amount and any accrued but unpaid interest, plus the applicable make-whole premium. As a result of the redemption, we incurred a loss on the extinguishment of debt of $60 million ($37 million , net of tax), which included a make-whole premium of $80 million , write-off of $2 million of unamortized debt issuance costs, and an offsetting $22 million fair value adjustment to the respective debt related to previously terminated interest rate swaps.

If we undergo a change of control, as defined in the notes, and if the notes receive specified ratings below investment grade by each of Standard & Poors Ratings Services, Moody's Investors Services and Fitch Ratings, any holder of the notes, excluding the debentures, can require with respect to the notes owned by such holder, or we can offer, to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest.

Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $1.75 billion revolving credit facility and a $700 million committed receivables sales facility program. In November 2016, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through November 1, 2019. CHF was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells receivables to CHF. CHF is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors.

We also maintain a commercial paper program, backed by our revolving credit facility, which we increased in December 2015 from $1.5 billion to $1.75 billion . At June 30, 2017 , we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of $20 million and $14 million at June 30, 2017 and 2016 , respectively. We also had no amounts outstanding under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of $46 million and $40 million at June 30, 2017 and 2016 , respectively. Under our commercial paper program, we had a maximum amount outstanding of $855 million and an average daily amount outstanding of $58 million during the fiscal year ended June 30, 2017 . We had no amount outstanding as of June 30, 2017 .

Our revolving credit facility and committed receivables sales facility program require us to maintain a consolidated leverage ratio of no more than 3.25 -to-1. As a result of the acquisition of the Patient Recovery Business, we temporarily increased this ratio to 4.25 -to-1. As of June 30, 2017 , we were in compliance with these financial covenants.

We also maintain other short-term credit facilities and an unsecured line of credit that allowed for borrowings up to $690 million and $699 million at June 30, 2017 and 2016 , respectively. The $388 million and $330 million balance of other obligations at June 30, 2017 and 2016 , respectively, consisted of short-term borrowings and capital leases.

7. Income Taxes

The following table summarizes earnings from continuing operations before income taxes:

(in millions)	2017	2016	2015
U.S. operations	$ 1,772	$ 2,050	$ 1,733
Non-U.S. operations	152	226	234
Earnings from continuing operations before income taxes	$ 1,924	$ 2,276	$ 1,967

The following table summarizes the components of provision for income taxes from continuing operations:

(in millions)	2017	2016	2015
Current:			
Federal	$ 273	$ 633	$ 424
State and local	10	52	83
Non-U.S.	56	73	29
Total current	$ 339	$ 758	$ 536
Deferred:			
Federal	$ 258	$ 96	$ 196
State and local	37	12	24
Non-U.S.	(4)	(21)	(1)
Total deferred	291	87	219
Provision for income taxes	$ 630	$ 845	$ 755

The following table presents a reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations:

	2017	2016	2015
Provision at federal statutory rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes, net of federal benefit	**1.0**	1.5	4.1
Foreign tax rate differential	**(0.2)**	(0.6)	(2.4)
Nondeductible/nontaxable items	**0.2**	1.0	0.7
Other	**(3.3)**	0.2	1.0
Effective income tax rate	**32.7 %**	37.1 %	38.4 %

At June 30, 2017 , we had $700 million of undistributed earnings from non-U.S. subsidiaries that are intended to be permanently reinvested in non-U.S. operations. Because these earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not practicable to estimate the amount of U.S. tax that might be payable on the eventual remittance of such earnings. This amount decreased from the prior year due to the realignment of foreign subsidiaries in anticipation of closing the acquisition of the Patient Recovery Business.

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 following table presents the components of the deferred income tax assets and liabilities at June 30:

(in millions)	2017	2016
Deferred income tax assets:		
Receivable basis difference	**$ 42**	$ 44
Accrued liabilities	**125**	133
Share-based compensation	**53**	56
Loss and tax credit carryforwards	**378**	193
Deferred tax assets related to uncertain tax positions	**51**	95
Other	**43**	46
Total deferred income tax assets	**692**	567
Valuation allowance for deferred income tax assets	**(237)**	(93)
Net deferred income tax assets	**$ 455**	$ 474
Deferred income tax liabilities:		
Inventory basis differences	**$ (1,578)**	$ (1,351)
Property-related	**(183)**	(172)
Goodwill and other intangibles	**(570)**	(607)
Total deferred income tax liabilities	$ (2,331)	$ (2,130)
Net deferred income tax liability	**$ (1,876)**	$ (1,656)

Deferred income tax assets and liabilities in the preceding table, after netting by taxing jurisdiction, are in the following captions in the consolidated balance sheets at June 30:

(in millions)	2017	2016
Noncurrent deferred income tax asset (1)	**73**	42
Noncurrent deferred income tax liability (2)	**(1,949)**	(1,698)
Net deferred income tax liability	**$ (1,876)**	$ (1,656)

(1) Included in other assets in the consolidated balance sheets.

(2) Included in deferred income taxes and other liabilities in the consolidated balance sheets.

At June 30, 2017 we had gross federal, state and international loss and credit carryforwards of $225 million , $1,406 million and $590 million , respectively, the tax effect of which is an aggregate deferred tax asset of $378 million . Substantially all of these carryforwards are available for at least three years. Approximately $223 million of the valuation allowance at June 30, 2017 applies to certain federal, state and international loss carryforwards that, in our opinion, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance would reduce income tax expense. The increase in international loss carryforwards and valuation allowances are due to the realignment of foreign subsidiaries in anticipation of closing the acquisition of the Patient Recovery Business.

We had $417 million , $527 million and $542 million of unrecognized tax benefits at June 30, 2017 , 2016 and 2015 , respectively. The June 30, 2017 , 2016 and 2015 balances include $268 million , $355 million and $357 million , respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not affect our effective tax rate. We include the full amount of unrecognized tax benefits in deferred income taxes and other liabilities in the consolidated balance sheets. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

(in millions)	2017	2016	2015
Balance at beginning of fiscal year	**$ 527**	$ 542	$ 510
Additions for tax positions of the current year	**29**	22	15
Additions for tax positions of prior years	**23**	42	69
Reductions for tax positions of prior years	**(8)**	(48)	(42)
Settlements with tax authorities	**(154)**	(30)	(10)
Expiration of the statute of limitations	—	(1)	—
Balance at end of fiscal year	**$ 417**	$ 527	$ 542

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of

limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is a net decrease of $0 million to $45 million , exclusive of penalties and interest.

We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At June 30, 2017 , 2016 and 2015 , we had $99 million , $145 million and $169 million , respectively, accrued for the payment of interest and penalties. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the consolidated balance sheets. During fiscal 2017 and 2015 , we recognized $12 million and $24 million of expense for interest and penalties in income tax expense, respectively. During fiscal 2016 , we recognized $9 million of benefit for interest and penalties in income tax expense.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and various foreign jurisdictions. During the twelve months ended June 30, 2017 , the IRS closed audits of fiscal years 2006 and 2007, which is reflected in our consolidated financial statements and in our evaluation of uncertain tax positions. The settlement had an immaterial impact to our provision for income taxes. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2008 through the current fiscal year.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), which has been acquired by Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was $142 million and $172 million at June 30, 2017 and 2016 , respectively, and is included in other assets in the consolidated balance sheets.

8. Commitments, Contingent Liabilities and Litigation

Commitments

Operating Leases

The future minimum rental payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year at June 30, 2017 for fiscal 2018 through 2022 and thereafter are as follows: $110 million , $94 million , $77 million , $59 million , $41 million and $107 million . Rental expense relating to operating leases was $159 million , $126 million and $104 million in fiscal 2017 , 2016 and 2015 , respectively. Sublease rental income was immaterial for all periods presented.

Generic Sourcing Venture With CVS Health Corporation

In July 2014 , we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS for an initial term of 10 years . Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of both companies. Due to the achievement of predetermined milestones, we are required to make quarterly payments of $45.6 million to CVS for the remainder of the initial term.

Legal Proceedings

We become involved from time to time in disputes, litigation and regulatory matters.

We may be named from time to time in *qui tam* actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a *qui tam* action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government.

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters that we investigate internally, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. In addition, from time to time, we receive subpoenas or requests for information from various government agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

From time to time, we may determine that products we manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a quality or regulatory issue, we investigate and take appropriate corrective action. Such actions can lead to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, action by regulators and product liability claims and lawsuits, including class actions. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for certain litigation and regulatory matters, including mass tort product liability claims, and income from favorable resolution of litigation in litigation (recoveries)/charges, net in our consolidated statements of earnings.

State of West Virginia vs. Cardinal Health, Inc.

In January 2017, we agreed , without admitting liability, to pay $20 million to the State of West Virginia to settle a lawsuit filed against us by the West Virginia Attorney General in June 2012. As previously

disclosed, the West Virginia Attorney General had filed complaints in the Circuit Court of Boone County, West Virginia against a number of pharmaceutical wholesale distributors, including us, alleging, among other things, that, between 2007 and 2012, the distributors had failed to maintain effective controls to guard against diversion of controlled substances in West Virginia and had failed to report suspicious orders of controlled substances in accordance with the West Virginia Uniform Controlled Substances Act.

Opioid Lawsuits

As of August 8, 2017, 26 counties and municipalities in New York, Ohio, Oregon and West Virginia, as well as the Cherokee Nation, have filed lawsuits against pharmaceutical wholesale distributors (including us), pharmaceutical manufacturers and retail chains relating to the distribution of prescription opioid pain medications. The lawsuits, which have been filed in various federal, state and other courts, allege violations of controlled substance laws and various other statutes as well as common law claims, including negligence, public nuisance and unjust enrichment, and seek equitable relief and monetary damages. We are vigorously defending ourselves in these lawsuits. Since these lawsuits are at early stages, we are unable to predict the outcome of these lawsuits or estimate a range of reasonably possible losses.

Product Liability Lawsuits

As of August 8, 2017, we are named as a defendant in 68 product liability lawsuits filed in Alameda County Superior Court in California involving claims by approximately 750 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. Another 8 similar lawsuits involving claims by approximately 10 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. We are vigorously defending ourselves in these lawsuits.

In fiscal 2017, we recorded an accrual of $79 million ($53 million , net of tax) for estimated losses and legal defense costs as an adjustment to pre-acquisition liabilities assumed in the Cordis acquisition. We record additional accruals for losses and legal defense costs as litigation (recoveries)/charges, net in our consolidated statements of earnings. At June 30, 2017, we had a total of $98 million , net of expected insurance recoveries, accrued for losses and legal defense costs related to the Cordis IVC filter lawsuits, which includes the $79 million accrual referenced above. While we have recorded accruals based on our assessment of these matters, because these lawsuits are at early stages, we are unable to estimate a range of reasonably possible losses in excess of this accrued amount.

Antitrust Litigation Proceeds

We received and recognized income resulting from settlements of class action antitrust lawsuits, in which we were a class member, of $1 million , $80 million and $71 million during fiscal 2017 , 2016 and 2015 , respectively.

9. Guarantees

In the ordinary course of business, we agree to indemnify certain other parties under acquisition and disposition agreements, customer agreements, intellectual property licensing agreements, and other agreements. Such indemnification obligations vary in scope and, when defined, in duration. In many cases, a maximum obligation is not explicitly stated, and therefore the overall maximum amount of the liability under such indemnification obligations cannot be reasonably estimated. Where appropriate, such indemnification obligations are recorded as a liability. Historically, we have not, individually or in the aggregate, made payments under these indemnification obligations in any material amounts. In certain circumstances, we believe that existing insurance arrangements, subject to the general deduction and exclusion provisions, would cover portions of the liability that may arise from these indemnification obligations. In addition, we believe that the likelihood of a material liability being triggered under these indemnification obligations is not probable.

From time to time we enter into agreements that obligate us to make fixed payments upon the occurrence of certain events. Such obligations primarily relate to obligations arising under acquisition transactions, where we have agreed to make payments based upon the achievement of certain financial performance measures by the acquired business. Generally, the obligation is capped at an explicit amount. See Note 10 for detail regarding contingent consideration obligations.

10. Fair Value Measurements

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at June 30:

	2017			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 739	$ —	$ —	$ 739
Forward contracts (1)	—	(21)	—	(21)
Available-for-sale securities (2)	—	65	—	65
Other investments (3)	116	—	—	116
Liabilities:				
Contingent consideration (4)	—	—	(32)	(32)

	2016			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 516	$ —	$ —	$ 516
Forward contracts (1)	—	19	—	19
Available-for-sale securities (2)	—	200	—	200
Other investments (3)	103	—	—	103
Liabilities:				
Contingent consideration (4)	—	—	(19)	(19)

(1) The fair value of interest rate swaps, foreign currency contracts and commodity contracts is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in the consolidated balance sheets.

(2) We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. Observable Level 2 inputs such as quoted prices for similar securities, interest rate spreads, yield curves and credit risk are used to determine the fair value. See Note 5 for additional information regarding available-for-sale securities.

(3) Level 1 other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds primarily invest in the equity securities of companies with large market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

(4) Contingent consideration represents the obligations incurred in connection with acquisitions. We do not deem the fair value of the contingent consideration obligations under any single acquisition to be significant. The estimate of fair value of the contingent consideration obligations requires subjective assumptions to be made regarding future business results, discount rates, discount periods, and probabilities assigned to various potential business result scenarios and was determined using probability assessments with respect to the likelihood of reaching various targets or of achieving certain milestones. The fair value measurement is based on significant inputs unobservable in the market and thus represents a Level 3 measurement. Changes in current expectations of progress could change the probability of achieving the targets within the measurement periods and result in an increase or decrease in the fair value of the contingent consideration obligation.

The following table presents those liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3):

(in millions)	Contingent Consideration Obligation
Balance at June 30, 2015	$ 53
Additions from acquisitions	7
Changes in fair value of contingent consideration (1)	(16)
Payment of contingent consideration	(25)
Balance at June 30, 2016	19
Additions from acquisitions	21
Changes in fair value of contingent consideration (1)	(5)
Payment of contingent consideration	(3)
Balance at June 30, 2017	**$ 32**

(1) Amount is included in amortization and other acquisition-related costs in the consolidated statements of earnings.

11. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk, and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period.

We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into derivative instruments with major financial institutions that are investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

Interest Rate Risk Management

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

The following table summarizes the fair value of our assets and liabilities related to derivatives designated as hedging instruments and the respective line items in which they were recorded in the consolidated balance sheets at June 30:

(in millions)	2017	2016
Assets:		
Foreign currency contracts (1)	**$ 3**	$ 1
Pay-floating interest rate swaps (2)	**—**	33
Pay-floating interest rate swaps (1)	**—**	1
Total assets	**$ 3**	$ 35
Liabilities:		
Foreign currency contracts (3)	**$ 2**	$ 3
Forward interest rate swaps (4)	**—**	10
Pay-floating interest rate swaps (3)	**2**	—
Pay-floating interest rate swaps (4)	**19**	—
Commodity contracts (3)	**1**	2
Commodity contracts (4)	**—**	1
Total liabilities	**$ 24**	$ 16

(1) Included in prepaid expenses and other in the consolidated balance sheets.
(2) Included in other assets in the consolidated balance sheets.
(3) Included in other accrued liabilities in the consolidated balance sheets.
(4) Included in deferred income taxes and other liabilities in the consolidated balance sheets.

Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the consolidated statements of earnings.

During fiscal 2017 and 2016 we entered into pay-floating interest rate swaps with total notional amounts of $700 million and $600 million , respectively. These swaps have been designated as fair value hedges of our fixed rate debt and are included in deferred income taxes and other liabilities in the consolidated balance sheets.

During fiscal 2017 and 2016 we terminated notional amounts of $600 million and $250 million , respectively, of pay-floating interest rate swaps that were previously designated as fair value hedges. In June 2017, $250 million of pay-floating interest rate swaps matured.

The following tables summarize the outstanding interest rate swaps designated as fair value hedges at June 30:

	2017	
(in millions)	Notional Amount	Maturity Date
Pay-floating interest rate swaps	**$ 1,813**	**Jun 2018 - Sep 2025**

	2016	
(in millions)	Notional Amount	Maturity Date
Pay-floating interest rate swaps	$ 1,963	Jun 2017 - Sep 2025

The following table summarizes the gain/(loss) recognized in earnings for interest rate swaps designated as fair value hedges:

(in millions)	2017	2016	2015
Pay-floating interest rate swaps (1) (2)	**$ 17**	$ 23	$ 14
Fixed-rate debt (1)	**(17)**	(23)	(14)

(1) Included in interest expense, net in the consolidated statements of earnings.
(2) Fiscal 2015 excludes $22 million fair value adjustment to the previously terminated interest rate swaps as a result of the December 2014 debt extinguishment as disclosed in Note 6 .

There was no ineffectiveness associated with these derivative instruments for any periods presented.

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

During fiscal 2017 and 2016 we entered into forward interest rate swaps with a total notional amount of $700 million and $300 million , respectively, to hedge probable, but not firmly committed, future transactions associated with our debt.

Additionally, during fiscal 2017 we terminated $1.0 billion in forward interest rate swaps that were previously designated as cash-flow hedges. At June 30, 2017 , we had no outstanding forward interest rate swaps.

We enter into foreign currency contracts to protect the value of anticipated foreign currency revenues and expenses. At June 30, 2017 and 2016 , we held contracts to hedge probable, but not firmly committed, revenue and expenses. The principal currencies hedged are the Canadian dollar, Euro, Thai baht, Mexican peso and Chinese renminbi.

We enter into commodity contracts to manage the price risk associated with forecasted purchases of certain commodities used in our Medical segment.

The following tables summarize the outstanding cash flow hedges at June 30:

	2017	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	162	Jul 2017 - Jun 2018
Commodity contracts	17	Jul 2017 - Apr 2020

	2016	
(in millions)	Notional Amount	Maturity Date
Forward interest rate swaps	$ 300	Jun 2018 - Jun 2028
Foreign currency contracts	183	Jul 2016 - Jun 2017
Commodity contracts	22	Jul 2016 - Mar 2019

The following table summarizes the gain/(loss) included in AOCI for derivative instruments designated as cash flow hedges at June 30:

(in millions)	2017	2016
Forward interest rate swaps	$ —	$ (10)
Commodity contracts	(1)	(3)
Foreign currency contracts	—	(4)

The following table summarizes the gain/(loss) reclassified from AOCI into earnings for derivative instruments designated as cash flow hedges:

(in millions)	2017	2016	2015
Foreign currency contracts (1)	$ (1)	$ 1	$ 1
Foreign currency contracts (2)	(1)	5	4
Foreign currency contracts (3)	2	(3)	(2)
Commodity contracts (3)	(3)	(5)	(1)

(1) Included in revenue in the consolidated statements of earnings.

(2) Included in cost of products sold in the consolidated statements of earnings.

(3) Included in SG&A expenses in the consolidated statements of earnings.

The amount of ineffectiveness associated with these derivative instruments was immaterial for all periods presented.

Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/expense, net. The principal currencies managed through foreign currency contracts are the Canadian dollar, Euro, Thai baht, British pound and Chinese renminbi.

The following tables summarize the outstanding economic (non-designated) derivative instruments at June 30:

	2017	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	$ 558	Jul 2017

	2016	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	$ 492	Jul 2016

The following table summarizes the gain/(loss) recognized in earnings for economic (non-designated) derivative instruments:

(in millions)	2017	2016	2015
Foreign currency contracts (1)	$ (5)	$ (17)	$ (45)

(1) Included in other income, net in the consolidated statements of earnings.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable, and other accrued liabilities at June 30, 2017 and 2016 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at June 30:

(in millions)	2017	2016
Estimated fair value	$ 10,713	$ 5,780
Carrying amount	10,395	5,539

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

The following table is a summary of the fair value gain/(loss) of our derivative instruments based upon the estimated amount that we would receive (or pay), considering counter-party credit risk, to terminate the contracts at June 30:

	2017		2016	
(in millions)	Notional Amount	Fair Value Gain/(Loss)	Notional Amount	Fair Value Gain/(Loss)
Pay-floating interest rate swaps	$ 1,813	$ (19)	$ 1,963	$ 34
Foreign currency contracts	720	1	675	(2)
Forward interest rate swaps	—	—	300	(10)
Commodity contracts	17	(1)	22	(3)

12. Redeemable Noncontrolling Interests

In connection with the acquisition of a 71 percent ownership interest in naviHealth during fiscal 2016 as described in Note 2 , we recognized redeemable noncontrolling interests with a fair value of $119 million at the acquisition date. Our ownership interest in naviHealth was 82 percent at both June 30, 2017 and 2016 .

The reconciliation of the changes in redeemable noncontrolling interests are as follows:

(in millions)	Redeemable Noncontrolling Interests
Balance at June 30, 2015	$ —
Redeemable noncontrolling interests acquired	119
Net earnings attributable to redeemable noncontrolling interests	1
Net purchase of redeemable noncontrolling interests	(3)
Balance at June 30, 2016	117
Net earnings attributable to redeemable noncontrolling interests	4
Net purchase of redeemable noncontrolling interests	(3)
Balance at June 30, 2017	**$ 118**

13. Shareholders' Equity

At June 30, 2017 and 2016 , authorized capital shares consisted of the following: 750 million Class A common shares, without par value; 5 million Class B common shares, without par value; and 500 thousand non-voting preferred shares, without par value. The Class A common shares and Class B common shares are collectively referred to below as "common shares". Holders of common shares are entitled to share equally in any dividends declared by the Board of Directors and to participate equally in all distributions of assets upon liquidation. Generally, the holders of Class A common shares are entitled to one vote per share, and the holders of Class B common shares are entitled to one-fifth of one vote per share on proposals presented to shareholders for vote. Under certain circumstances, the holders of Class B common shares are entitled to vote as a separate class. Only Class A common shares were outstanding at June 30, 2017 and 2016 .

We repurchased $2.3 billion of our common shares, in the aggregate, through share repurchase programs during fiscal 2017 , 2016 and 2015 , as described below. We funded the repurchases with available cash. The common shares repurchased are held in treasury to be used for general corporate purposes.

During fiscal 2017 , we repurchased 8.1 million common shares having an aggregate cost of $600 million . The average price paid per common share was $74.08 .

During fiscal 2016 , we repurchased 8.2 million common shares having an aggregate cost of $651 million . The average price paid per common share was $78.98 .

During fiscal 2015 , we repurchased 13.1 million common shares having an aggregate cost of $1.0 billion . The average price paid per common share was $79.02 .

During fiscal 2017 , we retired 37 million common shares in treasury. The retirement of these shares had no impact on total shareholders' equity; however, it did impact certain individual components of shareholders' equity as follows: $2.5 billion decrease in common shares in treasury, $302 million decrease in common shares, and $2.2 billion decrease in retained earnings.

Accumulated Other Comprehensive Income/(Loss)

The following table summarizes the changes in the balance of accumulated other comprehensive income/(loss) by component and in total:

(in millions)	Foreign Currency Translation Adjustments and other	Unrealized Gain/(Loss) on Derivatives, net of tax	Accumulated Other Comprehensive Income/(Loss)
Balance at June 30, 2015	$ (41)	$ 18	**$ (23)**
Other comprehensive income/(loss), net before reclassifications	(82)	(9)	**(91)**
Amounts reclassified to earnings	—	(2)	**(2)**
Total other comprehensive loss, net of tax of $6 million	(82)	(11)	**(93)**
Balance at June 30, 2016	(123)	7	**(116)**
Other comprehensive income/(loss), before reclassifications	(25)	19	**(6)**
Amounts reclassified to earnings	—	(3)	**(3)**
Total comprehensive net loss of tax of $9 million attributable to Cardinal Health, Inc.	(25)	16	**(9)**
Balance at June 30, 2017	**$ (148)**	**$ 23**	**$ (125)**

Activity related to realized and unrealized gains and losses on available-for-sale securities, as described in Note 5 , was immaterial during fiscal 2017 and 2016 .

14. Earnings Per Share Attributable to Cardinal Health, Inc.

The following table reconciles the computation of basic and diluted earnings per share attributable to Cardinal Health, Inc.:

(in millions, except per share amounts)	2017	2016	2015
Earnings from continuing operations	$ 1,294	$ 1,431	$ 1,212
Net earnings attributable to noncontrolling interest	(6)	(4)	—
Net earnings from continuing operations attributable to Cardinal Health, Inc.	1,288	1,427	1,212
Earnings from discontinued operations, net of tax	—	—	3
Net earnings attributable to Cardinal Health, Inc.	**$ 1,288**	$ 1,427	$ 1,215
Weighted-average common shares–basic	317	327	332
Effect of dilutive securities:			
Employee stock options, restricted share units, and performance share units	3	3	3
Weighted-average common shares–diluted	**320**	330	335
Basic earnings per common share attributable to Cardinal Health, Inc.:			
Continuing operations	$ 4.06	$ 4.36	$ 3.65
Discontinued operations	—	—	0.01
Net basic earnings per common share attributable to Cardinal Health, Inc.	**$ 4.06**	$ 4.36	$ 3.66
Diluted earnings per common share attributable to Cardinal Health, Inc.:			
Continuing operations	$ 4.03	$ 4.32	$ 3.61
Discontinued operations	—	—	0.01
Net diluted earnings per common share attributable to Cardinal Health, Inc.	**$ 4.03**	$ 4.32	$ 3.62

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive for fiscal 2017 , 2016 and 2015 were 3 million , 2 million and 1 million , respectively.

15. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

The Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers to support the development, marketing, and distribution of specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products. This segment also imports and distributes pharmaceuticals, over-the-counter healthcare and consumer products and provides specialty pharmacy and other services in China.

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States, Canada and China. This segment also distributes medical products to patients' homes and provides post-acute care management and transition services and software to hospitals, other healthcare providers and payers in the United States.

The following table presents revenue for each reportable segment and Corporate:

(in millions)	2017	2016	2015
Pharmaceutical	**$ 116,463**	$ 109,131	$ 91,116
Medical	**13,524**	12,430	11,395
Total segment revenue	**129,987**	121,561	102,511
Corporate (1)	**(11)**	(15)	20
Total revenue	**$ 129,976**	$ 121,546	$ 102,531

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment distribution, selling, general, and administrative ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology, and legal and compliance. The results attributable to noncontrolling interests of consolidated entities are recorded within segment profit. Corporate expenses are allocated to the segments based on headcount, level of benefit provided, and other ratable allocation methodologies.

We do not allocate the following items to our segments: LIFO inventory charges/(credits); restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; other income, net; interest expense, net; loss on extinguishment of debt; and provision for income taxes.

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation, and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. We encourage our segments and corporate functions to identify investment projects that will promote innovation and provide future

returns. As approval decisions for such projects are dependent upon executive management, the expenses for such projects are often retained at Corporate. Investment spending within Corporate was $17 million , $34 million and $26 million for fiscal 2017 , 2016 and 2015 , respectively.

The following tables present segment profit by reportable segment and Corporate:

(in millions)	2017	2016	2015
Pharmaceutical	$ 2,187	$ 2,488	$ 2,094
Medical	572	457	433
Total segment profit	2,759	2,945	2,527
Corporate	(639)	(486)	(366)
Total operating earnings	$ 2,120	$ 2,459	$ 2,161

The following tables present depreciation and amortization and additions to property and equipment by reportable segment and Corporate:

(in millions)	2017	2016	2015
Pharmaceutical	$ 122	$ 128	$ 124
Medical	156	136	119
Corporate	439	377	208
Total depreciation and amortization	$ 717	$ 641	$ 451

(in millions)	2017	2016	2015
Pharmaceutical	$ 50	$ 88	$ 90
Medical	123	96	87
Corporate	214	281	123
Total additions to property and equipment	$ 387	$ 465	$ 300

The following table presents total assets for each reportable segment and Corporate at June 30:

(in millions)	2017	2016	2015
Pharmaceutical	$ 21,848	$ 20,662	$ 17,385
Medical	10,688	10,236	7,095
Corporate	7,576	3,224	5,662
Total assets	$ 40,112	$ 34,122	$ 30,142

The following tables present revenue and property and equipment, net by geographic area:

(in millions)	2017	2016	2015
United States	$ 125,006	$ 116,864	$ 98,435
International	4,970	4,682	4,096
Total revenue	$ 129,976	$ 121,546	$ 102,531

(in millions)	2017	2016	2015
United States	$ 1,623	$ 1,558	$ 1,327
International	256	238	179
Property and equipment, net	$ 1,879	$ 1,796	$ 1,506

16. Share-Based Compensation

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees. At June 30, 2017 , 23 million shares remain available for future grants under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every share issued ; awards other than stock options are counted against the plan as two and one-half shares for every share issued . This means that only 9 million shares could be issued under awards other than stock options while 23 million shares could be issued under stock options. Shares are issued out of treasury shares when stock options are exercised and when restricted share units and performance share units vest.

The following table provides total share-based compensation expense by type of award:

(in millions)	2017	2016	2015
Restricted share unit expense	$ 69	$ 69	$ 69
Employee stock option expense	19	21	21
Performance share unit expense	8	21	20
Total share-based compensation expense from continuing operations	$ 96	$ 111	$ 110

The total tax benefit related to share-based compensation was $34 million , $38 million and $38 million for fiscal 2017 , 2016 and 2015 , respectively.

Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years . Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2015	3	$ 59.69
Granted	1	83.89
Vested	(2)	54.29
Canceled and forfeited	—	—
Nonvested at June 30, 2016	2	71.73
Granted	1	82.34
Vested	(1)	69.23
Canceled and forfeited	—	—
Nonvested at June 30, 2017	**2**	**$ 76.72**

The following table provides additional data related to restricted share unit activity:

(in millions)	2017	2016	2015
Total compensation cost, net of estimated forfeitures, related to nonvested restricted share and share unit awards not yet recognized, pre-tax	**$ 73**	$ 79	$ 77
Weighted-average period in years over which restricted share and share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 64**	$ 65	$ 61

Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for periods ranging from seven to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date.

The following table summarizes all stock option transactions under the Plans:

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2015	8	$ 46.50
Granted	1	84.11
Exercised	(2)	39.06
Canceled and forfeited	—	—
Outstanding at June 30, 2016	7	54.09
Granted	1	83.09
Exercised	(2)	37.79
Canceled and forfeited	—	—
Outstanding at June 30, 2017	**6**	**$ 63.44**
Exercisable at June 30, 2017	**4**	**$ 52.86**

The following table provides additional detail related to stock options:

(in millions, except per share amounts)	2017	2016	2015
Aggregate intrinsic value of outstanding options at period end	**$ 109**	$ 181	$ 281
Aggregate intrinsic value of exercisable options at period end	**106**	161	193
Aggregate intrinsic value of exercised options	**73**	63	132
Net proceeds from share-based compensation	**26**	6	72
Excess tax benefits from share based compensation	**34**	33	52
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	**22**	22	23
Total fair value of shares vested during the year	**19**	20	20
Weighted-average grant date fair value per stock option	**16.67**	17.40	15.80

(in years)	2017	2016	2015
Weighted-average remaining contractual life of outstanding options	**7**	6	6
Weighted-average remaining contractual life of exercisable options	**6**	5	5
Weighted-average period over which stock option compensation cost is expected to be recognized	**2**	2	2

Stock options are granted to our officers and certain employees. The fair values were estimated on the grant date using a lattice valuation model. We believe the lattice model provides reasonable estimates because it has the ability to take into account individual exercise patterns based on changes in our stock price and other variables, and it provides for a range of input assumptions, which are disclosed in the table below. The risk-free rate is based on the U.S. Treasury yield curve at the time of the grant. We analyzed historical data to estimate option exercise behaviors and employee terminations to be used within the lattice model. The expected life of the options granted was calculated from the option valuation model and represents the length of time in years that the options granted are expected to be outstanding. Expected volatilities are based on implied volatility from traded options on our common shares and historical volatility over a period of time commensurate with the contractual term of the option grant (up to ten years).

The following table provides the range of assumptions used to estimate the fair value of stock options:

	2017	2016	2015
Risk-free interest rate	**1.4% - 2.0%**	1.5% - 1.9%	1.8% - 2.1%
Expected volatility	**24%**	23%	26%
Dividend yield	**2.2% - 2.5%**	1.8% - 2.0%	1.7% - 1.9%
Expected life in years	**7**	7	7

Performance Share Units

Performance share units vest over a three -year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range

from zero to 200 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2015	0.9	$ 50.31
Granted	0.3	84.26
Vested (1)	(0.4)	39.81
Canceled and forfeited	—	—
Nonvested at June 30, 2016	0.8	63.96
Granted	0.2	83.19
Vested (2)	(0.4)	51.49
Canceled and forfeited	—	—
Nonvested at June 30, 2017	**0.6**	**$ 77.83**

(1) Vested based on achievement of 133 percent of the target performance goal.

(2) Vested based on achievement of 170 percent of the target performance goal.

The following table provides additional data related to performance share unit activity:

(in millions)	2017	2016	2015
Total compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized, pre-tax	**$ 13**	$ 17	$ 16
Weighted-average period over which performance share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 19**	$ 16	$ 8

Employee Retirement Savings Plans

Substantially all of our domestic non-union employees are eligible to be enrolled in our company-sponsored contributory retirement savings plans, which include features under Section 401(k) of the Internal Revenue Code of 1986, and provide for matching and profit sharing contributions by us. Our contributions to the plans are determined by the Board of Directors subject to certain minimum requirements as specified in the plans. The total expense for our employee retirement savings plans was $49 million , $84 million and $91 million for fiscal 2017 , 2016 and 2015 , respectively.

17. Selected Quarterly Financial Data (Unaudited)

The following is selected quarterly financial data for fiscal 2017 and 2016 . The sum of the quarters may not equal year-to-date due to rounding.

(in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2017				
Revenue	$ 32,039	$ 33,150	$ 31,821	**$ 32,966**
Gross margin (1)	1,590	1,602	1,728	**1,623**
Distribution, selling, general and administrative expenses	920	910	960	**983**
Earnings from continuing operations	310	324	382	**278**
Earnings from discontinued operations, net of tax	—	—	—	**—**
Net earnings	310	324	382	**278**
Less: Net earnings attributable to noncontrolling interests	(1)	—	(1)	**(4)**
Net earnings attributable to Cardinal Health, Inc.	309	324	381	**274**
Net earnings from continuing operations attributable to Cardinal Health, Inc. per common share:				
Basic	$ 0.97	$ 1.02	$ 1.21	**$ 0.87**
Diluted	0.96	1.02	1.20	**0.86**

(1) Gross margin is impacted by LIFO benefit/(charges) of $9 million and ($9) million in the second and third quarter, respectively. We did not have LIFO benefits/(charges) in the fourth quarter.

(in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2016				
Revenue	$ 28,055	$ 31,445	$ 30,662	$ 31,384
Gross margin (2)	1,579	1,609	1,689	1,665
Distribution, selling, general and administrative expenses	842	922	914	970
Earnings from continuing operations	384	326	386	335
Earnings from discontinued operations, net of tax	—	—	—	—
Net earnings	384	326	386	335
Less: Net earnings attributable to noncontrolling interests	(1)	—	—	(2)
Net earnings attributable to Cardinal Health, Inc.	383	326	386	333
Net earnings from continuing operations attributable to Cardinal Health, Inc. per common share:				
Basic	$ 1.17	$ 0.99	$ 1.18	$ 1.03
Diluted	1.15	0.98	1.17	1.02

(2) Gross margin is impacted by LIFO benefit/(charges) of ($39) million , ($12) million and $51 million in the second, third and fourth quarter, respectively.

18. Subsequent Events

On July 29, 2017 , we acquired the Patient Recovery Business from Medtronic for $6.1 billion in cash. We funded the acquisition using $4.5 billion in long-term debt issued in June 2017, cash on hand, $400 million in commercial paper and $300 million borrowed under our committed receivables sales facility program. The Patient Recovery Business manufactures 23 medical product categories sold into multiple healthcare channels, and includes numerous industry-leading brands, such as Curity, Kendall, Dover, Argyle and Kangaroo. The acquisition further expands the Medical segment's portfolio of self-manufactured products.

The information needed to perform a preliminary assessment of the fair value of assets acquired and liabilities assumed in the acquisition of the Patient Recovery Business was not available at the time these consolidated financial statements were prepared.

In July 2017, we redeemed our 1.7% notes due 2018 before maturity for $403 million , including a make-whole premium and accrued interest.

Schedule II **Valuation and Qualifying Accoun** ts

Cardinal Health, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts [1]

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses (2)	Charged to Other Accounts (3)	Deductions (4)	Balance at End of Period
Fiscal 2017					
Accounts receivable	**$ 135**	**$ 59**	**$ 1**	**$ (58)**	**$ 137**
Finance notes receivable	**19**	**3**	**—**	**(13)**	**9**
Sales returns and allowances	**386**	**2,285**	**—**	**(2,324)**	**347**
Other	**1**	**—**	**—**	**—**	**1**
	$ 541	**$ 2,347**	**$ 1**	**$ (2,395)**	**$ 494**
Fiscal 2016					
Accounts receivable	$ 135	$ 72	$ 2	$ (74)	$ 135
Finance notes receivable	14	6	—	(1)	19
Sales returns and allowances	305	2,207	—	(2,126)	386
Other	1	—	—	—	1
	$ 455	$ 2,285	$ 2	$ (2,201)	$ 541
Fiscal 2015					
Accounts receivable	$ 137	$ 59	$ 5	$ (66)	$ 135
Finance notes receivable	18	—	—	(4)	14
Sales returns and allowances	273	1,988	—	(1,956)	305
Other	1	—	—	—	1
	$ 429	$ 2,047	$ 5	$ (2,026)	$ 455

(1) Amounts included herein pertain to the continuing operations of the Company.

(2) Fiscal 2017 , 2016 and 2015 include $5 million , $5 million and $7 million , respectively, for reserves related to customer pricing disputes, excluded from provision for bad debts on the consolidated statements of cash flows and classified as a reduction in revenue in the consolidated statements of earnings.

(3) Recoveries of amounts provided for or written off in prior years were $1 million , $2 million and $1 million for fiscal 2017 , 2016 and 2015 , respectively.

(4) Write-off of uncollectible accounts or actual sales returns.

Directors, Executive Officers and Corporate Governance

The following is a list of our executive officers:

Name	Age	Position
George S. Barrett	62	Chairman and Chief Executive Officer
Michael C. Kaufmann	54	Chief Financial Officer
Donald M. Casey, Jr.	57	Chief Executive Officer, Medical segment
Jon L. Giacomin	52	Chief Executive Officer, Pharmaceutical segment
Michele A. M. Holcomb	49	Executive Vice President, Strategy and Corporate Development
Pamela O. Kimmet	59	Chief Human Resources Officer
Craig S. Morford	58	Chief Legal and Compliance Officer
Patricia B. Morrison	58	Executive Vice President, Customer Support Services and Chief Information Officer

The business experience summaries provided below for our executive officers describe positions held during the last five years (unless otherwise indicated).

Mr. Barrett has served as Chairman and Chief Executive Officer since August 2009.

Mr. Kaufmann has served as Chief Financial Officer since November 2014. From August 2009 until November 2014, he served as Chief Executive Officer, Pharmaceutical segment.

Mr. Casey has served as Chief Executive Officer, Medical segment, since April 2012.

Mr. Giacomin has served as Chief Executive Officer, Pharmaceutical segment since November 2014. From January 2011 until November 2014, he served as President, U.S. Pharmaceutical Distribution.

Ms. Holcomb has served as Executive Vice President, Strategy and Corporate Development since January 2017. She joined us from Teva Pharmaceutical Industries Ltd., where she served as Senior Vice President, Strategy, Portfolio, Search, and Partnerships and Chief Operating Officer, Global R&D from October 2015 to December 2016, Senior Vice President, Chief Operating Officer, Global R&D from September 2012 to September 2015 and Vice President, Corporate Strategy and Operational Planning from April 2010 to September 2012.

Ms. Kimmet has served as Chief Human Resources Officer since June 2016. Prior to joining us, Ms. Kimmet served as Senior Vice President, Human Resources at Coca-Cola Enterprises, Inc. from October 2010 to June 2016.

Mr. Morford has served as Chief Legal and Compliance Officer since May 2009.

Ms. Morrison has served as Executive Vice President, Customer Support Services and Chief Information Officer since June 2011.

We have adopted *Standards of Business Conduct* that apply to all of our directors, officers and employees. The *Standards of Business Conduct* outline our corporate values and standards of integrity and behavior and are designed to protect and promote our reputation. The full text of the *Standards of Business Conduct* is posted on our website at www.cardinalhealth.com under "About Us — Corporate Citizenship — Ethics and Governance — Ethics and Compliance."

Any waiver of the *Standards of Business Conduct* for directors or executive officers must be approved by the Audit Committee. As required under SEC and New York Stock Exchange rules, we will disclose future amendments to our *Standards of Business Conduct* and waivers from the *Standards of Business Conduct* for our principal executive officer, principal financial officer, and principal accounting officer, or persons performing similar functions, and our other executive officers and directors on our website within four business days following the date of the amendment or waiver.

The other information called for by Item 10 of Form 10-K is incorporated by reference to our Definitive Proxy Statement (which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act) relating to our 2017 Annual Meeting of Shareholders (our "2017 Proxy Statement") under the captions "Proposal 1—Election of Directors," "Share Ownership Information" and "Corporate Governance."

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The table below summarizes information relating to our equity compensation plans at June 30, 2017.

Equity Compensation Plan Information

Plan Category	Common Shares to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted Average Exercise Price of Outstanding Options ($)	Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (#)
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	**9,320,347** (1)	$ 63.35 (1)	23,114,284 (2)
Equity compensation plans not approved by shareholders	**4,203** (3)	— (3)	—
Total at June 30, 2017	**9,324,550**		23,114,284

(1) In addition to stock options outstanding under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "2011 LTIP") and the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (the "2005 LTIP"), also includes 849,674 PSUs and 1,723,379 RSUs outstanding under the 2011 LTIP, 10,214 PSUs and 61,681 RSUs outstanding under the 2005 LTIP, and 167,471 RSUs outstanding under the 2007 Nonemployee Directors Equity Incentive Plan that are payable solely in common shares. PSUs and RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price. PSUs granted in fiscal 2015 are reported in this table at the actual amount that vested (133% of target). PSUs granted in fiscal 2016 and 2017 are reported in this table at the maximum payout level (200% of target) in accordance with SEC rules.

(2) Reflects common shares available under the 2011 LTIP in the form of stock options and other stock-based awards. Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every common share issued; awards other than stock options are counted against the plan as two and one-half shares for every common share issued. This means that only 9,245,714 shares could be issued under awards other than stock options while 23,114,284 shares could be issued under stock options.

(3) RSUs outstanding under the Cardinal Health, Inc. Amended and Restated Outside Directors Equity Incentive Plan that are payable solely in common shares. RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price.

The other information called for by Item 12 of Form 10-K is incorporated by reference to our 2017 Proxy Statement under the caption "Share Ownership Information."

Exhibits, Financial Statement Schedules

(a)(1) The following financial statements are included in the "Financial Statements" section of this report:

(a)(2) The following Supplemental Schedule is included in this report:

All other schedules not listed above have been omitted as not applicable or because the required information is included in the Consolidated Financial Statements or in the Notes thereto.

Exhibit Number	Exhibit Description
2..1.1	Stock and Asset Purchase Agreement, dated March 1, 2015, between Ethicon, Inc. and Cardinal Health, Inc. (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on May 28, 2015, File No. 1-11373)
2.1.2	Letter Agreement, dated May 29, 2015, between Ethicon, Inc. and Cardinal Health, Inc. relating to mechanics of agreeing to purchase price allocation (incorporated by reference to Exhibit 2.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2015, File No. 1-11373)
2.1.3	Amendment No. 1, dated as of October 2, 2015, to the Stock and Asset Purchase Agreement, dated as of March 1, 2015, between Ethicon, Inc. and Cardinal Health, Inc. (incorporated by reference to Exhibit 2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, File No. 1-11373)
2.1.4	Letter Agreement, dated August 8, 2016, between Ethicon, Inc. and Cardinal Health, Inc. relating to pre-closing product registration transfer process for certain Day 2 Countries (incorporated by reference to Exhibit 2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, File No. 1-11373)
2.2.1	Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
2.2.2	Amendment No. 1, dated as of July 28, 2017, to Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on June 30, 2016, File No. 1-11373)
4.1	Specimen Certificate for Common Shares of Cardinal Health, Inc. (incorporated by reference to Exhibit 4.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, File No. 1-11373)
4.2.1	Indenture, dated as of June 2, 2008, between Cardinal Health, Inc. and The Bank of New York Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 2, 2008, File No. 1-11373)
4.2.2	Form of 4.625% Notes due 2020 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on December 14, 2010, File No. 1-11373)
4.2.3	Form of 1.900% Notes due 2017 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on May 21, 2012, File No. 1-11373)
4.2.4	Form of 3.200% Notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on May 21, 2012, File No. 1-11373)
4.2.5	Form of 1.700% Notes due 2018 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.6	Form of 3.200% Notes due 2023 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.7	Form of 4.600% Notes due 2043 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.8	Form of 2.400% Notes due 2019 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)

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4.2.9	Form of 3.500% Notes due 2024 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.10	Form of 4.500% Notes due 2044 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.11	Form of 1.950% Notes due 2018 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.12	Form of 3.750% Notes due 2025 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.13	Form of 4.900% Notes due 2045 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.14	Form of 1.948% notes due 2019 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.15	Form of 2.616% notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.16	Form of Floating rate notes due 2022 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.17	Form of 3.079% notes due 2024 (incorporated by reference to Exhibit 4.4 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.18	Form of 3.410% notes due 2027 (incorporated by reference to Exhibit 4.5 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.19	Form of 4.368% notes due 2047 (incorporated by reference to Exhibit 4.6 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.3	Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of Cardinal Health, Inc. and consolidated subsidiaries (incorporated by reference to Exhibit 4.07 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, File No. 1-11373)
10.1.1	Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.2	First Amendment to Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.3	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.4	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.1.5	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.1.6	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.7 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.1.7	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.8 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.8	Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.9	Form of Amendment to Stock Option and Restricted Share Units Agreements under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan, the Cardinal Health, Inc. 2005 Long-Term Incentive Plan and the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1.9 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.2.1	Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 7, 2016, File No. 1-11373)*
10.2.2	First Amendment to Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan*
10.2.3	Form of Nonqualified Stock Option Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan*
10.2.4	Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan*
10.2.5	Form of Performance Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan*
10.3.1	Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)*
10.3.2	First Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.3	Second Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.4	Third Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.3.5	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.6	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.11 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.4.1	Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007, File No. 1-11373)*
10.4.2	First Amendment to Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*

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10.4.3	Second Amendment to the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011, File No. 1-11373)*
10.4.4	Form of Directors' Restricted Share Units Agreement under the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.5.7 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.5.1	Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, File No. 1-11373)*
10.5.2	First Amendment to the Cardinal Health Deferred Compensation Plan, as amended and restated effective as of January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)*
10.6	Cardinal Health, Inc. Management Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Periodic Report on Form 8-K filed on November 10, 2014, File No. 1-11373)*
10.7	Cardinal Health, Inc. Policy Regarding Shareholder Approval of Severance Agreements (incorporated by reference to Exhibit 10.09 to Cardinal Health's Current Report on Form 8-K filed on August 7, 2006, File No. 1-11373)*
10.8.1	Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on September 6, 2012, File No. 1-11373)*
10.8.2	Amendment, dated August 5, 2015, to Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.8.3	Aircraft Time Sharing Agreement, effective August 5, 2015, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.9	Confidentiality and Business Protection Agreement, effective as of February 15, 2010, between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.15 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.10	Confidentiality and Business Protection Agreement, effective as of April 9, 2012, between Cardinal Health, Inc. and Donald M. Casey Jr. (incorporated by reference to Exhibit 10.14.1 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.11	Confidentiality and Business Protection Agreement, effective as of September 9, 2014, between Cardinal Health, Inc. and Jon L. Giacomin (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)*
10.12.1	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual directors (incorporated by reference to Exhibit 10.38 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.12.2	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual executive officers (incorporated by reference to Exhibit 10.39 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.13.1	Issuing and Paying Agency Agreement, dated August 9, 2006, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.13.2	First Amendment to Issuing and Paying Agency Agreement, dated February 28, 2007, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.13.3	Second Amendment to Issuing and Paying Agency Agreement, effective as of December 1, 2016, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.13.4	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.13.5	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.13.6	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and J.P. Morgan Securities LLC (formerly known as J.P. Morgan Securities Inc.) (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.13.7	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and J.P. Morgan Securities LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.13.8	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.13.9	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.13.10	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, f/k/a Banc of America Securities LLC (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.13.11	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.13.12	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.13.13	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.13.14	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Wells Fargo Securities, LLC, as successor in interest to Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.13.15	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Wells Fargo Securities, LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.13.16	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)

Exhibits

10.13.17	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.13.18	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.13.19	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Goldman Sachs & Co., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.13.20	Form of Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on April 21, 2009, File No. 1-11373)
10.13.21	Form of First Amendment to Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.8 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.13.22	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.1	Amended and Restated Five-Year Credit Agreement, dated as of June 16, 2016, among Cardinal Health, Inc., JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, HSBC Bank USA, National Association, Morgan Stanley Senior Funding, Inc. and Wells Fargo Bank, National Association, as Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 21, 2016, File No. 1-11373)
10.14.2	Amendment No. 1, dated as of May 1, 2017, to Amended and Restated Five-Year Credit Agreement as of June 16, 2016 (incorporated by reference to Exhibit 10.8 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11373)
10.15	Commitment Letter, dated April 18, 2017, by and among Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC and Cardinal Health, Inc. (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
10.16.1	Tax Matters Agreement, dated as of August 31, 2009, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.3 to Cardinal Health's Current Report on Form 8-K filed on September 4, 2009, File No. 1-11373)
10.16.2	First Amendment to Tax Matters Agreement, dated as of May 28, 2012, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.20.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)
12.1	Computation of Ratio of Earnings to Fixed Charges
21.1	List of Subsidiaries of Cardinal Health, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

Form 10-K Cross Reference Index

N/A Not applicable

(a) The information called for by Item 11 of Form 10-K is incorporated by reference to our 2017 Proxy Statement under the captions "Compensation Discussion and Analysis," "Executive Compensation" and "Director Compensation."

(b) The information called for by Item 13 of Form 10-K is incorporated by reference to our 2017 Proxy Statement under the caption "Corporate Governance."

(c) The information called for by Item 14 of Form 10-K is incorporated by reference to our 2017 Proxy Statement under the caption "Audit Committee Report and Audit Matters."

Additional Information

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 10, 2017 .

Cardinal Health, Inc.

By: /s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities indicated on August 10, 2017 .

Name	Title
/s/ GEORGE S. BARRETT **George S. Barrett**	Chairman and Chief Executive Officer and Director (principal executive officer)
/s/ MICHAEL C. KAUFMANN **Michael C. Kaufmann**	Chief Financial Officer (principal financial officer)
/s/ STUART G. LAWS **Stuart G. Laws**	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ DAVID J. ANDERSON **David J. Anderson**	Director
/s/ COLLEEN F. ARNOLD **Colleen F. Arnold**	Director
/s/ CARRIE S. COX **Carrie S. Cox**	Director
/s/ CALVIN DARDEN **Calvin Darden**	Director
/s/ BRUCE L. DOWNEY **Bruce L. Downey**	Director
/s/ PATRICIA A. HEMINGWAY HALL **Patricia A. Hemingway Hall**	Director
/s/ CLAYTON M. JONES **Clayton M. Jones**	Director
/s/ GREGORY B. KENNY **Gregory B. Kenny**	Director
/s/ NANCY KILLEFER **Nancy Killefer**	Director
/s/ DAVID P. KING **David P. King**	Director

EXHIBIT 2.2.2

AMENDMENT NO. 1

TO

STOCK AND ASSET PURCHASE AGREEMENT

This AMENDMENT NO. 1, dated as of July 28, 2017 (this " Amendment "), to the Stock and Asset Purchase Agreement, dated as of April 18, 2017 (the " Purchase Agreement "), is by and between Medtronic plc, an Irish public limited company (" Seller "), and Cardinal Health, Inc., an Ohio corporation (" Buyer ").

WHEREAS, pursuant to and in accordance with Section 11.05 of the Purchase Agreement, the parties desire to amend certain provisions of the Purchase Agreement as set forth in this Amendment; and

WHEREAS, terms used herein and not defined shall have the meanings ascribed thereto in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual agreements set forth in the Purchase Agreement and this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows:

RECITALS

The second recital of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"WHEREAS, Seller desires to sell (or to cause to be sold), and Buyer desires to purchase or cause certain of its Affiliates to purchase (or otherwise acquire), certain assets, including the Transferred Equity Interests (as defined below), related to the Business as a going concern and Buyer is willing to assume or cause certain of its Affiliates to assume certain liabilities related to the Business, in each case upon the terms and subject to the conditions set forth herein."

ARTICLE 1
Purchase Agreement; Disclosure Letter; Other Matters

Section 1.01 Definitions . Section 1.01(a) of the Purchase Agreement (Definitions) is hereby amended as follows:

(i) The definition of the term " Ancillary Agreements " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Ancillary Agreements ' means, other than this Agreement, the agreements and instruments, including any Country Transfer Agreements and any related instruments of transfer, the General Assignment, the Assumption Agreement,

the Patent Assignment, the Trademark Assignment, the U.S. Merger Agreement, the Transition Services Agreement, the Master Manufacturing and Supply Agreement, the Sorting Service Agreement, the Undisclosed Agency Agreement, the Escrow Agreement, the French Offer Letter, the Dutch Offer Letter, the Lease Assignment and Assumption Agreements and the Trademark License Agreements, executed and delivered in connection with the transactions contemplated by this Agreement."

(ii) The definition of the term " Assumed Liabilities " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Assumed Liabilities ' means the obligations and liabilities set forth or described on Annex 2.02(c) , which expressly exclude the Excluded Liabilities."

(iii) The definition of the term " Buyer Tax Act " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Buyer Tax Act ' means the following: (A) at or after the Closing, any election made by Buyer or any of its Affiliates (including any Transferred Company) under any provision of the Code or non-U.S. Tax Law for any Pre-Closing Tax Period, which election is made at or after the Closing with respect to any Transferred Company, the Transferred Assets or the Business, but not (i) any such election that is set forth on a Tax Return required to be filed by Buyer under Section 7.08(a)(i) or Section 7.08(a)(ii) and which election is consistent with past practice, (ii) any such election that is expressly required by this Agreement, or (iii) any such election that is made with Seller's consent (which consent shall not be unreasonably withheld, conditioned or delayed), (B) any failure to comply with Item 2, 3 or 4 of Schedule 1.01(a) to the Disclosure Letter or any failure of the statement in Item 1 of Schedule 1.01(a) to the Disclosure Letter to be true, correct, and complete, and (C) any action taken by Buyer on the Closing Date after such Closing other than (i) in the ordinary course of business, (ii) as required or contemplated by this Agreement or applicable Law, or (iii) with Seller's consent (which consent shall not be unreasonably withheld, conditioned or delayed). For the absence of doubt, none of the Section 338(g) Elections or any action undertaken by Seller and its Affiliates, prior to the Closing, pursuant to the Internal Restructuring Steps shall constitute a Buyer Tax Act."

(iv) The definition of the term " Disclosure Letter " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Disclosure Letter ' means the confidential disclosure letter delivered to Buyer by Seller prior to or simultaneously with entering into the Purchase Agreement, as amended by Amendment No. 1 to the Purchase Agreement, dated as of July 28, 2017."

(v) The definition of the term " Employee of the Business " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Employee of the Business ' means each employee of Seller or its Affiliates who is set forth on Schedule 1.01(b) to the Disclosure Letter (as such schedule may be updated in accordance with this Agreement), including each such employee who, as of the Closing Date (or, with respect to Deferred Employees, the applicable Deferred Closing Date) is on leave of absence (including medical leave, military leave, workers compensation leave and short-term or long-term disability or vacation)."

(vi) The definition of the term " Inventory " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Inventory ' means the inventory of all finished Products (including consignment stock) (" Finished Goods Inventory "), Product specific work in process and Product specific raw materials."

(vii) The definition of the term " Legacy Product " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Legacy Product ' means any product that is not a Product as of the Closing, but (a) is a prior product design, form, version or implementation (whether commercialized or not) of Seller, an Affiliate of Seller or a Transferred Company which product design, form, version or implementation (whether commercialized or not) was at any time prior to the Closing superseded by a Product design, form, version or implementation, (b) was within one of the product groups set forth on Exhibit A-1 and (c) in which product design, form, version or implementation by Seller, any of its Affiliates or any Transferred Company owns or has the valid right to use the IP Rights."

(viii) The definition of the term " Permitted Liens " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Permitted Liens ' means (a) mechanics', carriers', workmen's, repairmen's or other like Liens imposed by Law arising or incurred in the ordinary course of business, (b) Liens arising under purchase price conditional sales contracts or equipment leases with third parties entered into in the ordinary course of business consistent with past practice, (c) Liens for Taxes or other governmental charges that are not yet delinquent and may thereafter be paid without penalty, or that the taxpayer is contesting in good faith through appropriate proceedings and for which adequate reserves have been established in the accounting books and records prior to the date hereof, (d) restrictions under leases, subleases, licenses or occupancy agreements that constitute Transferred Assets, none of which materially interferes with the present use of the related real property, (e) easements, covenants, rights-of-

way and other similar restrictions of record, none of which materially interferes with the present use of the related real property, (f) zoning, building and other similar restrictions, none of which materially interferes with the present use of the related real property, (g) Liens created by or for the benefit of Buyer or its Affiliates, (h) Liens that are removed prior to the Closing or, with respect to Deferred Assets, the applicable Deferred Closing and (i) with respect to real property, other imperfections of title or encumbrances, if any, which do not materially interfere with the present use of such real property."

(ix) The definition of the term " Transactions " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Transactions ' mean, collectively, the transactions contemplated by this Agreement and the other Transaction Documents, including the purchase and sale of the Transferred Assets and the Transferred Equity Interests (including pursuant to the U.S. Merger) and the assumption of the Assumed Liabilities."

(x) The definition of the term " Transferred Employee " in Section 1.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"' Transferred Employee ' means each Employee of the Business who, as of the Closing Date (or, with respect to Deferred Employees, the applicable Deferred Closing Date) (or, if applicable, such later date that such employee commences employment with Buyer or one of its Affiliates), becomes an employee of Buyer or one of its Affiliates whether by operation of Law, pursuant to the transfer (directly or indirectly) of the Transferred Equity Interests to Buyer or by acceptance of Buyer's or one of its Affiliate's offer of employment pursuant to Section 8.01 ."

(xi) Section 1.01(a) of the Purchase Agreement is amended to include the following new definitions in the appropriate alphabetical positions:

"' Cardinal Merger Sub Common Stock ' means common stock, par value $0 per share, of Cardinal Merger Sub."

"' Deferred Beneficiary ' means Buyer or its applicable Affiliate designated in accordance with Section 2.02(f) that will be entitled to receive the relevant Deferred Assets and the relevant Deferred Liabilities at the applicable Deferred Closing."

"' Deferred Business ' means the part of the Business in respect of which a Deferred Title Holder has Deferred Assets or Deferred Liabilities. For the avoidance of doubt, the portion of the Business conducted by any of the Transferred Companies shall not be part of the Deferred Business in any country."

"' Deferred Business Taxes ' means, with respect to any Deferred Asset, any Deferred Liability or any portion of the Deferred Business in each Deferred Closing Country, all Taxes (other than Excluded Deferred Taxes) in each case, incurred by the applicable Deferred Title Holder and/or its Affiliates in connection with (a) the operation (or ownership) of the Deferred Assets, Deferred Liabilities or any portion of the Deferred Business during the Deferred Period or (b) the receipt of goods or services in support and furtherance of the operation (or ownership) of the Deferred Assets, Deferred Liabilities, or Deferred Business during the Deferred Period."

"' Deferred Inventory Closing Date ' means the date on which the Undisclosed Agency Agreement is terminated, pursuant to the terms thereof, with respect to the relevant Deferred Inventory or Distribution Services."

"' Deferred Inventory Period ' means, with respect to the Deferred Inventory and the provision of Distribution Services, the period from the Closing until the applicable Deferred Inventory Closing Date."

"' Deferred Inventory Taxes ' means, with respect to any Deferred Inventory or any Distribution Services, all Taxes (other than Excluded Deferred Taxes) in each case, incurred by Seller and/or its Affiliates in connection with (a) the ownership of the Deferred Inventory during the Deferred Inventory Period, or (b) the receipt of goods or services in support and furtherance of the ownership of the Deferred Inventory during the Deferred Inventory Period."

"' Deferred Period ' means, with respect to the Deferred Business in each Deferred Closing Country, the period from the Closing until the applicable Deferred Closing."

"' Deferred Taxes ' means, together, Deferred Business Taxes and Deferred Inventory Taxes."

"' Deferred Title Holder ' means Seller or one or more of its Affiliates that has Deferred Assets or Deferred Liabilities during the applicable Deferred Period."

"' Escrow Account ' means the segregated escrow trust account established pursuant to the Escrow Agreement to hold the Escrow Amount (or any replacement therefor contemplated by the last sentence of Section 2.03(a))."

"' Escrow Agent ' means U.S. Bank National Association (or any replacement therefor contemplated by the last sentence of Section 2.03(a))."

"' Estimated Swiss Tax Basis ' means the amount set forth in Schedule 6.11(a) to the Disclosure Letter."

"' Excluded Deferred Business Taxes ' means (a) sales Taxes, VAT and other Taxes imposed on Seller or any of its Affiliates (including, for the avoidance of doubt, any Deferred Title Holder) to the extent Seller or any of its Affiliates (including, for the avoidance of doubt, any Deferred Title Holder) actually receives, in cash (or through a reduction of amounts otherwise payable), reimbursement or payment in respect of such Tax such that neither Seller nor any of its Affiliates (including, for the avoidance of doubt, any Deferred Title Holder) bears economic responsibility for such Tax, (b) Recoverable VAT, (c) Taxes (other than VAT) attributable to the NEB Return on Sales Amount owed to Seller or its Affiliates, and (d) except to the extent otherwise provided pursuant to any Ancillary Agreement, Taxes attributable to amounts owed to Seller or any of its Affiliates (including, for the avoidance of doubt, any Deferred Title Holder) under the Ancillary Agreements; provided, that for the avoidance of doubt, any Taxes allocated to any party pursuant to any Ancillary Agreement shall continue to be the responsibility of such party."

"' Excluded Deferred Inventory Taxes ' means (a) sales Taxes, VAT and other Taxes imposed on Seller or any of its Affiliates to the extent Seller or any of its Affiliates actually receives, in cash (or through a reduction of amounts otherwise payable), reimbursement or payment in respect of such Tax such that neither Seller nor any of its Affiliates bears economic responsibility for such Tax, (b) Recoverable VAT, and (c) except to the extent otherwise provided pursuant to any Ancillary Agreement, Taxes attributable to amounts owed to Seller or any of its Affiliates under the Ancillary Agreements; provided that, for the avoidance of doubt, any Taxes allocated to any party pursuant to any Ancillary Agreement shall continue to be the responsibility of such party."

"' Excluded Deferred Taxes ' means, together, Excluded Deferred Business Taxes and Excluded Deferred Inventory Taxes."

"' InnerDyne Common Stock ' means common stock, par value $1.00 per share, of InnerDyne Holdings."

"' Integration Amount ' means the amount set forth on Schedule 2.09(h) to the Disclosure Letter, which payment is, subject to the terms of this Agreement, to be made in respect of integration and other information technology costs and expenses incurred or to be incurred by Seller and its Affiliates in connection with the transactions contemplated hereby."

"' NEB Distribution Fee ' means, for any given period during the Deferred Period: (a) the NEB Revenue Amount, *minus* (b) the NEB Return on Sales Amount, *minus* (c) the NEB Services Reimbursement Amount."

"' NEB Return on Sales Amount ' means, for any given period during the Deferred Period, solely with respect to the Deferred Business in each

Deferred Closing Country, an amount equal to (i) the percentage set forth under the heading 'ROS%' on Annex A to the Disclosure Letter corresponding to the Deferred Closing Country set forth opposite such percentage on Annex A to the Disclosure Letter *multiplied by* (ii) the net sales (determined using the Accounting Policies) of the Deferred Business derived in such Deferred Closing Country during the Deferred Period."

"' NEB Revenue Amount ' means, for any given period during the Deferred Period, solely with respect to the Deferred Business in each Deferred Closing Country, an amount equal to the net sales (determined using the Accounting Policies) of the Deferred Business (" Net Sales "), *minus* an amount equal to the applicable percentage of such net sales set forth in Annex C to the Disclosure Letter with respect to the region containing the Deferred Closing Country for which the applicable portion of such NEB Revenue Amount relates (such percentage, the " Bad Debt Rate ")."

"' NEB Services Reimbursement Amount ' means, for any given period during the Deferred Period, solely with respect to the Deferred Business in each Deferred Closing Country, an amount equal to the aggregate of (i) freight and duties expenses, (ii) sales force salary and commissions, (iii) ordinary course marketing expenses incurred consistent with past practice, (iv) any other expenses to the extent incurred at Buyer's or its Affiliates' direction and (v) Deferred Business Taxes, which in the case of clauses (i), (ii) and (iii) shall be determined by multiplying the Net Sales for such Deferred Closing Country by the percentage set forth under the heading 'Reimbursement % (OPC and DD)' on Annex A to the Disclosure Letter opposite such Deferred Closing Country; provided , that for the avoidance of doubt 'NEB Services Reimbursement Amount' shall not include (x) any general and administrative expenses and (y) solely to avoid any duplication of Buyer or its Affiliates paying for the same expense more than once, expenses that have otherwise been reimbursed to Seller or its Affiliates by Buyer or its Affiliates pursuant to any Ancillary Agreement."

"' Non-Commercial Employees ' means the Employees of the Business set forth in Annex D to the Disclosure Letter."

"' Recoverable VAT ' means any VAT to the extent Seller and/or any of its Affiliates (including, for the avoidance of doubt, any Deferred Title Holder) actually receives in cash (or through a reduction of Taxes otherwise payable) a refund, deduction, or credit of such VAT from the relevant Taxing Authority; provided , however , that, notwithstanding anything to the contrary herein, if and to the extent the relevant Taxing Authority subsequently disallows such refund, deduction, or credit, Buyer shall promptly pay to Seller or its Affiliates an amount equal to such disallowed refund, deduction, or credit, except where the disallowance of

such refund, deduction or credit results from the fraud, willful misconduct or intentional breach of this Agreement by Seller and/or any of its Affiliates."

"' Transferred Inventory ' means all Inventory owned or held by Seller or any of its Affiliates at the time of the Closing."

Section 1.02 Interpretation and Construction . Section 1.02 of the Purchase Agreement (Interpretation and Construction) is hereby amended as follows:

(i) Section 1.02(c) of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"Except as provided in Section 2.03(b) and Section 8.02(a) , whenever conversion of values from any Foreign Currency for a particular date or period shall be required, such conversion shall be made using the rate provided by Bloomberg at 7:00 a.m. New York City time (the " Exchange Rate ") three (3) business days prior to the applicable date or dates."

(ii) Section 1.02(d) of the Purchase Agreement is hereby amended by adding the following to the end of the section:

"For purposes of Section 2.11 , Section 7.08 and Article X , to the extent permitted by applicable Law and foreign currency regulations, if requested by either Seller or Buyer to the other party to make or receive payments through any of their respective Affiliates, the parties agree to cooperate in good faith with respect to such request, taking into account, among other matters, the costs or other burdens of complying with such request."

Section 1.03 Closing; Deferred Closings . Article II of the Purchase Agreement (Closing; Deferred Closings) is hereby amended as follows:

(i) Section 2.01 of the Purchase Agreement (Closing) is hereby amended and restated in its entirety as follows:

"The closing of the purchase and sale of the Transferred Assets and Transferred Equity Interests (including the U.S. Merger) and the assumption of the Assumed Liabilities (the " Closing ") shall take place at the offices of Wachtell, Lipton, Rosen & Katz in New York, New York, at 10:00 a.m., New York City time, on the later of (a) the second business day following the satisfaction (or, to the extent permitted by applicable Law, waiver) of the conditions set forth in Article V and (b) the first calendar day of the first fiscal month of Seller immediately following the fiscal month of Seller in which such satisfaction (or waiver) occurs (excluding in each case those conditions intended to be satisfied at the Closing but subject to their satisfaction or, to the extent permitted by

applicable Law, waiver at such time) (provided that the Closing shall not occur prior to July 29, 2017), or on such other date as the parties hereto may agree. The date on which the Closing occurs is referred to in this Agreement as the " Closing Date ." The Closing shall be deemed to occur and be effective at 12:01 A.M., local time, on the Closing Date. The parties hereto specifically acknowledge that time is of the essence because Seller's intention to exit the Business is or will become known to its employees, customers, suppliers and others having dealings with Seller."

(ii) Section 2.02(a) of the Purchase Agreement (Transferred Assets and Transferred Equity Interests) is hereby amended and restated in its entirety as follows:

"Pursuant to the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller will, and will cause the relevant Asset Selling Affiliates to, in accordance with Exhibit L (the " Closing Structure "), sell, convey, assign, and transfer to Buyer, and Buyer will purchase, acquire and accept, the Transferred Assets, free and clear of all Liens other than Permitted Liens. Accordingly, Seller will, or will cause the relevant Asset Selling Affiliates to, execute and deliver at the Closing a general assignment and bill of sale substantially in the form of Exhibit B (the " General Assignment "), a general patent assignment substantially in the form of Exhibit C (the " Patent Assignment ") and a general trademark assignment substantially in the form of Exhibit D (the " Trademark Assignment ") and at the Closing such other instruments of conveyance, assignment and transfer as Buyer reasonably requests (the form and substance of which shall be mutually agreed between the parties), in each case to convey to Buyer all of Seller's and/or each Asset Selling Affiliate's right, title and interest in and to the applicable Transferred Assets. In addition, pursuant to the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller will, and will cause the relevant Stock Selling Affiliates to, in accordance with the Closing Structure, sell, convey, assign, and transfer to Buyer or Buyer's applicable Affiliates designated in accordance with Section 2.02(f) , and Buyer or its applicable Affiliates designated in accordance with Section 2.02(f) will purchase, acquire and accept (including indirectly by means of the U.S. Merger), the Transferred Equity Interests (and will indirectly acquire and accept by means of such purchase acquisition and acceptance, the Transferred Equity Interests in any Transferred Company that is a subsidiary of another Transferred Company), free and clear of all Liens. Accordingly, Seller will, or will cause the relevant Stock Selling Affiliates to, deliver at the Closing stock certificates representing the Transferred Equity Interests, together with a stock power endorsed in blank, to the extent that such Transferred Equity Interests are in certificated form, and to the extent such Transferred Equity Interests are not in certificated form, other evidence of assignment."

(iii) Section 2.02(e) of the Purchase Agreement (Country Transfer Agreements) is hereby amended and restated in its entirety as follows:

> "To the extent required by applicable Law or as deemed necessary by either of the parties hereto, the transfer of each Country Unit will be effected pursuant to a short-form agreement or one or more instruments of transfer, such as a bill of sale, share transfer agreement, business transfer agreement, real estate transfer agreement or other asset assignment document, which agreement shall be prepared by Seller and shall be on terms mutually agreed between the parties hereto and consistent with and as close as reasonably possible to the applicable terms of this Agreement (each, a " Country Transfer Agreement "). Unless otherwise agreed by Buyer and Seller, the parties shall enter into the Country Transfer Agreements as soon as reasonably practicable after the date hereof and not later than the Closing. For the avoidance of doubt, Country Transfer Agreements with respect to each Deferred Closing Country will not be executed or delivered prior to or on the Closing Date, but shall instead be executed in connection with the applicable Deferred Closing."

(iv) Section 2.02(f) of the Purchase Agreement (Designation of Affiliates) is hereby amended and restated in its entirety as follows:

> "To the extent that any of the Transferred Assets or Transferred Equity Interests are under the control of any of Seller's Affiliates, Seller shall cause its Affiliates to promptly take such legal action as may be necessary to consummate the transfer to Buyer and its Affiliates of such Transferred Assets or Transferred Equity Interests under terms and conditions which are consistent with and subject to the terms of this Agreement. Prior to, and in any event at least thirty (30) days in advance of, the Closing or the applicable Deferred Closing (as applicable), Buyer may designate, with the consent of Seller (which consent shall not be unreasonably withheld), one or more Affiliates to, at the Closing or the applicable Deferred Closing (as applicable), (i) acquire all or part of the Transferred Assets (or applicable Deferred Assets) or Transferred Equity Interests, (ii) assume all or part of the Assumed Liabilities (or applicable Deferred Liabilities) or (iii) pay the Deferred Closing Country Amount pursuant to Section 2.11(h) , in each case related to the applicable Country Unit, as the case may be, in which event all references herein to Buyer will be deemed to refer to such Affiliates, as appropriate; provided , however , that no such designation will in any event limit or affect the obligations of Buyer under this Agreement to the extent not performed by such Affiliates."

(v) Section 2.02(g) of the Purchase Agreement (Transferred Assets Subject to Third-Party Consent) is hereby amended and restated in its entirety as follows:

> "With respect to each Product, the parties shall use reasonable best efforts to ensure that, effective as of the Closing or the applicable Deferred Closing (as applicable), or as soon as reasonably practicable thereafter, either (A) (1) the Product Registrations that constitute Transferred Assets shall have transferred to, or shall have been approved in writing by the applicable Governmental Entity for transfer to, Buyer or its designee or (2) Buyer shall have obtained a Product Registration (including any re-registrations) that enables Buyer or its designee to manufacture, distribute and market such Product in each applicable jurisdiction, or (B) Buyer or its designee otherwise shall have either (1) acceded to Seller's or its Affiliate's rights in respect of manufacturing, distributing and marketing such Products under such Product Registrations, including by Seller or an Affiliate of Seller designating Buyer or its designee as an authorized agent with respect to such Products, or (2) been designated as a manufacturing, sales or distribution agent with respect to the Products under such Product Registrations, in the case of this clause (B), pursuant to reasonable, lawful and customary arrangements to effectuate the foregoing (the time at which any of the foregoing occurs with respect to a Product Registration (or, if earlier, the expiration of such Product Registration in accordance with its terms), the " Product Registration Transfer Time "). If the Product Registration Transfer Time shall not have occurred on the Closing Date or the applicable Deferred Closing Date (as applicable) with respect to any such Product Registration, until such Product Registration Transfer Time with respect to such Product Registration, (X) the parties will continue to use reasonable best efforts to ensure that the Product Registration Transfer Time with respect to such Product occurs as soon as reasonably practicable after the Closing or the applicable Deferred Closing Date (as applicable), (Y) Seller shall, and shall cause its subsidiaries to, consent to Buyer's and its Affiliates' use of such Product Registration for the continued operation of the Business with respect to such Product after the Closing or the applicable Deferred Closing Date (as applicable), and (Z) if requested by Buyer, Seller shall, and shall cause its subsidiaries to, provide Buyer, to the fullest extent possible, pursuant to an arrangement reasonably satisfactory to Seller and Buyer, the exclusive net benefit of such Product Registration (including, to the extent not able to be conducted by Buyer and its Affiliates after the Closing or the applicable Deferred Closing Date (as applicable) as result of the failure of the Product Registration Transfer Time to occur, by Seller and its subsidiaries continuing to conduct the Business with respect to such Product in substantially the same manner and with substantially the same level of efforts and resources as conducted by Seller and its subsidiaries prior to the Closing) by passing through all revenues received by Seller and its

subsidiaries with respect to the Products under such Product Registration from the Closing Date or the applicable Deferred Closing Date (as applicable) through such Product Registration Transfer Time, less only such amount of costs and expenses (including Taxes) as Seller and its Affiliates incur or become liable for in connection with any such arrangements with respect to such Products (other than any such costs and expenses that are duplicative of documented costs and expenses actually incurred by Buyer and its Affiliates in connection the conduct of the Business with respect to such Products). The parties agree they will cooperate to minimize the costs and expenses incurred in connection with the foregoing arrangements, including by using commercially reasonable efforts to avoid duplicative or incremental costs and expenses. Furthermore, the parties agree that Seller and its Affiliates shall be permitted to utilize their respective ordinary course transfer pricing in connection with the foregoing arrangements, including in connection with any sale of Products from Seller or its Affiliates to Buyer or its Affiliates. In the case of the occurrence of the Product Registration Transfer Time under clause (B) of the definition thereof with respect to any Product Registration, (x) unless the parties agree otherwise, the arrangements contemplated by such clause (B) with respect to a Product shall terminate reasonably promptly upon the occurrence of any of the events contemplated by clause (A) of the definition of Product Registration Transfer Time and (y) unless Buyer requests otherwise, the parties will continue to use reasonable best efforts to ensure that one of the events contemplated by clause (A) of the definition of Product Registration Transfer Time occurs with respect to such Product Registration as soon as reasonably practicable after the Closing or the applicable Deferred Closing (as applicable). In addition to the foregoing, to the extent that the sale, assignment, transfer, conveyance or delivery or attempted sale, assignment, transfer, conveyance or delivery to Buyer (or one of its Affiliates) of any Transferred Asset is prohibited by any applicable Law or would require any governmental or third-party authorizations, approvals (including Anti-Trust Approvals), consents or waivers and such authorizations, approvals, consents or waivers shall not have been obtained prior to the Closing or the applicable Deferred Closing (as applicable), this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery thereof. From the date hereof until eighteen (18) months after the Closing Date, the parties shall use their respective reasonable best efforts to cooperate with each other to obtain promptly such authorizations, approvals, consents or waivers and to give any notices required for the transfer of such Transferred Asset and to obtain from third parties an approval or consent to establish a new contract with Buyer or its designated Affiliate with respect to the portion of any Commingled Contract related to the Business, pursuant to which Buyer or its designated Affiliate will have access to the rights and benefits of such

Commingled Contract with respect to the Business on substantially the same terms and conditions provided to Seller and its Affiliates prior to the Closing, or to assign such portion to Buyer or its designated Affiliate; provided , however , that Seller shall not be required to pay any consideration (other than customary filing and application fees typically paid by a seller or transferee) or make any concession therefor. If such authorization, approval, consent or waiver is obtained, Seller shall promptly assign, transfer, convey or deliver any such Transferred Asset or, if applicable, that portion of any Commingled Contract, as the case may be, to Buyer or its designee pursuant to Section 2.02(f) at no additional cost. Pending the earlier of obtaining such authorization, approval, consent or waiver or the expiration of such eighteen-month (18 month) period, insofar as reasonably practicable and to the extent permitted by applicable Law, Seller shall hold such Transferred Assets for the benefit of Buyer and shall operate such Transferred Assets in a manner to place Buyer in a substantially similar position as if such Transferred Assets had been sold, conveyed, assigned and transferred. Buyer shall use its reasonable best efforts to cooperate with Seller in connection with any actions taken by Seller pursuant to this Section 2.02(g) . Buyer further agrees that, if Seller shall have complied with its obligations under this Agreement with respect to using reasonable best efforts to obtain such authorization, approval, consent or waiver, Seller shall not be in breach of this Agreement solely as a result of the failure to obtain any such authorization, approval, consent or waiver. From the date hereof until eighteen (18) months after the Closing Date, the parties shall use their respective reasonable best efforts to cooperate with each other with respect to the portion of any Commingled Contracts set forth on Schedule 2.02(a)(xi) such that Seller or its designated Affiliate will have access to the rights and benefits of such Commingled Contract with respect to the portion of the Commingled Contract not related to the Business on substantially the same terms and conditions provided to Seller and its Affiliates prior to the Closing; provided, however, that Buyer shall not be required to pay any consideration (other than customary filing and application fees typically paid by a seller or transferee) or make any concession therefor."

(vi) Section 2.03(a) of the Purchase Agreement (Purchase Price; Purchase Price Escrow) is hereby amended and restated in its entirety as follows:

"On or prior to the last business day before the anticipated Closing Date, Seller, Buyer and the Escrow Agent shall execute and deliver the Escrow Agreement. On the last business day before the anticipated Closing Date, subject to the terms and conditions of this Agreement, Buyer shall (or shall cause one or more of its Affiliates as Buyer may designate pursuant to Section 2.02(f) to) deposit in immediately available funds by wire transfer

to the Escrow Account cash in U.S. dollars in an amount exclusive of any Transfer Taxes equal to the Purchase Price plus the Integration Amount (such aggregate, the " Escrow Amount "). The Escrow Amount shall be held in the Escrow Account in accordance with the terms of this Agreement and the Escrow Agreement, and, in connection with the Closing, Buyer shall deliver to the Escrow Agent the Escrow Instructions to release and pay to Seller (or one or more of its Affiliates as Seller may designate) the Escrow Amount by wire transfer of immediately available funds on the next business day immediately following the Closing Date, and subject to the next two succeeding sentences, upon Buyer's delivery of the Escrow Instructions, Buyer shall have no other obligations hereunder in respect of payment of the Purchase Price. Buyer shall not, and shall cause its subsidiaries and representatives not to, take any action that would prevent, impede or delay the Escrow Agent from so delivering the Escrow Amount to Seller pursuant to the preceding sentence and the Escrow Agreement. If the Closing occurs, Buyer shall remain liable to Seller for the Escrow Amount if the Escrow Amount is not so received by Seller as a result of a breach of the preceding sentence. In the event that the Closing does not occur on such anticipated Closing Date, the parties shall enter into a replacement escrow agreement substantially in the form of the Escrow Agreement (or in a form the parties otherwise reasonably agree) (with references to the Escrow Agreement herein being deemed to be references to such replacement escrow agreement) with an escrow agent (who may be the Escrow Agent) and shall follow the steps set forth in the foregoing provisions of this Section 2.03(a) , *mutatis mutandis.* "

(vii) Section 2.03(b) of the Purchase Agreement (Purchase Price; Purchase Price Escrow) is hereby amended and restated in its entirety as follows:

"The parties acknowledge that the portion of the Purchase Price allocable to the Country Unit specified on Schedule 2.03(b) to the Disclosure Letter as set forth in the Initial Allocation (the " Required Local Payment ") will be paid by Buyer to Seller on the Closing Date in U.S. dollars. Within three (3) business days following the Closing Date, (i) Seller shall reimburse to Buyer, in U.S. dollars, the amount of such Required Local Payment and (ii) Buyer's local country Affiliate shall (and Buyer will cause such local country Affiliate to) pay Seller's local country Affiliate an amount, in local currency, equal to the local currency equivalent of such Required Local Payment (as determined using the Exchange Rate) by wire transfer of immediately available funds to the bank account designated by Seller on the date of this Agreement."

(viii) Section 2.04(b) of the Purchase Agreement (Purchase Price Adjustment) is hereby amended and restated in its entirety as follows:

> "Within ninety (90) days after the Closing Date, Seller shall prepare and deliver to Buyer a statement (the " Price Adjustment Statement "), setting forth the following amounts, in each case as of immediately prior to the Closing: (i) the book value of the Inventory, prepared in accordance with the Accounting Policies (the " Closing Inventory ") (it being understood that the Closing Inventory shall include the Inventory of the entire Business as of immediately prior to the Closing) and (ii) the Cash Amount. If the book value of the Closing Inventory is greater than the Inventory Target or less than the Inventory Target by the amounts specified in Section 2.04(f) below, the Purchase Price shall be adjusted as described in Section 2.04(f) below (all of which, for the avoidance of doubt, shall be determined assuming each Deferred Closing occurred at the Closing). If the Cash Amount is greater than the Estimated Cash Amount or less than the Estimated Cash Amount, the Purchase Price shall be adjusted as described in Section 2.04(f) below (all of which, for the avoidance of doubt, shall be determined assuming each Deferred Closing occurred at the Closing)."

(ix) Section 2.05(b) of the Purchase Agreement (Allocation of Purchase Price) is hereby amended and restated in its entirety as follows:

> "Within sixty (60) calendar days after the Closing Date, Buyer shall deliver a reasonable draft of the allocation of the Purchase Price and Assumed Liabilities among each of the Transferred Assets and Transferred Equity Interests (and among the assets held by any Transferred Company disregarded as separate from its owner for U.S. federal income Tax purposes) in a manner that incorporates, reflects and is consistent with the Allocation Method, the Initial Allocation, and Sections 1060 and 338 of the Code (the " Allocation ") to Seller (the " Proposed Allocation "). Except as provided in this subparagraph (b), subparagraph (c) and subparagraph (d) of this Section 2.05 , at the close of business on the thirtieth (30th) calendar day after delivery of the Proposed Allocation, the Proposed Allocation shall become binding upon Buyer and Seller, shall be set forth on Schedule 2.05(b) to the Disclosure Letter (the " Allocation Schedule "), and shall be the Allocation."

(x) Section 2.05(g) of the Purchase Agreement (Allocation of Purchase Price) is hereby amended and restated in its entirety as follows:

> "In the event that the Initial Allocation has not become final pursuant to this Section 2.05 by the Closing, the allocated purchase prices included in the Proposed Initial Allocation shall be used for the purpose of (A) including allocated purchase prices in the Country Transfer Agreements

for each applicable Country Unit and (B) determining the amount of any payments made on the Closing Date to the applicable Selling Affiliate with respect to such Country Unit. The inclusion of such allocated purchase prices shall not be deemed to waive, amend or otherwise alter any of the rights or obligations of the parties set forth in this Section 2.05 and shall not be used for any purpose in resolving, or result in any prejudice with respect to, any dispute with respect to the Proposed Initial Allocation or the Proposed Allocation."

(xi) Section 2.05(h) of the Purchase Agreement (Allocation of Purchase Price) is hereby amended and restated in its entirety as follows:

"In the event that the Allocation has not become final pursuant to this Section 2.05 by the Closing, to the extent that the amounts paid to any Selling Affiliate on the Closing Date are not equal to the portion of the Purchase Price allocated to such Selling Affiliate in the Allocation (with respect to any Selling Affiliate, the " Allocated Purchase Price "), the parties shall and shall cause their respective Affiliates to take all necessary actions to refund, repay and redistribute as promptly as reasonably practicable any amounts paid to any Selling Affiliate in excess of such Selling Affiliate's Allocated Purchase Price, such that, after giving effect to any such refunds, repayments and redistributions, the amounts received by each Selling Affiliate shall be equal to such Selling Affiliate's Allocated Purchase Price."

(xii) Section 2.05 of the Purchase Agreement (Allocation of Purchase Price) is hereby amended and supplemented by adding the following new Section 2.05(i) , which provides as follows:

"With respect to any Deferred Closing Country, if, in connection with the applicable Deferred Closing, an allocation of the relevant portion of the Purchase Price among the assets and liabilities transferred in such Deferred Closing is required by applicable Law, and the Allocation has not become final pursuant to this Section 2.05 at the time of such Deferred Closing, the parties shall agree on an allocation of the relevant portion of the Purchase Price and Assumed Liabilities among the applicable Deferred Assets and Deferred Liabilities of the applicable Deferred Business (each, a " Suballocation "). Any such Suballocation shall be consistent with the Initial Allocation. If Seller and Buyer are unable to mutually agree on any such Suballocation, such disagreement shall be referred to the Accounting Firm promptly for review and resolution (in accordance with the procedure set forth in Section 2.04)."

(xiii) The reference to "Delivery by Seller" in Section 2.08 of the Purchase Agreement is hereby replaced with a reference to "Closing Deliveries by Seller," and the lead-in to Section 2.08 is hereby amended by adding the phrase "or prior to" between "At" and "the Closing."

(xiv) Section 2.08(c) of the Purchase Agreement (Closing Deliveries by Seller) is hereby amended and restated in its entirety as follows:

> "duly executed counterparts of the Ancillary Agreements contemplated by Section 7.09 ;"

(xv) Section 2.08(f) of the Purchase Agreement (Closing Deliveries by Seller) is hereby amended and restated in its entirety as follows:

> "duly executed counterparts of any Country Transfer Agreement (except for those Country Units subject to Section 2.11);"

(xvi) Section 2.08 of the Purchase Agreement (Closing Deliveries by Seller) is hereby amended and supplemented by adding the following new Section 2.08(k) , which provides as follows:

> "an irrevocable written authorization substantially in the form set forth as Exhibit Q hereto (" Merger Authorization ") and a counterpart signature page to the Agreement and Plan of Merger substantially in the form set forth as Exhibit R hereto (the " U.S. Merger Agreement "), executed by InnerDyne Holdings."

(xvii) The reference to "Delivery by Buyer" in Section 2.09 of the Purchase Agreement is hereby replaced with a reference to "Closing Deliveries by Buyer," and the lead-in to Section 2.09 is hereby amended by adding the phrase "or prior to" between "At" and "the Closing."

(xviii) Section 2.09(a) of the Purchase Agreement (Closing Deliveries by Buyer) is hereby amended and restated in its entirety as follows:

> "a true and valid copy of the Escrow Instructions delivered to the Escrow Agent;"

(xix) Section 2.09(d) of the Purchase Agreement (Closing Deliveries by Buyer) is hereby amended and restated in its entirety as follows:

> "duly executed counterparts of the Ancillary Agreements contemplated by Section 7.09 ;"

(xx) Section 2.09(e) of the Purchase Agreement (Closing Deliveries by Buyer) is hereby amended and restated in its entirety as follows:

"duly executed counterparts of any Country Transfer Agreement (except for those Country Units subject to Section 2.11);"

(xxi) Section 2.09(h) of the Purchase Agreement (Closing Deliveries by Buyer) is hereby amended and restated in its entirety as follows:

"a counterpart signature page to the U.S. Merger Agreement, executed by Cardinal Merger Sub."

(xxii) The following text is hereby inserted at the end of Section 2.09 of the Purchase Agreement (Closing Deliveries by Buyer):

"In addition, at the Closing, consistent with Section 2.03(a) , Buyer will deliver or cause to be delivered to the Escrow Agent (with a copy to Seller and its counsel) irrevocable written instructions in form and substance as set forth in the Escrow Agreement (the " Escrow Instructions ")."

(xxiii) Article II is hereby amended and supplemented by adding the following new Section 2.10 titled "U.S. Merger.", which provides as follows:

"(a) Notwithstanding anything to the contrary in this Agreement, conveyance, assignment, transfer and delivery by Seller or its Affiliates, and acceptance by Buyer, of InnerDyne Holdings, Inc., a Delaware corporation (" InnerDyne Holdings "), shall be effected by the merger of Cardinal Health 527, Inc., a Delaware corporation and a wholly owned subsidiary of Buyer (" Cardinal Merger Sub "), with and into InnerDyne Holdings. On the terms and subject to the conditions set forth in this Agreement and the U.S. Merger Agreement, and in accordance with the General Corporation Law of the State of Delaware (the " DGCL "), on the Closing Date, the parties shall cause Cardinal Merger Sub to be merged with and into InnerDyne Holdings (the " U.S. Merger "), as provided in this Section 2.10 . At the U.S. Merger Effective Time, the separate corporate existence of Cardinal Merger Sub shall cease, and InnerDyne Holdings shall continue as the surviving corporation in the U.S. Merger (the " U.S. Surviving Corporation ").

(b) On the last business day before the Closing Date, Buyer and Seller shall, pursuant to Section 103(c)(4) of the DGCL, through Buyer's counsel, deliver to (but not file with) the Secretary of State of the State of Delaware (the " Delaware Secretary ") a certificate of merger in the form set forth as Exhibit S hereto (or otherwise as mutually agreed by Seller and Buyer), dated as of the Closing Date, relating to the U.S. Merger (the " U.S. Certificate of Merger ") with instructions that the Delaware Secretary

not file the U.S. Certificate of Merger until written instructions (which may be by email) are received from Buyer or its counsel to make such filing. Buyer hereby agrees that neither it nor any of its subsidiaries or representatives shall instruct or authorize the Delaware Secretary or any other Person to file or cause to be filed the U.S. Certificate of Merger unless and until the Merger Authorization is received from Seller at the Closing.

(c) After receipt of the Merger Authorization from Seller, as soon as practicable after the Closing and on the Closing Date, Buyer shall send or cause to be sent an email to the Delaware Secretary authorizing the Delaware Secretary to file (or shall cause to be filed) the U.S. Certificate of Merger with an effective time of the Closing (the time the U.S. Merger becomes effective, the " U.S. Merger Effective Time "). Seller shall not, and shall cause its subsidiaries and representatives not to, take any action that would prevent, impede or delay the Delaware Secretary from filing the U.S. Certificate of Merger pursuant to the preceding sentence.

(d) The U.S. Merger shall have the effects set forth in this Agreement and the applicable provisions of the DGCL.

(e) At the U.S. Merger Effective Time, by virtue of the U.S. Merger and without any action on the part of any holders of any shares of InnerDyne Common Stock or Cardinal Merger Sub Common Stock, (i) each share of InnerDyne Common Stock issued and outstanding immediately prior to the U.S. Merger Effective Time shall be cancelled for no consideration, shall cease to exist and shall no longer be outstanding and (ii) each share of Cardinal Merger Sub Common Stock issued and outstanding immediately prior to the U.S. Merger Effective Time shall be converted into one fully paid and nonassessable share of common stock, par value $0 per share, of the U.S. Surviving Corporation, and be owned by Buyer, and shall constitute the only outstanding shares of capital stock of the U.S. Surviving Corporation.

(f) The certificate of incorporation and bylaws of InnerDyne Holdings, as in effect immediately prior to the U.S. Merger Effective Time, shall be, as of the U.S. Merger Effective Time, amended to be identical to that set forth as Exhibit A and Exhibit B , respectively, to the U.S. Merger Agreement and shall be the certificate of incorporation and bylaws, respectively, of the U.S. Surviving Corporation until thereafter changed or amended as provided therein or by applicable Law.

(g) The directors of Cardinal Merger Sub immediately prior to the U.S. Merger Effective Time shall be, as of the U.S. Merger Effective Time, the directors of the U.S. Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be, in accordance with the certificate of

incorporation and bylaws of the U.S. Surviving Corporation. The officers of Cardinal Merger Sub immediately prior to the U.S. Merger Effective Time shall be, as of the U.S. Merger Effective Time, the officers of the U.S. Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the certificate of incorporation and bylaws of the U.S. Surviving Corporation."

(xxiv) Article II is hereby amended and supplemented by adding the following new Section 2.11 titled "Deferred Closings.", which provides as follows:

"(a) Notwithstanding anything to the contrary contained in this Agreement (but subject to this Section 2.11(a)), (i) the conveyance, assignment, transfer and delivery by Seller or its Affiliates, and acceptance by Buyer or its Affiliates, of the Transferred Assets not owned by any Transferred Company located in the Country Units set forth on Annex B to the Disclosure Letter (the " Deferred Closing Countries ") and owned or held by a Deferred Title Holder (the " Deferred Assets "), (ii) the transfer to Buyer or its Affiliates of the Employees of the Business who are employed in such Deferred Closing Countries (other than any Non-Commercial Employees) (the " Deferred Employees "), and (iii) the assumption (and obligation to satisfy and discharge when due) by Buyer of the Assumed Liabilities to the extent arising from or relating to the Business conducted in the Deferred Closing Countries or the applicable Deferred Assets or Deferred Employees (the " Deferred Liabilities "), in each case, shall not occur on the Closing Date. For purposes of Article X , however, Buyer shall be deemed to have assumed the Deferred Liabilities on the Closing Date; provided , that (A) the Seller Indemnitees shall not be entitled to indemnification pursuant to Article X for any Damages incurred or suffered by any Seller Indemnitees to the extent resulting from the Deferred Liabilities or the Deferred Business during the Deferred Period to the extent resulting from the fraud, willful misconduct or intentional breach of this Agreement by Seller or its subsidiaries during the Deferred Period, and (B) the Seller Indemnitees shall not be entitled to indemnification pursuant to Article X for any Damages incurred or suffered by any Seller Indemnitees as a result of a third-party Claim to the extent resulting from the Deferred Liabilities or the Deferred Business during the Deferred Period to the extent resulting from the gross negligence of Seller or its subsidiaries during the Deferred Period. For purposes of clarity, the transfer of Non-Commercial Employees shall not be deferred pursuant to this Section 2.11(a) and the Non-Commercial Employees shall transfer as of the Closing Date (or, if applicable, such later date that such employee commences employment with Buyer or one of its Affiliates) pursuant to Section 8.01(c) (provided , that offer letters with respect to such Non-Commercial Employees shall not be required to be issued at least 10 days prior to the Closing Date).

(b) The conveyance, assignment, transfer, delivery and acceptance of the Deferred Assets, the transfer of Deferred Employees and the assumption of the Deferred Liabilities, with respect to a Deferred Closing Country (each such closing, a " Deferred Closing ") shall take place at 10:00 a.m., New York City time, at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52 Street, New York, New York 10019, or such other time and location specified in the applicable Country Transfer Agreement for such Deferred Closing Country, on the second business day after the date on which Seller (or its Affiliates) no longer has to provide the "finance / accounting" function for such Deferred Closing Country pursuant to the Transition Services Agreement to Buyer (or its Affiliates) (each date on which a Deferred Closing takes place, a " Deferred Closing Date "); provided that, if there is a Closing Legal Impediment in effect with respect to such Deferred Closing, then such Deferred Closing shall occur on the second business day after the date on which such Closing Legal Impediment is no longer in effect and provided , further , that the Deferred Closing for any Deferred Closing Country may occur on an earlier date if agreed in writing by Buyer and Seller. If any earlier Deferred Closing occurs pursuant to the preceding sentence, Buyer and Seller agree to cause their Affiliates to amend the Undisclosed Agency Agreement to include the Country Unit(s) for which such earlier Deferred Closing occurred on terms to be mutually agreed but substantially consistent with those set forth in the Undisclosed Agency Agreement.

(c) At each Deferred Closing, Seller and Buyer shall, or shall cause their respective Affiliates to, execute and deliver such documents and instruments, as may be reasonably necessary to transfer the Deferred Assets and Deferred Liabilities in such Deferred Closing Country to Buyer or its applicable Affiliate (designated in accordance with Section 2.02(f)), in each case consistent with the terms of this Agreement.

(d) It is the intention of the Parties that Buyer shall be entitled to the "net economic benefit" relating to the applicable Deferred Business arising during the applicable Deferred Period, and in connection therewith, each Deferred Title Holder shall retain such title as it has to the Deferred Assets of the applicable Deferred Business and hold such Deferred Assets for the benefit and expense of the applicable Deferred Beneficiary during the applicable Deferred Period. Solely to the extent related to the Deferred Business in a Deferred Closing Country, except as otherwise permitted by this Agreement or consented to by Buyer in writing (such consent not to be unreasonably withheld), (i) Seller agrees to (and to cause the applicable Deferred Title Holders to), (A) use commercially reasonable efforts to run the Deferred Business in the ordinary course consistent with past practice and in good faith and (B) comply with the covenants and agreements set forth in Section 6.01(b) (except Sections 6.01(b)(iv) , 6.01(b)(viii) , 6.01(b)(ix) , 6.01(b)(x) and 6.01(b)(xi) , and Section 6.01(b)(xiv) to the extent related to the

foregoing exclusions), in each case, until the Deferred Closing Date in such Deferred Closing Country, and (ii) Buyer agrees to grant Seller (and the Deferred Title Holders) a right to distribute the Products during the Deferred Period (the " Distribution Right ").

(e) Notwithstanding anything herein to the contrary, Seller's and its Affiliates' obligations to operate the Deferred Business is expressly conditioned on receipt of Products from applicable Affiliates of Buyer that applicable Affiliates of Seller need to operate the Deferred Business in compliance with this Agreement, and Seller and its Affiliates shall have no obligation to otherwise manufacture or procure any products. Applicable Affiliates of Buyer may invoice applicable Affiliates of Seller for such Products; provided that neither Seller or any Affiliate of Seller shall have any obligation to settle any such invoices and that the only payments to be made to Buyer or its applicable Affiliates with respect to such Products (or the Deferred Business) are the payments of any NEB Distribution Fee as provided in Section 2.11(f) .

(f) Following each fiscal month of Seller covering any portion of the Deferred Period, Buyer shall prepare an invoice (using trial balances provided by or on behalf of Seller to Buyer pursuant to the Transition Services Agreement) with respect to the NEB Distribution Fee for such fiscal month and deliver such invoice to Seller (if such NEB Distribution Fee is positive, it will be paid by Seller or its Affiliates for their respective Distribution Right, as provided herein). Seller or its applicable Affiliates shall settle such invoices with Buyer or its applicable Affiliates (in the applicable local currency in which the corresponding sales were made) in accordance with the country specific days sales outstanding (DSO) schedules of Seller set forth in Annex E to the Disclosure Letter (the " DSO Schedules ") in full satisfaction of any open invoices relating to such sales; provided that if any invoice provides for a negative NEB Distribution Fee, Buyer shall pay to Seller or as directed by Seller the absolute value of such negative NEB Distribution Fee within 30 days of such invoice. Any invoices prepared pursuant to this Section 2.11(f) shall comply with applicable VAT and Transfer Tax Laws. For the avoidance of doubt, neither Seller nor any Affiliate of Seller shall have any obligation to pay for any unpaid accounts receivable. Notwithstanding the foregoing, if the percentage of actual bad debt expense associated with the operation of the Deferred Business in any Deferred Closing Country in a particular fiscal month of Seller (calculated in a manner consistent with the Accounting Policies, including with respect to the allocation of any such debt as between the sales of Products of the Deferred Business and sales of products of Seller's other businesses) exceeds three (3) times the Bad Debt Rate applicable for such country, then Buyer agrees to pay or cause its applicable Affiliates to pay to Seller or its applicable Affiliates the amount by which such bad debt expense exceeds the product of (i) the Net Sales in such country in such fiscal

month *multiplied* by (ii) the Bad Debt Rate applicable for such country. Upon payment to Seller or its applicable Affiliates of any amount required to be paid by Buyer pursuant to the previous sentence, Seller or its applicable Affiliates shall convey, assign, and transfer to Buyer all bad debts to which such payment relates, including the rights to receive, collect or enforce such bad debts (provided that the parties shall cooperate in good faith with respect to such collection or enforcement).

(g) Subject to customary confidentiality undertakings comparable to those included in the Confidentiality Agreements, to the extent reasonably required to prepare or review any invoices required to be prepared or prepared pursuant to Section 2.11(f) or any calculation of the bad debt expense associated with the sales of Products of the Deferred Business to the extent Seller asserts such expense is payable, or to the extent such expense has been paid, pursuant to the second to last sentence of Section 2.11(f) , Seller will, during normal business hours (upon at least two (2) business days' written notice from Buyer), (i) make available its relevant personnel as shall be reasonably necessary in connection with the foregoing and (ii) permit Buyer and its duly authorized representatives access to all contracts, books, records and other data relating to the Deferred Businesses and/or the calculation of any NEB Distribution Fee (or any calculation of the bad debt expense associated with the sales of Products of the Deferred Business to the extent Seller asserts such expense is payable, or to the extent such expense has been paid, pursuant to the second to last sentence of Section 2.11(f)) as shall be reasonably necessary in connection with the foregoing, except where such access is prohibited by applicable Law or Contract.

(h) The parties acknowledge that the portion of the Purchase Price allocable to any Deferred Closing Country as set forth in the Initial Allocation (each, a " Deferred Closing Country Amount ") will be paid by Buyer to Seller on the Closing Date in U.S. dollars. On each Deferred Closing Date for each Deferred Closing Country in which a "local payment" is required by applicable Law to purchase the relevant Deferred Assets (as set forth on Schedule 2.11(h) to the Disclosure Letter), (i) Seller shall reimburse to Buyer, in U.S. dollars, the amount of such Deferred Closing Country Amount and (ii) the applicable Deferred Beneficiary shall (and Buyer shall cause such Deferred Beneficiary to) pay to the applicable Deferred Title Holder an amount, in local currency, equal to the local currency equivalent of such Deferred Closing Country Amount (as determined using the Exchange Rate) by wire transfer of immediately available funds to the bank account to be designated by the party that will be receiving such reimbursement or payment, as applicable. Schedule 2.11(h) to the Disclosure Letter sets forth Seller's good-faith estimate as of the date of this Agreement of the portion of the Purchase Price to be allocated to each Deferred Country Unit identified therein for payment in a Foreign Currency."

(xxv) Article II is hereby amended and supplemented by adding the following new Section 2.12 titled "Transferred Inventory.", which provides as follows:

"(a) Notwithstanding anything to the contrary contained in this Agreement (but subject to the last two sentences of this Section 2.12(a)), except (i) for Transferred Inventory that constitutes Finished Goods Inventory not in excess of $50,000 U.S. dollars in the aggregate as of Closing held by Covidien Deutschland GmbH, (ii) for Transferred Inventory that constitutes Finished Goods Inventory owned by Covidien AG on behalf of or for the benefit of Especialidades Medicas Kenmex SA de CV and (iii) for Transferred Inventory that constitutes Finished Goods Inventory for which title is held by any of the Transferred Companies, the conveyance, assignment, transfer and delivery by Seller or its Affiliates, and acceptance by Buyer or its Affiliates, of legal title to Transferred Inventory that constitutes Finished Goods Inventory shall not occur on the Closing Date (the " Deferred Inventory "). For the avoidance of doubt, Deferred Inventory will include Transferred Inventory held by Medtronic Australasia Pty. Limited. For purposes of Article X , however, Buyer shall be deemed to have assumed the Assumed Liabilities relating to or arising out of such Deferred Inventory on the Closing Date (without limiting clause (b) below). This Section 2.12 shall not be applicable to the determination of Closing Inventory, and Closing Inventory shall be determined assuming this Section 2.12 was not applicable.

(b) Seller and/or its Affiliates shall hold the Deferred Inventory for the benefit of, and at the expense and risk of loss to, Buyer and its Affiliates, and provide distribution services with respect to the Deferred Inventory on behalf of Buyer and/or its Affiliates pursuant to the terms of the Transition Services Agreement (such services, the " Distribution Services "). Subject to the express liability allocation provisions of the Transition Services Agreement with respect to Services to the extent relating to Deferred Inventory, Buyer and/or its Affiliates shall bear all risk of loss or damage to such Deferred Inventory, regardless of whether such Deferred Inventory is held by Seller or any of its Affiliates in the course of Seller and/or its Affiliates' provision of the Distribution Services; provided that neither Buyer nor any Affiliate thereof shall bear any risk of loss or similar liability for any loss or damage of any Deferred Inventory to the extent resulting from the fraud, willful misconduct or intentional breach of this Agreement by Seller or its Affiliates following the Closing.

(c) Upon the conclusion of all Distribution Services in a Country Unit, Seller will, and will cause the relevant Asset Selling Affiliates to, sell, convey, assign, and transfer to Buyer or its designee all Deferred Inventory in the applicable Country Unit, free and clear of all Liens other than Permitted Liens."

Section 1.04 Representations and Warranties of Seller . Article III of the Purchase Agreement (Representations and Warranties of Seller) is hereby amended as follows:

(i) The first paragraph of Article III of the Purchase Agreement is hereby amended and restated in its entirety as follows:

> "Buyer acknowledges and agrees that the Transferred Assets are sold "as is, where is" and Buyer agrees to accept the Transferred Assets on the Closing Date or the applicable Deferred Closing Date (as applicable) in the condition they are in at the place they are located on such Closing Date or the applicable Deferred Closing Date (as applicable) based on its own inspection, examination and determination with respect to all matters, and without reliance upon any express or implied representations or warranties of any nature made by, on behalf of or imputed to Seller, other than the representations and warranties of Seller expressly set forth in this Agreement. BUYER AGREES THAT THE REPRESENTATIONS AND WARRANTIES GIVEN HEREIN BY SELLER ARE IN LIEU OF, AND BUYER HEREBY EXPRESSLY WAIVES ALL RIGHTS TO, ANY IMPLIED WARRANTIES THAT MAY OTHERWISE BE APPLICABLE BECAUSE OF THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATUTE, INCLUDING THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE."

Section 1.05 Certain Covenants . Article VI of the Purchase Agreement (Certain Covenants) is hereby amended as follows:

(i) Section 6.05(e) of the Purchase Agreement (Commercially Reasonable Efforts; Regulatory Approvals; Access) is hereby amended and restated in its entirety as follows:

> "Seller shall give Buyer and its accountants, legal counsel and other representatives reasonable access, during normal business hours and without undue interruption of the Business throughout the period prior to the Closing or, in the case of the Deferred Business, the applicable Deferred Closing (as applicable), to all of the properties, books and records (other than records relating to Income Taxes and attorney-client privileged communications and, for the avoidance of doubt, other than where access to such information is prohibited by applicable Law) relating to the Business, and will furnish, at Buyer's expense, Buyer, its accountants, legal counsel and other representatives during such period all such information (other than records relating to Income Taxes and attorney-client privileged communications and, for the avoidance of doubt, other than where access to such information is prohibited by applicable Law) concerning the affairs of the Business as Buyer may reasonably request; provided that this Section 6.05(e) shall not entitle Buyer or its accountants, legal counsel or other representatives to contact any third party doing business with Seller or access the properties, books or

records of any such third party, in each case without Seller's prior written consent (which consent shall not be unreasonably withheld). Buyer will hold in confidence all information so obtained in accordance with Section 7.12 . Nothing in this Agreement shall limit any of the parties' rights of discovery."

(ii) Section 6.07 of the Purchase Agreement (Transferred Companies Assets and Liabilities) is hereby amended and restated in its entirety as follows:

"Prior to the Closing, Seller shall take or cause to be taken, such action as is necessary or appropriate to transfer, assign or convey (i) any assets owned or held by the Transferred Companies other than those that would constitute Transferred Assets or (ii) any liabilities or obligations of the Transferred Companies other than those that would constitute Assumed Liabilities, in each case, to Seller or an Affiliate of Seller such that as of the Closing, (x) the assets owned or held by the Transferred Companies consist solely of assets that would otherwise constitute Transferred Assets pursuant to clauses (i)–(xvi) and (xviii) of Annex 2.02(a) and (y) the liabilities and obligations of the Transferred Companies consist solely of liabilities and obligations that would otherwise constitute Assumed Liabilities pursuant to clauses (i)–(x) of Annex 2.02(c) . Prior to or following the Closing, Buyer shall provide to Seller the necessary information and deliver such assignments, transfers, consents and other documents and instruments as may be reasonably required to permit Seller at its expense to effect and perfect the transfer of any registrations of Patents and Trademarks that constitute Excluded Assets but which are held by a Transferred Company. Notwithstanding anything in this Agreement to the contrary (but without limiting Seller's and Buyer's obligations after the Closing under Article VII and Article X in respect of Pre-Closing Accounts Receivable and Pre-Closing Accounts Payable), Seller and its Affiliates shall not be required to transfer, assign or convey any Pre-Closing Accounts Receivable that are owned or held by any of the Transferred Companies or any Pre-Closing Accounts Payable that are liabilities or obligations of any of the Transferred Companies at or prior to the Closing (it being understood that following the Closing any Pre-Closing Accounts Receivable (including any cash received in respect thereof) shall in any event be treated as Excluded Assets and any Pre-Closing Accounts Payable shall in any event be treated as Excluded Liabilities). Seller shall deliver or cause to be delivered to Buyer a schedule setting forth Pre-Closing Accounts Receivable and Pre-Closing Accounts Payable within thirty (30) days of the Closing Date. Notwithstanding anything in this Agreement to the contrary, certain equipment that would constitute Excluded Assets may continue to be owned following the Closing by Kendall-Gammatron Limited and Covidien Manufacturing Solutions, S.A., and such equipment shall be subject to the provisions of the Master Manufacturing and Supply Agreement, including with respect to the transfer thereof to Seller or its applicable Affiliate as provided therein."

(iii) The reference to "Innerdyne Holdings, Inc." in Section 6.09(c) of the Purchase Agreement (Closing Structure) is hereby replaced with a reference to "InnerDyne Holdings, Inc."

(iv) Section 6.11(a) of the Purchase Agreement (Certain Swiss Tax Matters) is hereby amended and restated in its entirety as follows:

> "Subject to Section 6.11(b) , Seller shall use its reasonable best efforts to minimize the Swiss Tax Rate. To the extent Seller receives, prior to the Closing, a Swiss Tax Ruling, the Purchase Price shall be reduced by an amount equal to the Swiss Sale Amount, less (i) the sum of (A) the Estimated Swiss Gain and (B) (x) the Estimated Swiss Gain multiplied by the Swiss Tax Rate, further multiplied by (y) the Swiss Gross-Up, less (ii) the Estimated Swiss Tax Basis."

Section 1.06 Post-Closing Covenants . Article VII of the Purchase Agreement (Post-Closing Covenants) is hereby amended as follows:

(i) Section 7.01 of the Purchase Agreement (Certain IP Matters) is hereby amended and supplemented by adding a new Section 7.01(d) , which provides as follows:

> "Buyer hereby grants, and shall cause its Affiliates to grant, to Seller and its subsidiaries a non-exclusive, royalty free, fully paid-up, irrevocable and worldwide license under all of Buyer's and its Affiliates' IP Rights to the Transferred IP to (A) make, have made, import, use, offer to sell, sell, distribute and otherwise commercialize any Products and services, and (B) use, copy, distribute, disclose, display, sublicense and otherwise exploit in any manner any technology, Products and services, in each case to the extent necessary to own and operate the applicable Deferred Business in the applicable Deferred Closing Countries for Buyer's or its Affiliates' benefit. If Buyer or any of its Affiliates incorporates any of Buyer or its Affiliates' other IP Rights into any of the Products or services being sold or provided by Seller or any of its Affiliates on Buyer's or any of its Affiliates' behalf in connection with the operation of the Deferred Business, Buyer grants (and shall cause its applicable Affiliates to grant) to Seller and its subsidiaries a non-exclusive, royalty free, fully paid-up, irrevocable, worldwide and non-sublicenseable (except to distributors of the Products) license under such other IP Rights to make, have made, import, use, offer to sell, sell, distribute and otherwise commercialize any such Products and services, and to own and operate the applicable Deferred Business, in each case to the extent necessary to provide services to Buyer or its Affiliates with respect to the applicable Deferred Business in the applicable Deferred Closing Countries for Buyer's or its Affiliates' benefit until the applicable Deferred Closing. Buyer and Seller shall in good faith cooperate with the objective that all products and all materials using the Buyer and its Affiliates' IP Rights as described in this paragraph in the operation of the Deferred Business meet at least the same

high standards of quality, appearance, service and other standards that are observed immediately prior to the Closing Date by Seller and its Affiliates (or Buyer and its Affiliates with respect to Buyer's and its Affiliates' other IP Rights). Seller's use of any Transferred IP or Buyer's and its Affiliates' other IP Rights and any goodwill generated thereby will inure to the benefit of Buyer and its Affiliates. Seller's rights hereunder shall terminate immediately, fully and completely, upon the final Deferred Closing."

(ii) Section 7.04 of the Purchase Agreement (Insurance) is hereby amended and restated in its entirety as follows:

"(a) Except (1) with respect to insurance proceeds that constitute Transferred Assets pursuant to clause (xiv) of Annex 2.02(a) , or (2) as provided in Section 7.04(b) or Section 7.04(c) , the coverage under all insurance policies related to the Business and arranged or maintained by Seller or its Affiliates is only for the benefit of Seller and its Affiliates, and not for the benefit of Buyer or the Business. Except as set forth in Section 7.04(b) or Section 7.04(c) , as of the Closing Date (or, solely with respect to the Deferred Business, the applicable Deferred Closing Date), Buyer agrees to arrange for its own insurance policies (including self-insurance or similar arrangements funded directly or indirectly by Buyer or any of its Affiliates) with respect to the Business covering all periods following the Closing (or, solely with respect to the Deferred Business, the applicable Deferred Closing Date) and, without prejudice to any right to indemnification pursuant to this Agreement or any other Transaction Document, agrees not to seek, through any means, to benefit from any of Seller's or its Affiliates' insurance policies which may provide coverage for claims relating in any way to the Business.

(b) Solely to the extent required for Buyer and its Affiliates to comply with applicable Law that requires Buyer and its Affiliates to maintain workers compensation insurance coverage for Transferred Employees for the period prior to the Closing (or with respect to the Deferred Employees, the applicable Deferred Closing), with respect to claims relating to acts, omissions, events or circumstances relating to Transferred Employees that occurred or existed prior to the Closing (or solely with respect to the Deferred Employees, the applicable Deferred Closing) (" Pre-Closing WC Claims ") that are covered by Seller's or its Affiliates' workers compensation insurance policies relating to Transferred Employees (or the Deferred Employees, as applicable) (" Workers Compensation Policies "), Seller hereby authorizes Buyer, to the extent permitted by such Workers Compensation Policies, to report Pre-Closing WC Claims directly to the provider of such Workers Compensation Policies and shall use commercially reasonable efforts (at Buyer's expense), to the extent permitted by such Workers Compensation Policies, to assist Buyer's efforts to obtain the benefit of such insurance coverage with respect to such Pre-Closing WC Claims; provided that Buyer shall keep Seller reasonably informed of

each claim and Buyer shall exclusively bear and shall promptly either directly pay (in lieu of Seller or its Affiliates having to first pay) or repay or reimburse Seller or its Affiliates for the amount of each claim and related costs or expenses (including increased premiums) and for the amount of any deductibles or self-insured retentions (including captive insurance amounts) associated with any such claims under the Workers Compensation Policies and Buyer and its Affiliates shall be liable for any and all uninsured, uncovered, unavailable or uncollectible amounts of such payments; and provided further that Buyer and its Affiliates shall use commercially reasonable efforts (including prior to the Closing) to obtain, as soon as reasonably practicable, replacement insurance policies (including self-insurance) such that Buyer and its Affiliates are no longer legally required to have access to the Workers Compensation Policies. For the avoidance of doubt, nothing in this Agreement shall require Seller or its Affiliates to extend or purchase any insurance policy.

(c) Solely to the extent required for Buyer and its Affiliates to comply with applicable Law that requires Buyer and its Affiliates to maintain automobile liability insurance coverage for the Business or the Transferred Employees for the period prior to the Closing (or solely with respect to the Deferred Business or Deferred Employees, the applicable Deferred Closing), with respect to claims relating to events or incidents relating to the Business or the Transferred Employees that occurred prior to the Closing (or solely with respect to the Deferred Business or Deferred Employees, the applicable Deferred Closing) (" Pre-Closing Auto Claims ") that are covered by Seller's or its Affiliates' automobile liability insurance policies relating to the Business or the Transferred Employees (" Auto Policies "), Seller hereby authorizes Buyer, to the extent permitted by such Auto Policies, to report Pre-Closing Auto Claims directly to the provider of such Auto Policies and shall use commercially reasonable efforts (at Buyer's expense), to the extent permitted by such Auto Policies, to assist Buyer's efforts to obtain the benefit of such insurance coverage with respect to such Pre-Closing Auto Claims; provided that Buyer shall keep Seller reasonably informed of each claim and Buyer shall exclusively bear and shall promptly either directly pay (in lieu of Seller or its Affiliates having to first pay) or repay or reimburse Seller or its Affiliates for the amount of each claim and related costs or expenses (including increased premiums) and for the amount of any deductibles or self-insured retentions (including captive insurance amounts) associated with any such claims under the Auto Policies and Buyer and its Affiliates shall be liable for any and all uninsured, uncovered, unavailable or uncollectible amounts of such payments; and provided further that Buyer and its Affiliates shall use commercially reasonable efforts (including prior to the Closing) to obtain, as soon as reasonably practicable, replacement insurance policies (including self-insurance) such that Buyer and its Affiliates are no longer legally required to have access to the Auto Policies. For the avoidance of doubt, nothing in this

Agreement shall require Seller or its Affiliates to extend or purchase any insurance policy.

(d) Buyer or its Affiliates may from time to time during the Deferred Period arrange for its own insurance with respect to Deferred Assets pursuant to this Agreement. Seller and its Affiliates shall use commercially reasonable efforts, at Buyer's sole cost and expense, to assist Buyer's or its Affiliates' efforts to obtain the benefits of any such insurance with respect to claims relating to any loss or damage of any such Deferred Assets."

(iii) Section 7.06 of the Purchase Agreement (Assurances) is hereby amended and restated in its entirety as follows:

"From and after the Closing Date or the applicable Deferred Closing Date, as applicable, if either Buyer or Seller becomes aware that any of the Transferred Assets has not been transferred to Buyer or that any of the Excluded Assets has been transferred to Buyer, it shall promptly notify the other and the parties hereto shall, as soon as reasonably practicable and, subject to Section 2.02(g) and Section 2.06 , ensure that such property is transferred, with any necessary prior third-party consent or approval, to:

(a) Buyer, in the case of any Transferred Asset which was not transferred at the Closing or the applicable Deferred Closing, as applicable; or

(b) Seller, in the case of any Excluded Asset which was transferred at the Closing or the applicable Deferred Closing, as applicable.

With respect to any Pre-Closing Accounts Receivable held by Buyer at Closing pursuant to Section 6.07 , (A) Buyer and Seller shall cooperate in good faith to establish reasonable payment mechanics for Buyer to comply with this Section 7.06 upon its or its Affiliates' (including the Transferred Companies') receipt of cash received in respect of Pre-Closing Account Receivable and (B) Buyer's obligations under this Section 7.06 with respect to any Pre-Closing Accounts Receivable shall terminate one (1) year after the Closing Date."

(iv) Section 7.07 of the Purchase Agreement (Further Assurances) is hereby amended and restated in its entirety as follows:

"Subject to the terms and conditions of this Agreement, from and after the Closing Date or the Deferred Closing Date, as applicable, each party will execute and deliver, or cause its Affiliates to execute and deliver, all such documents and instruments and will take, or cause its Affiliates to take, all such further actions, in each case as may be reasonably necessary to consummate the transactions contemplated by this Agreement."

(v) Section 7.08(a)(i) of the Purchase Agreement (Preparation and Filing of Tax Returns; Payment of Taxes) is hereby amended and restated in its entirety as follows:

> "Seller shall prepare and file all Tax Returns of the Transferred Companies or in respect of the Transferred Assets or the Business, in each case, that are due (including applicable extensions) before the Closing. Seller shall prepare (x) all income Tax Returns of the Transferred Companies for all taxable periods ending on or before the Closing Date that are due after the Closing (" Pre-Closing Entity Tax Returns "), (y) all income Tax Returns of the Seller or any of its subsidiaries and (z) all Tax Returns in respect of the Deferred Assets, the Deferred Liabilities, the Deferred Business, and the Deferred Inventory for all taxable periods (or portions thereof) beginning on or prior to (A) the applicable Deferred Closing Date (in the case of any Tax Return reflecting Deferred Business Taxes) or (B) the applicable Deferred Inventory Closing Date (in the case of any Tax Return reflecting Deferred Inventory Taxes) (" Deferred Period Tax Returns "). Seller shall prepare all Tax Returns (other than Tax Returns of the Transferred Companies) in respect of the Transferred Assets or the Business for all taxable periods ending on or before the Closing Date that are due after the Closing (" Pre-Closing Business Tax Returns " and, together with Pre-Closing Entity Tax Returns and Deferred Period Tax Returns, " Pre-Closing Tax Returns "). Seller shall also prepare and file all Tax Returns for Transferred Companies that are required to be included in (or filed with) a Tax Return of an affiliated, consolidated, combined, unitary or aggregate group of which Seller or any of its Affiliates (other than a Transferred Company) is parent for Pre-Closing Tax Periods. With respect to any Pre-Closing Tax Return required to be prepared by Seller pursuant to this Section 7.08(a)(i) , (1) such Pre-Closing Tax Returns shall be prepared on a basis consistent with the past practices of the Transferred Companies or with respect to the Transferred Assets or the Business, respectively, unless a different position is required by Law and the parties mutually agree on the resolution of such issue (and each party shall reasonably endeavor to reach such mutual agreement), (2) Seller shall deliver to Buyer for its review and comment, at least thirty (30) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate income Tax Return of the Transferred Companies, and at least ten (10) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate non-income Tax Return of the Transferred Companies or in respect of the Transferred Assets or the Business (in each case taking into account any applicable extensions), a copy of such Tax Return, together with any additional information that Buyer may reasonably request, and (3) Seller shall consider in good faith any reasonable comments submitted by Buyer at least fifteen (15) days prior to the due date of such Pre-Closing Tax Return in the case of a separate income Tax Return of the Transferred Companies, and at least five (5) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate non-income Tax Return of the Transferred Companies or

in respect of the Transferred Assets or the Business (in each case taking into account any applicable extensions). If applicable, Seller shall deliver a revised Pre-Closing Tax Return to Buyer before the due date for the filing of such Pre-Closing Tax Return (taking into account any applicable extensions), and Buyer shall timely file or cause to be timely filed any Pre-Closing Tax Returns."

(vi) Section 7.08(b)(i) of the Purchase Agreement (Refunds) is hereby amended and restated in its entirety as follows:

"Seller shall be entitled to retain, or receive prompt payment from Buyer or any of its subsidiaries or Affiliates (including the Transferred Companies) of, any refund (including any credit in lieu of a refund, which credit arises as a result of an overpayment and which otherwise would have been payable in cash by the relevant Taxing Authority at the election of the taxpayer) received or realized in cash with respect to (x) Taxes attributable to any Transferred Company, the Transferred Assets or the Business for any Pre-Closing Tax Period (other than Transfer Taxes, but including any VAT for which Seller is responsible pursuant to Section 2.06(e)) or (y) Excluded Deferred Taxes, including any such amounts arising by reason of amended Tax Returns filed after the Closing Date, but only to the extent that (A) such refund (or credit) is not the result of an event that occurred after the Closing Date (or after the applicable Deferred Closing Date, in the case of any such refund (or credit) in respect of Excluded Deferred Business Taxes, or after the applicable Deferred Inventory Closing Date, in the case of any such refund (or credit) in respect of Excluded Deferred Inventory Taxes), and (B) such refund (or credit) is not attributable to, and does not result from, a carry back or other use of any item of loss, deduction, credit or other similar item arising in a Post-Closing Tax Period (or in a taxable period beginning after the applicable Deferred Closing Date, in the case of any item arising with respect to Excluded Deferred Business Taxes, or in a taxable period beginning after the applicable Deferred Inventory Closing Date, in the case of any item arising with respect to Excluded Deferred Inventory Taxes) or, in the case of a refund (or credit) of Taxes for a Straddle Period, the use of any such item arising in a Post-Closing Tax Period (or in the case of a refund (or credit) of Excluded Deferred Business Taxes for a taxable period beginning on or prior to the applicable Deferred Closing Date and ending after the applicable Deferred Closing Date, the use of any such item arising in a taxable period beginning after the applicable Deferred Closing Date; or in the case of a refund (or credit) of Excluded Deferred Inventory Taxes for a taxable period beginning on or prior to the applicable Deferred Inventory Closing Date and ending after the applicable Deferred Inventory Closing Date, the use of any such item arising in a taxable period beginning after the applicable Deferred Inventory Closing Date). In connection with the foregoing, if Seller determines that any of the Transferred Companies is entitled to file or make a formal or informal claim

for a refund (to which Seller would be entitled under the first sentence of this Section 7.08(b)(i)) of (x) Taxes (including by filing an amended Tax Return) with respect to a Pre-Closing Tax Period (other than Transfer Taxes or VAT, but including any VAT for which Seller is responsible pursuant to Section 2.06(e)) or (y) Excluded Deferred Taxes, Seller shall be entitled, at Seller's expense, to file or make, or to request that Buyer cause the applicable Transferred Company to file or make, such formal or informal claim for refund, and Seller shall be entitled to control the prosecution of such claim for refund, provided that Seller shall not take any action in connection therewith that would bind Buyer or any of its Affiliates (including any Transferred Company) for a Post-Closing Tax Period (or a taxable period beginning after the applicable Deferred Closing Date, in the case of any refund (or credit) of Excluded Deferred Business Taxes, or a taxable period beginning after the applicable Deferred Inventory Closing Date, in the case of any refund (or credit) of Excluded Deferred Inventory Taxes) or otherwise adversely affect Buyer or any of its Affiliates (including any Transferred Company). Buyer will cooperate, and cause the Transferred Companies to cooperate, with respect to such claim for refund, and will pay, or cause the relevant Transferred Company to pay, to Seller the amount (including interest received from any Taxing Authority) of any related refund (including any credit in lieu of a refund, which credit arises as a result of an overpayment and which otherwise would have been payable in cash by the relevant Taxing Authority at the election of the taxpayer) (to which Seller would be entitled under the first sentence of this Section 7.08(b)(i)) received or realized in cash by Buyer or any Affiliate thereof (including any Transferred Company), net of any unreimbursed costs incurred by Buyer and its Affiliates in respect of such refund and reduced by the amount of any Taxes arising or that would arise as a result of the receipt of such refund or interest thereon, within five (5) days of receipt (or realization in cash) thereof. Buyer and the Transferred Companies shall be entitled to retain, or receive prompt payment from Seller with respect to, any other refund, credit, offset or other similar benefit received or realized with respect to Taxes attributable to any Transferred Company, the Transferred Assets or the Business (other than any such refund, credit, offset or other similar benefit received or realized with respect to Income Taxes of Seller or any of its subsidiaries, but only to the extent such Income Taxes were not Deferred Taxes borne by Buyer as part of the NEB Services Reimbursement Amount, under the Undisclosed Agency Agreement, or otherwise under this Agreement). Notwithstanding any other provision, (x) Seller shall be entitled to any refund, credit or reimbursement for any Transfer Taxes arising from, or relating to, the Internal Restructuring Steps, (y) Buyer shall be entitled to any refund, credit or reimbursement for any Transfer Taxes or VAT arising from, or relating to, any Transfer Taxes or VAT imposed on the transfer of the Transferred Equity Interests and the Transferred Assets to Buyer and assumption of the Assumed Liabilities by Buyer and (z) Buyer shall be entitled to any refund, credit or reimbursement for any Deferred Taxes borne

by Buyer."

(vii) Section 7.08(c)(ii) of the Purchase Agreement (Tax Indemnification) is hereby amended and restated in its entirety as follows:

"Buyer and its Affiliates (including the Transferred Companies) shall indemnify, defend and hold Seller and its Affiliates harmless from and against: (A) for any Post-Closing Tax Period (x) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) of the Transferred Companies and (y) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) with respect to the Transferred Assets or the Business (including, for the avoidance of doubt, any Deferred Taxes), in the case of each of clauses (x) and (y), other than any such Tax liabilities that are Excluded Taxes or Excluded Deferred Taxes, (B) all liability for Transfer Taxes for which Buyer is responsible pursuant to Section 2.06(a) , (C) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) attributable to a Buyer Tax Act, unless such Buyer Tax Act is effected with the written consent of Seller, (D) Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) attributable to any breach by Buyer or its Affiliates (including, after the Closing, any Transferred Company) of any covenant or other agreement hereunder, or (E) any Taxes (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Taxes) imposed with respect to the excess of, if any, (x) any amount required to be included by Seller or any of its Affiliates in income under Section 951(a) of the Code with respect to a Transferred Company for the tax year of Seller or such Affiliate that includes the Closing Date, over (y) the amount that would have been required to be included by Seller or any of its Affiliates in income under Section 951(a) of the Code with respect to a Transferred Company for the tax year of Seller or such Affiliate that includes the Closing Date had the taxable year of such Transferred Company ended on the Closing Date;"

(viii) Section 7.08(d) of the Purchase Agreement (Tax Contests) is hereby amended and restated in its entirety as follows:

"(i) Buyer shall notify Seller within ten (10) business days of a Tax Proceeding for a Pre-Closing Tax Period with respect to a Transferred Company, provided that the failure to so notify Seller shall not affect Seller's indemnification obligation under Section 7.08(c) except to the extent of any material prejudice actually incurred by Seller.

(ii) With respect to any Tax Proceeding relating to (A) a Pre-Closing Tax Period with respect to a Transferred Company, the Transferred Assets or

the Business (other than a Straddle Period or a Tax Proceeding with respect to any Transfer Taxes or VAT, but including any Tax Proceeding with respect to any VAT for which Seller is responsible pursuant to Section 2.06(e)), (B) a consolidated Tax Return of which Seller or any of its subsidiaries (other than a Transferred Company) is the common parent, or (C) an Income Tax Return (other than a Deferred Period Tax Return) of Seller of any of its subsidiaries (other than a Transferred Company), Seller may choose in its sole discretion (at its expense) to control all Tax Proceedings and may make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Tax Proceeding, provided that, to the extent such Tax Proceeding or the resolution or settlement thereof could have an impact on Buyer or any of its Affiliates (including the Transferred Companies) after the Closing Date, (x) Seller shall provide Buyer with a timely and reasonably detailed account of each phase of such Tax Proceeding and shall consult with Buyer before taking any significant action in connection with such Tax Proceeding and (y) Seller shall not settle, compromise or abandon any such Tax Proceeding without obtaining the prior written consent of Buyer, which consent shall not be unreasonably withheld.

(iii) With respect to any Tax Proceeding relating to a Straddle Period with respect to a Transferred Company, the Transferred Assets or the Business, Buyer may choose in its sole discretion (at its expense) to control all Tax Proceedings and may make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Tax Proceeding, provided that, to the extent such Tax Proceeding or the resolution or settlement thereof could have an impact on Seller or any of its Affiliates with respect to the Pre-Closing Tax Period resulting in an increase of Seller's liability for Taxes pursuant to this Agreement, (x) Buyer shall provide Seller with a timely and reasonably detailed account of each phase of such Tax Proceeding and shall consult with Seller before taking any significant action in connection with such Tax Proceeding and (y) Buyer shall not settle, compromise or abandon any such Tax Proceeding without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld.

(iv) With respect to any Tax Proceeding relating to both (A) any Deferred Taxes and (B) any Excluded Taxes or Excluded Deferred Taxes (any such Tax Proceeding, a " Joint Tax Proceeding ") (it being understood that a Tax Proceeding relating to a Tax Return that reflects both Deferred Taxes, on the one hand, and Excluded Taxes or Excluded Deferred Taxes, on the other hand, is a Joint Tax Proceeding), Seller may choose in its sole discretion to control all Joint Tax Proceedings and may make all decisions taken in connection with any such Joint Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Joint Tax Proceeding, provided that, to the extent such Joint Tax Proceeding relates to Deferred Taxes, (v) Seller shall provide Buyer with a timely and reasonably detailed account of each phase of such Joint Tax Proceeding and shall consult with Buyer before taking any significant action in connection with such Joint Tax Proceeding, (w) Seller shall consult with Buyer and offer Buyer an opportunity to comment before submitting any written materials prepared or furnished in connection with such Joint Tax Proceeding, (x) Seller shall defend such Joint Tax Proceeding diligently and in good faith as if it were the only party in interest in connection with such Joint Tax Proceeding, (y) Buyer shall be entitled to participate (at its expense) in such Joint Tax Proceeding and, to the extent permitted by the relevant Taxing Authority, attend any meetings or conferences with the relevant Taxing Authority, and (z) Seller shall not settle, compromise or abandon any such Joint Tax Proceeding without obtaining the prior written consent of Buyer, which consent shall not be unreasonably withheld. Buyer and Seller shall bear the expenses of conducting such Joint Tax Proceeding in proportion to the amount of Deferred Taxes, on the one hand, and Excluded Taxes and Excluded Deferred Taxes, on the other hand, at issue in such Joint Tax Proceeding.

(v) Except as otherwise provided in Section 7.08(d)(iv) , with respect to any Tax Proceeding relating to Deferred Taxes (such Tax Proceeding, a " Deferred Tax Proceeding "), Buyer may choose in its sole discretion (at its expense) to control all Deferred Tax Proceedings and may make all decisions taken in connection with any such Deferred Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Deferred Tax Proceeding, provided that, to the extent any such Deferred Tax Proceeding relates to a taxable period (or portion thereof) beginning on or prior to (1) the applicable Deferred Closing Date (in the case of any Deferred Tax Proceeding with respect to

Deferred Business Taxes) or (2) the applicable Deferred Inventory Closing Date (in the case of any Deferred Tax Proceeding with respect to Deferred Inventory Taxes), (v) Buyer shall provide Seller with a timely and reasonably detailed account of each phase of such Deferred Tax Proceeding and shall consult with Seller before taking any significant action in connection with such Deferred Tax Proceeding, (w) Buyer shall consult with Seller and offer Seller an opportunity to comment before submitting any written materials prepared or furnished in connection with such Deferred Tax Proceeding, (x) Buyer shall defend such Deferred Tax Proceeding diligently and in good faith as if it were the only party in interest in connection with such Deferred Tax Proceeding, (y) Seller shall be entitled to participate (at its expense) in such Deferred Tax Proceeding and, to the extent permitted by the relevant Taxing Authority, attend any meetings or conferences with the relevant Taxing Authority, and (z) Buyer shall not settle, compromise or abandon any such Deferred Tax Proceeding without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld.

(vi) Except as otherwise provided in Section 7.08(d)(ii) , Section 7.08(d)(iii) , Section 7.08(d)(iv) and Section 7.08(d)(v) , Buyer shall exclusively control all Tax Proceedings with respect to the Transferred Companies or otherwise relating to the Transferred Assets or the Business. Notwithstanding anything in Section 7.08(d)(ii) and Section 7.08(d)(iv) to the contrary, Buyer shall have the exclusive right to control any Tax Proceeding described in Section 7.08(d)(i) if Seller fails to, or notifies Buyer in writing that Seller elects not to, defend such Tax Proceeding.

(vii) Buyer, the Transferred Companies and each of their respective Affiliates, on the one hand, and Seller and its respective Affiliates, on the other hand, shall cooperate in contesting any Tax Proceeding, which cooperation shall include the retention and, upon request, the provision to the requesting party of records and information which are reasonably relevant to such Tax Proceeding, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at proceedings relating to such Tax Proceeding. Buyer and Seller shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 7.08(d) ."

(ix) Section 7.09 of the Purchase Agreement (Ancillary Agreements) is hereby amended and restated in its entirety as follows:

"At the Closing, Buyer and Seller shall enter into, execute and deliver the Transition Services Agreement, substantially in the form attached as Exhibit G-1 (the " Transition Services Agreement "), the Master Manufacturing and Supply Agreement, substantially in the form attached as Exhibit H (the

" Master Manufacturing and Supply Agreement "), the Trademark License Agreement (Buyer as Licensee), substantially in the form attached as Exhibit I-1 (the " Trademark License Agreement 1 "), the Trademark License Agreement (Seller as Licensee), substantially in the form attached as Exhibit I-2 (the " Trademark License Agreement 2 "), the Sorting Service Agreement, substantially in the form attached as Exhibit N (the " Sorting Service Agreement "), the Escrow Agreement, substantially in the form attached as Exhibit O (the " Escrow Agreement ") and the Undisclosed Agency Agreement, substantially in the form attached as Exhibit P (the " Undisclosed Agency Agreement "). Trademark License Agreement 1 and Trademark License Agreement 2 are collectively referred to as the " Trademark License Agreements ". Between the date hereof and the Closing, the parties shall negotiate in good faith to agree on the fees for the services to be provided pursuant to the Transition Services Agreement based on the principles set forth in Exhibit G-2 ."

(x) Section 7.11(c)(iv) of the Purchase Agreement (Non-Solicitation of Employees; Non-Competition) is hereby amended and restated in its entirety as follows:

"exercising its rights or performing or complying with its obligations under or as contemplated by this Agreement or any of the Transaction Documents, including the provision of the Distribution Services and the ownership and/or operation of the Deferred Business in accordance with this Agreement or any Ancillary Agreement; or"

(xi) Section 7.12 of the Purchase Agreement (Confidentiality) is hereby amended and restated in its entirety as follows:

"(a) Each party acknowledges that the information being provided to it in connection with the Transaction and the other transactions contemplated hereby is subject to the terms of each of (1) that certain confidentiality agreement between Buyer and Seller, dated as of December 2, 2016 (the " Business Confidentiality Agreement "), and (2) that certain confidentiality agreement between Buyer and Seller, dated as of April 5, 2017 (together with the Business Confidentiality Agreement, the " Confidentiality Agreements "), the terms of which are incorporated herein by reference in their entirety and shall, subject to the following sentence, survive the Closing; provided that actions taken by the parties to the extent necessary in order to comply with their respective obligations under Section 6.05 hereunder shall not be deemed to be in violation of this Section 7.12 or of the Confidentiality Agreements; provided that the foregoing shall not affect Section 6.05(b) to the extent that Section 6.05(b) specifies that it is subject to this Section 7.12 or the Confidentiality Agreements. Effective upon, and only upon, the Closing, the Business Confidentiality Agreement shall terminate with respect to information relating solely to the Business, the Transferred Companies, the

Transferred Assets and the Assumed Liabilities (including, for avoidance of doubt, any Deferred Assets or Deferred Liabilities); provided , further , that Buyer acknowledges that its obligations of confidentiality and non-disclosure with respect to any and all other information provided to it by or on behalf of Seller, the Selling Affiliates, the Transferred Companies or any of their respective Affiliates or Representatives, concerning Seller or any of its Affiliates (other than solely with respect to the Business, the Transferred Companies, the Transferred Assets and the Assumed Liabilities, including, for avoidance of doubt, the Deferred Business, Deferred Assets and Deferred Liabilities) shall continue to remain subject to the terms and conditions of the Business Confidentiality Agreement (but subject to the term therein).

(b) For two (2) years after the Closing, unless Buyer has otherwise consented in writing, Seller agrees to, and shall cause its subsidiaries and shall instruct its Representatives to, retain in confidence, and not use, any and all confidential or proprietary information to the extent relating to the Business and the Transferred Assets (collectively, " Confidential Business Information "), and not disclose such Confidential Business Information to any other Person; provided that Confidential Business Information shall not include any information (i) which is or becomes generally available to the public other than as a result of disclosure in violation of this Section 7.12(b) , (ii) that Seller or any of its Affiliates receives after the Closing from a source that is not, to the knowledge of Seller, under any obligation of confidentiality with respect to such information, or (iii) that is independently developed by or on behalf of Seller or any of its Affiliates without reference to or use of such Confidential Business Information. In addition, the foregoing will not prohibit Seller or its Affiliates from disclosing Confidential Business Information which is required by applicable Law or order of a Governmental Entity or rule or policy of any securities exchange to be disclosed. The parties acknowledge and agree that (x) Seller and its Affiliates currently, and, subject to Section 7.11(c) , may continue following the Closing to, maintain and expand business and commercial relationships (whether as a customer, supplier or otherwise) with the same Persons, and engage in commercial relationships with such Persons and with Buyer and the other Transferred Companies, and, subject to Section 7.11(c) , may employ, or continue to employ, individuals who previously worked in or with the Business and possess knowledge and Know-How used in, relating to, or arising from the Business and (y) nothing in this Section 7.12(b) shall prohibit or restrict the maintenance or expansion of any such relationships or employment of any such individuals. In addition, the foregoing shall not prohibit the use or disclosure of such Confidential Business Information to the extent reasonably necessary to comply with the terms of, or perform under, any of the Transaction Documents or any Transferred Contract or Commingled Contract that has not been assigned or transferred to Buyer or its Affiliates, or to provide the Distribution Services or operate Deferred Business in accordance

with this Agreement or any Ancillary Agreement. Furthermore, the provisions of this Section 7.12(b) will not prohibit any use or disclosure in connection with the preparation and filing of financial statements with a Governmental Entity (including the U.S. Securities and Exchange Commission) or Tax Returns of Seller or its Affiliates or in connection with the enforcement of any right or remedy relating to this Agreement, the other Transaction Documents or the transactions contemplated hereby and thereby."

(xii) Section 7.13(b) of the Purchase Agreement (Replacement of Guarantees) is hereby amended and restated in its entirety as follows:

"Following the Closing (or a Deferred Closing, as applicable), Buyer and Seller will reasonably cooperate with one another so that Buyer will obtain, or cause an Affiliate of Buyer to provide or obtain, replacement Guarantees with respect to each Guarantee issued by Seller or an Affiliate of Seller for the benefit of any Transferred Company or with respect to any Transferred Asset or Assumed Liability that was not replaced on or prior to the Closing Date (or a Deferred Closing Date, as applicable) (each, an " Existing Guarantee "). Buyer and Seller shall reasonably cooperate to obtain any necessary release of Seller and its Affiliates from such Existing Guarantees in form and substance reasonably satisfactory to Buyer and Seller."

Section 1.07 Employees . Article VIII of the Purchase Agreement (Employees) is hereby amended as follows:

(i) Section 8.01(a) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"From and after the date of this Agreement until the Closing Date or the applicable Deferred Closing Date, as applicable, Buyer shall consult with Seller and obtain Seller's consent (which consent shall not be unreasonably withheld, conditioned or delayed) before distributing any communications to any Employee of the Business whether relating to employee benefits, post-Closing or post the applicable Deferred Closing, as applicable, terms of employment or otherwise; provided that this sentence shall not apply to any (i) offer letters or other individual communications regarding post-Closing or post the applicable Deferred Closing, as applicable, employment of Employees of the Business (including proposed terms of employment, compensation and employee benefits, or role and organizational structure) or (ii) individual conversations or communications regarding matters not covered by any of the Transaction Documents."

(ii) Section 8.01(b) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

> "To the extent permitted by applicable Law and as soon as practicable, but in no event later than five (5) business days after the date of this Agreement, Seller shall provide Buyer with a list on Schedule 8.01(b)(i) to the Disclosure Letter containing an identification number (with the corresponding names tying to these identification numbers to be provided concurrently to one person Buyer specifies), date of hire, position, location, and base salary, wage rate and bonus opportunity (and, in no event later than thirty (30) calendar days after the date of this Agreement, for sales employees, sales incentive targets, as well as actual sales incentive paid during the prior fiscal year), employee benefit plan participation, outstanding equity awards (including vesting schedule and exercise price, as applicable), expatriate status and any additional information that is necessary for Buyer to establish payroll systems or employee benefit plans as of the Transfer Time, as applicable, of each individual identified by Seller as expected to be an Employee of the Business, and Seller shall update such information periodically prior to the Closing Date (or the applicable Deferred Closing Date, as applicable, to the extent such employment actions are permitted by this Agreement, including the next succeeding sentence), to reflect new hires, leaves of absence and employment terminations and any other material changes thereto and provide copies of such updated lists and information to Buyer. In addition, Seller shall periodically update Schedule 1.01(b) to the Disclosure Letter (including during the Deferred Period with respect to employees in a Deferred Closing Country) to reflect (i) any new hires and employment terminations permitted pursuant to Section 6.01(b)(iii) , and (ii) any other employee of Seller and its Affiliates proposed by Seller to be an "Employee of the Business"; provided that, in the case of clause (ii), if Buyer objects to any such addition proposed to be made to such schedule by Seller, such addition shall be reviewed and agreed by the Vice President of Human Resources, MITG of Seller and the Senior Vice President, HR Bus Partner Medical of Buyer and if the Vice President of Human Resources, MITG of Seller and the Senior Vice President, HR Bus Partner Medical of Buyer cannot agree, then such addition shall not be included. With respect to those Transferred Companies set forth on Schedule 8.01(b)(ii) to the Disclosure Letter, Buyer and Seller will use commercially reasonable efforts to establish or ensure continuation of (as applicable) for each such Transferred Company payroll, human resources and employee benefit administration Contracts and processes, effective as of or prior to the Closing. On the Closing Date and the applicable Deferred Closing Date, Seller shall provide Buyer with an updated Schedule 8.01(b)(i) to the Disclosure Letter reflecting the applicable information as of such date."

(iii) Section 8.01(c) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

> "Prior to the Closing or the applicable Deferred Closing, as applicable, Seller shall, or shall cause its Affiliates to, take all actions necessary to transfer the employment of any individual who is employed by a Transferred Company and who is not an Employee of Business to Seller or any of its Affiliates (other than the Transferred Companies), as designated by Seller. In the event the employment of an Employee of the Business does not automatically transfer to Buyer or its Affiliates upon the occurrence of the Closing or the applicable Deferred Closing, as applicable, by operation of Law or pursuant to the transfer (directly or indirectly) of the Transferred Equity Interests to Buyer or its Affiliates, (i) Seller shall take, or cause its respective Affiliates to take, all actions required in accordance with applicable Law in respect of the transfer of employment of such Employees of the Business to Buyer or one of its Affiliates, and Seller shall encourage each Employee of the Business to accept any offers of employment pursuant to this Section 8.01(c) in its communications with such individuals; provided that, for the avoidance of doubt, nothing herein shall be interpreted as requiring Seller or any of its subsidiaries to provide any such Employee of the Business with any additional compensation or benefits or otherwise incur any material liability; and (ii) not less than ten (10) business days prior to the Closing or the applicable Deferred Closing, as applicable, Buyer or one of its Affiliates will offer employment, effective at 12:01 a.m., local time, on the Closing Date or the applicable Deferred Closing Date, as applicable (the " Transfer Time "), to such Employee of the Business in accordance with this Agreement. Offers pursuant to this Section 8.01(c) shall (A) be for a position commensurate with the skills and experience of such Employee of the Business and at a geographic work location within fifty (50) miles of the applicable Employee of the Business' primary work location immediately prior to the Closing Date or the applicable Deferred Closing Date, as applicable (or, to the extent applicable in jurisdictions other than the United States, within such lesser radius as is necessary to ensure severance is not due in connection with such relocation), and (B) otherwise comply in all respects with applicable Law (including with respect to compensation and benefits). With respect to any Employee of the Business to whom Buyer or one of its Affiliates is required to make an offer of employment pursuant to this Section 8.01(c) , and who, as of the Closing Date or the applicable Deferred Closing Date, as applicable, is on approved leave of absence from work with Seller or its Affiliates (each, an " Inactive Employee "), Buyer shall offer employment to such individual on the earliest practicable date following the return of such individual to work with Seller and its Affiliates and otherwise on terms and conditions consistent with this Section 8.01 ; provided that such employee returns to work within one hundred eighty (180) days following the Closing Date or the applicable Deferred Closing Date, as applicable, or such later time as required by applicable Law

or the terms of the applicable Collective Bargaining Agreement upon presenting themselves for duty to the Business. Seller shall promptly notify Buyer of the occurrence and end of any such leave of absence. In the case of any Inactive Employee who becomes a Transferred Employee following the Closing Date or the applicable Deferred Closing Date, as applicable, all references in this Agreement to (1) the Closing Date or the applicable Deferred Closing Date, as applicable, shall be deemed to be references to the date on which such individual becomes a Transferred Employee and (2) the Transfer Time shall be deemed to be references to 12:01 a.m., local time, on the date that such individual becomes a Transferred Employee. In any jurisdiction where the employment of an Employee of the Business can transfer automatically to Buyer and its Affiliates upon the occurrence of the Closing or Deferred Closing, as applicable, by operation of Law or pursuant to the transfer (directly or indirectly) of the Transferred Equity Interests to Buyer, Buyer and Seller agree to take, or cause their respective Affiliates to take, all actions required under applicable Law and all other actions as are necessary or appropriate such that the employment of such Employee of the Business will transfer to Buyer or its Affiliates automatically as of the Transfer Time. Seller shall provide a list to Buyer of each Inactive Employee no later than ten (10) business days prior to the Closing or Deferred Closing Date, as applicable, and shall update such list as of the Closing or Deferred Closing Date, as applicable. The Employee of the Business employed in France for whom the transfer of employment contemplated by this Section 8.01(c) is subject to the authorization of the *inspection du travail* shall transfer to Buyer or its Affiliates automatically on the day after such authorization is given. If such authorization is not granted within four (4) months following the Closing Date, such Employee of the Business shall not become a Transferred Employee. Seller shall use commercially reasonable efforts to obtain such authorization following the Closing and shall keep Buyer and its Affiliates informed of the status of such procedure."

(iv) Section 8.01(d) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Buyer or its Affiliates shall bear all the liabilities, obligations and costs relating to, and shall indemnify and hold harmless Seller and the Selling Affiliates from and against, any claims made by any Employee of the Business for any statutory or common law severance or other separation benefits, any contractual or other severance or separation benefits and any other legally mandated payment obligations (including any compensation payable during a mandatory termination notice period and any payments pursuant to a Judgment of a court having jurisdiction over the parties) and for any other claim, cost, liability or obligation (whether related to compensation, benefits or otherwise), in each case, arising out of (i) Buyer's breach of its obligations under this Article VIII , including any failure of Buyer to provide

to U.S. Transferred Employees the benefits described in Section 8.01(e) , (ii) Buyer making an offer to an Employee of the Business that does not meet the requirements of (A) Section 8.01(e) with respect to an Employee of the Business in the United States or (B) Section 8.01(j)(i) with respect to an Employee of the Business outside of the United States (whether or not located in a Specified Non-U.S. Jurisdiction), or (iii) any claims for severance or other separation benefits in connection with the involuntary termination of employment by Buyer or its Affiliates of any Transferred Employee after the Transfer Time. Seller or its Affiliates shall bear all the liabilities, obligations and costs relating to, and shall indemnify and hold harmless Buyer and its Affiliates from and against, any claims made by any Employee of the Business for any statutory or common law severance or other separation benefits, any contractual or other severance or separation benefits and any other legally mandated payment obligations (including any compensation payable during a mandatory termination notice period and any payments pursuant to a Judgment of a court having jurisdiction over the parties) and for any other claim, cost, liability or obligation (whether related to compensation, benefits or otherwise), in each case, not arising out of Buyer's breach of its obligations under this Article VIII or under clause (ii) or (iii) above, including (A) any such claim arising out of the applicable Employee of the Business' refusal to accept an offer of employment made in compliance with this Article VIII from (or to commence employment with), or objection to the automatic transfer of employment to, Buyer or its Affiliates, and (B) any claims made by any Employee of the Business in China or other jurisdictions for any statutory severance or other separation benefits (including statutory economic compensation and statutory compensation payable in respect of accrued but not yet taken vacation days or other paid time off for the calendar year in which the Closing Date or the applicable Deferred Closing Date, as applicable, occurs) that arise as a result of any such employee who accepts an offer of employment from Buyer or any of its Affiliates making a request that such severance or other separation benefits be paid or provided by Seller or any of its subsidiaries. Buyer shall not encourage any Employee of the Business regarding a request described in the immediately preceding sentence, and in the event an Employee of the Business asks Buyer a question regarding such request, Buyer shall refer such Employee of the Business to an applicable representative of Seller with respect to such request."

(v) Section 8.01(i) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Subject to Seller providing all reasonably necessary support and information in a timely manner, no later than the Closing Date or the applicable Deferred Closing Date, as applicable, Buyer shall establish or cause to be established (or utilize existing Buyer Plans), at its own expense, all necessary retirement, pension, employee welfare and employee benefit plans for Transferred

Employees, as applicable. Effective as of the Transfer Time, each Transferred Employee shall cease to be an employee of Seller or the applicable Affiliate and shall cease to participate in any Business Employee Benefit Plan (other than any Assumed Benefit Plan) as an active employee. Other than with respect to a government-sponsored benefit plan, (i) Seller shall be, or shall cause its Affiliates to be, responsible for all (A) medical, vision, dental and prescription drug claims for expenses incurred by any Transferred Employee or his or her dependents, (B) claims for short-term and long-term disability income benefits incurred by any Transferred Employee, (C) claims for group life, travel and accident, and accidental death and dismemberment insurance benefits incurred by any Transferred Employee and (D) claims relating to COBRA coverage attributable to "qualifying events" with respect to any Transferred Employee and his or her beneficiaries and dependents, in each case, prior to or as of the Transfer Time and (ii) Buyer shall be, or shall cause its Affiliates to be, responsible for all (A) medical, vision, dental and prescription drug claims for expenses incurred by any Transferred Employee or his or her dependents, (B) claims for short-term and long-term disability income benefits incurred by any Transferred Employee, (C) claims for group life, travel and accident, and accidental death and dismemberment insurance benefits incurred by any Transferred Employee and (D) claims relating to COBRA coverage attributable to 'qualifying events' with respect to any Transferred Employee and his or her beneficiaries and dependents, in each case, after the Transfer Time. Except in the event of any claim for workers compensation benefits, for purposes of this Agreement, the following claims and liabilities shall be deemed to be incurred as follows: (1) medical, vision, dental and/or prescription drug benefits (including hospital expenses), upon provision of the services, materials or supplies comprising any such benefits and (2) short and long-term disability, life, accidental death and dismemberment and business travel accident insurance benefits, upon the death, illness, injury or accident giving rise to such benefits. Seller and its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred prior to the Transfer Time by any Transferred Employee. Buyer and its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred on or after the Transfer Time by any Transferred Employee. A claim for workers compensation benefits shall be deemed to be incurred on the date the injury giving rise to the claim occurs."

(vi) Section 8.01(m) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"To the extent (i) permitted by applicable Law and (ii) that doing so would not require the consent of any other Person, as soon as reasonably practicable following the Closing or the applicable Deferred Closing Date, as applicable, Seller and its Affiliates shall use their commercially reasonable efforts to

assign to Buyer and its Affiliates any nondisclosure and confidentiality agreements, non-competition agreements or other restrictive covenant agreements applicable to any Transferred Employee to the extent that such agreements relate exclusively to the Business."

(vii) Section 8.01(q) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"No later than forty-five (45) business days following the Closing or the applicable Deferred Closing Date, as applicable, Seller or its applicable Affiliate shall pay (i) an annual bonus (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on the lesser of (A) the amount accrued with respect to such bonus and (B) the target amount to each Transferred Employee who is or would be eligible as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, to receive an annual bonus under any Business Employee Benefit Plan pursuant to the terms thereof); and (ii) sales incentives or commissions (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on actual performance through the Closing Date or the applicable Deferred Closing Date, as applicable) to each Transferred Employee who participated in any Business Employee Benefit Plan that provides for sales incentives or commissions as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and who was eligible to earn sales incentives or commissions for the applicable performance period in which the Closing or the applicable Deferred Closing, as applicable, occurs."

(viii) Section 8.01(r) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Prior to the Closing or the applicable Deferred Closing, as applicable, Seller shall take all actions as are necessary to provide as follows:

(i) Each outstanding option (each, a " Seller Option ") to purchase ordinary shares, par value $0.0001 (" Seller Ordinary Shares "), other than any Integration Incentive Stock Option, that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, shall, effective as of the Closing or the applicable Deferred Closing, as applicable, become fully vested and exercisable and shall remain outstanding for the remainder of the term of such Seller Option.

(ii) Each outstanding Integration Incentive Stock Option held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, shall remain outstanding and shall vest at the end of the performance period applicable to such Integration Incentive Stock Option to the extent the applicable performance criteria are satisfied.

(iii) Each outstanding restricted share unit award in respect of Seller Ordinary Shares (each, a " Seller RSU Award ") that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and vests solely based on continued service shall, as of the Closing or the applicable Deferred Closing, as applicable, become fully vested and shall be settled by Seller in accordance with its terms.

(iv) Each outstanding Seller RSU Award that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and subject to performance-based vesting conditions shall remain outstanding, shall vest at the end of the performance period applicable to such Seller RSU Award to the extent the applicable performance criteria are satisfied and shall be settled by Seller in accordance with its terms.

(v) As of the Closing or the applicable Deferred Closing, as applicable, each Employee of the Business who is eligible to receive a long-term cash retention bonus under Seller's Retention Bonus Plan shall become fully vested in his or her long-term cash retention bonus, which amount shall be paid by Seller or its applicable Affiliate in accordance with such plan.

(vi) No later than forty-five (45) business days following the Closing or the applicable Deferred Closing, as applicable, Seller or its applicable Affiliate shall pay a bonus under Seller's Long-Term Performance Plan (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on actual performance through the Closing Date or the applicable Deferred Closing Date, as applicable, as determined by Seller) to each Transferred Employee who is or would be eligible to receive a bonus under such plan pursuant to the terms thereof."

(ix) Section 8.01 of the Purchase Agreement (Employee Benefits Matters) is hereby amended and supplemented by adding a new Section 8.01(v) , which provides:

"The parties agree to and covenant to perform the matters set forth in Schedule 8.01(v) of the Disclosure Letter."

(x) Section 8.02(a) of the Purchase Agreement (Pension Plan Adjustment) is hereby amended and restated in its entirety as follows:

"Within six (6) months following the Closing Date, Seller and Buyer shall determine the aggregate value of the underfunded pension liabilities as of the Closing Date under the Assumed Benefit Plans set forth on Schedule 8.02(a) to the Disclosure Letter (the absolute value of such underfunded liabilities, the " Aggregate Underfunded Amount "). The Aggregate Underfunded Amount shall be calculated on the same basis that was used to determine the estimate referred to in Section 3.13(b)(iii) and, if applicable, the conversion rate from the applicable Foreign Currency to U.S. dollars shall be the closing rate

provided by Bloomberg at 7:00 a.m. New York City time on the Closing Date."

Section 1.08 Indemnification . Section 10.03 of the Purchase Agreement (Indemnification by Buyer) is hereby amended and restated in its entirety as follows:

"Subject to the provisions of this Article X , from and after the Closing Date, in addition to the indemnification set forth in Section 6.06(a) , Section 7.08(c) and Section 8.01(d) , Buyer shall indemnify and hold harmless Seller against and from any and all Damages which Seller and any of its directors, officers, employees, Affiliates (other than the Transferred Companies), agents and representatives (collectively, the " Seller Indemnitees " and, together with the Buyer Indemnitees, the " Indemnitees ") may incur or suffer to the extent such Damages arise out of or result from (a) the breach of any representation or warranty made by Buyer in this Agreement as if made on the Closing Date, (b) any breach by Buyer or any of its Affiliates of its covenants or agreements contained herein or (c) without limiting the indemnification obligations of Seller pursuant to Section 10.02 , any of the Assumed Liabilities (including any Deferred Liabilities). Notwithstanding that a claim for Damages may fall into multiple categories of this Section 10.03 , a Seller Indemnitee may recover such Damages one time only."

Section 1.09 Miscellaneous . The first sentence of Section 11.04 of the Purchase Agreement (Waivers) is amended by inserting the words "or after" between "prior to" and "the Closing."

Section 1.10 Transferred Assets . Annex 2.02(a) of the Purchase Agreement (Transferred Assets) is hereby amended as follows:

(i) The lead-in to Annex 2.02(a) is hereby amended by inserting at the end of the lead-in section the words "or, solely with respect to the applicable Deferred Business, the applicable Deferred Closing:"

(ii) Annex 2.02(a)(ii) of the Purchase Agreement (Inventory) is hereby amended by inserting to the end of the section the words "or the applicable Deferred Closing, as applicable;"

(iii) Annex 2.02(a)(v) of the Purchase Agreement (Permits) is hereby amended by inserting to the end of the section the words "or the applicable Deferred Closing Date, as applicable;"

(iv) Annex 2.02(a)(xi) of the Purchase Agreement (Contracts) is hereby amended and restated in its entirety as follows:

" Contracts . All leases, licenses (other than Transferred Real Property Leases and Transferred IP Licenses which are identified separately on this Annex

2.02(a)), bids, tenders, purchase orders, consulting agreements, supply agreements, distribution contracts, manufacturing contracts, maintenance contracts, agreements, commitments and other contracts, whether or not reduced to writing (collectively, " Contracts ") exclusively relating to the Business or any of the Transferred Assets, and the Commingled Contracts set forth on Schedule 2.02(a)(xi) of the Disclosure Letter, but specifically excluding the Excluded Contracts (collectively, the " Transferred Contracts ");"

(v) Annex 2.02(a)(xiv) of the Purchase Agreement (Insurance Proceeds) is hereby amended and restated in its entirety as follows:

" Insurance Proceeds . All insurance proceeds actually received by Seller or any of its Affiliates prior to or after the Closing under any insurance policy written prior to the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) in connection with (i) the damage or destruction of any of the Transferred Assets from and after the date hereof and prior to the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) that is, or would have been but for such damage or destruction, included in the Transferred Assets or (ii) any Assumed Liability (other than, in the case of this clause (ii), where insurance proceeds are directly or indirectly funded by Seller or any of its Affiliates through self-insurance or other similar arrangement);"

(vi) Annex 2.02(a)(xv) of the Purchase Agreement (Cash Amount; Cash Proceeds of Sales and Dispositions) is hereby amended and restated in its entirety as follows:

" Cash Amount; Cash Proceeds of Sales and Dispositions . (1) Cash and cash equivalents of the Transferred Companies to the extent included in the Cash Amount and (2) all net cash proceeds actually received by Seller or any of its Affiliates prior to or after the Closing in connection with any sales or other dispositions from and after the date hereof through the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) of any asset that would have been included in the Transferred Assets but for such sale or disposition, other than with respect to sales of Inventory in the ordinary course of business consistent with past practice;"

(vii) Annex 2.02(a)(xvi) of the Purchase Agreement (Claims; Settlement Proceeds) is hereby amended and restated in its entirety as follows:

" Claims; Settlement Proceeds . Any and all claims, causes of action, defenses and rights of offset or counterclaim, or settlement agreements (in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) arising out of the Transferred Contracts (other than any Pre-Closing Accounts Receivable) and all proceeds of any settlement from and after the date hereof through the Closing (or, solely with respect to

Deferred Assets, the applicable Deferred Closing) of any such claims, causes of action, defenses and rights of offset or counterclaim that would have been included in the Transferred Assets but for such settlement;"

Section 1.11 Excluded Assets . Annex 2.02(b) of the Purchase Agreement (Excluded Assets) is hereby amended as follows:

(i) Annex 2.02(b)(i) of the Purchase Agreement (Accounts Receivable/Other Current Assets) is hereby amended and restated in its entirety as follows:

" Accounts Receivable/Other Current Assets . (1) All accounts receivable, notes receivable and similar rights to receive payments of Seller or any of its Affiliates existing on the Closing Date or the applicable Deferred Closing Date, as applicable (" Pre-Closing Accounts Receivable "), (2) all other assets as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, arising out of the operation or conduct of the Business before the Closing or the applicable Deferred Closing, as applicable, that would be classified as current assets under GAAP on a balance sheet of the Business as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, calculated in a manner consistent with the Financial Information;"

(ii) Annex 2.02(b)(ii) of the Purchase Agreement (Cash and Cash Equivalents) is hereby amended and restated in its entirety as follows:

" Cash and Cash Equivalents . All cash and cash equivalents and marketable securities and other investment assets, other than cash and cash equivalents in respect of clauses (xiv), (xv) and (xvi) of Annex 2.02(a) , held by Seller or any of its Affiliates on the Closing Date or the applicable Deferred Closing Date, as applicable;"

(iii) Annex 2.02(b)(iii) of the Purchase Agreement (Hedging or Other Currency Exchange Agreements) is hereby amended and restated in its entirety as follows:

" Hedging or Other Currency Exchange Agreements . All rights to receive payments of Seller or any of its Affiliates pursuant to a hedging or other currency exchange agreement existing before, on or after the Closing Date;"

(iv) Annex 2.02(b)(v) of the Purchase Agreement (Certain Records) is hereby amended and restated in its entirety as follows:

" Certain Records . Any records and files not identified as Transferred Records, including (A) the personnel records maintained by Seller or any of its Affiliates, (B) Tax Returns (other than Tax Returns solely related to any Transferred Company), (C) records (including accounting records) relating to Taxes paid or payable by Seller or any of its Affiliates and all financial and Tax records relating to the Business that form part of Seller's or any of its

Affiliates' general ledger or otherwise constitute accounting records, (D) records prepared in connection with the Transactions, including bids received from other Persons and analyses relating to the Business and (E) file copies of the Transferred Records retained by Seller, in each case whether generated before, on or after the Closing Date;"

(v) Annex 2.02(b)(vi) of the Purchase Agreement (Certain Contracts and Contract Rights) is hereby amended and restated in its entirety as follows:

" Certain Contracts and Contract Rights . All rights of Seller and its Affiliates under (A) this Agreement and the Ancillary Agreements, (B) the Commingled Contracts (subject to Section 2.02(g)), except for those Commingled Contracts set forth on Schedule 2.02(a)(xi) of the Disclosure Letter, (C) those Contracts related to Shared Services, and (D) any contracts between Seller and any of its Affiliates or between Affiliates of Seller, whether arising before, on or after the Closing Date (collectively, the " Excluded Contracts ");"

(vi) Annex 2.02(b)(vii) of the Purchase Agreement (Insurance) is hereby amended and restated in its entirety as follows:

" Insurance . Other than insurance proceeds specified in clause (xiv) of Annex 2.02(a) , all current and prior insurance policies arranged or maintained by Seller or any of its Affiliates and all rights of any nature with respect thereto, including all rights to insurance recoveries thereunder and to assert claims with respect to any such insurance recoveries, whether arising before, on or after the Closing Date;"

Section 1.12 Assumed Liabilities . Annex 2.02(c) of the Purchase Agreement (Assumed Liabilities) is hereby amended as follows:

(i) The lead-in to Annex 2.02(c) is hereby amended by inserting the phrase "(including the Deferred Business and Deferred Assets but without duplication of any amounts included in the NEB Services Reimbursement Amount)" between "any Transferred Asset" and ", in each case other than the Excluded Liabilities".

(ii) Annex 2.02(c)(ii) of the Purchase Agreement (Transferred Contract Liabilities) is hereby amended and restated in its entirety as follows:

" Transferred Contract Liabilities . All liabilities and obligations under the Transferred Contracts, whether arising before, on or after the Closing Date, but excluding those in respect of the Pre-Closing Accounts Payable;"

(iii) Annex 2.02(c)(iv) of the Purchase Agreement (Product Claims) is hereby amended and restated in its entirety as follows:

" Product Claims . Liabilities and obligations to the extent arising from or

relating to lawsuits or other claims, regardless of when commenced or made and irrespective of the legal theory asserted, with respect to the design, manufacture, testing, advertising, marketing, distribution or sale of the Products, whether prior to or after the Closing, including all liabilities and obligations to the extent arising from or relating to (A) warranty obligations, (B) infringement, dilution, misappropriation or other violation of IP Rights, (C) alleged or actual hazard or defect in design, manufacture, materials or workmanship, including any failure to warn or alleged or actual breach of express or implied warranty or representation or (D) the return after the Closing of any Product sold prior to, on or after the Closing (collectively, " Product Claims "), in each case other than any Excluded Liability;"

(iv) Annex 2.02(c)(v) of the Purchase Agreement (Environmental Liabilities) is hereby amended and restated in its entirety as follows:

" Environmental Liabilities . All liabilities and obligations to the extent arising from or relating to the Transferred Real Property, the Business or any Transferred Asset (or, in each case, the ownership or operation thereof) and arising under any Environmental Law, or with respect to any Environmental Claim or Hazardous Materials, in each case, whether arising before, on or after the Closing Date;"

(v) Annex 2.02(c)(vi) of the Purchase Agreement (Business Claims) is hereby amended and restated in its entirety as follows:

" Business Claims. Except as otherwise set forth in this Agreement and except for the matters specifically identified as Excluded Liabilities, all obligations and liabilities in respect of any criminal, civil or administrative suit, action or proceeding, pending or threatened, and claims, whether or not presently asserted, to the extent arising from or relating to the Business before, on or after the Closing Date (collectively, " Business Claims ");"

Section 1.13 Excluded Liabilities . Annex 2.02(d) of the Purchase Agreement (Excluded Liabilities) is hereby amended as follows:

(i) Annex 2.02(d)(iii) of the Purchase Agreement (Excluded Asset Liabilities) is hereby amended and restated in its entirety as follows:

" Excluded Asset Liabilities . Each liability, obligation or commitment to the extent arising from or relating to any Excluded Asset or the distribution to, or ownership by, Seller or any of the Selling Affiliates of any Excluded Asset or associated with the realization of the benefits of any Excluded Asset, whether arising before, on or after the Closing Date;"

Section 1.14 Disclosure Letter . The Disclosure Letter is hereby amended as set forth on Exhibit A hereto.

Section 1.15 Exhibits . The Exhibits of the Purchase Agreement are hereby amended as follows:

(i) Exhibit 1 of the Purchase Agreement (Maximum Cash Amount of Transferred Companies) is hereby amended and restated in its entirety in the form set forth as Annex B attached hereto.

(ii) Exhibit L of the Purchase Agreement (Closing Structure) is hereby amended and restated in its entirety in the form set forth as Annex C attached hereto.

(iii) Exhibit M of the Purchase Agreement (Allocation Method) is hereby amended and restated in its entirety in the form set forth as Annex D attached hereto.

(iv) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit O titled "Form of Escrow Agreement" in the form set forth as Annex E attached hereto.

(v) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit P titled "Form of Undisclosed Agency Agreement" in the form set forth as Annex F attached hereto.

(vi) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit Q titled "Form of Merger Authorization" in the form set forth as Annex G attached hereto.

(vii) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit R titled "Form of U.S. Merger Agreement" in the form set forth as Annex H attached hereto.

(viii) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit S titled "Form of U.S. Certificate of Merger" in the form set forth as Annex I attached hereto.

ARTICLE 2
General Provisions

Section 2.01 Effect of Amendment . This Amendment shall not constitute an amendment or waiver of any provision of the Purchase Agreement not expressly amended or waived herein and shall not be construed as an amendment, waiver or consent to any action that would require an amendment, waiver or consent except as expressly stated herein. The Purchase Agreement, as amended by this Amendment, is and shall continue to be in full force and effect.

Section 2.02 Counterparts . This Amendment may be executed in counterparts and such counterparts may be delivered in electronic format (including by fax or in portable

document format (.pdf)), each of which shall be deemed to be an original and all of which shall be deemed to constitute the same Amendment.

Section 2.03 Other Miscellaneous Terms . The provisions of Article XI (Miscellaneous) of the Purchase Agreement shall apply *mutatis mutandis* to this Amendment, and to the Purchase Agreement, taken together as a single agreement, reflecting the terms as modified hereby.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

CARDINAL HEALTH, INC.

By: /s/ Donald M. Casey, Jr.

Name: Donald M. Casey, Jr.

Title: Chief Executive Officer - Medical Segment

MEDTRONIC PLC

By: /s/ Christopher Cleary

Name: Christopher Cleary

Title: Vice President - Corporate Development

Exhibit 10.2.2

FIRST AMENDMENT TO THE
AMENDED CARDINAL HEALTH, INC. 2011 LONG-TERM INCENTIVE PLAN

1. Effective June 29, 2017, Section 2(ii) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

   "" **Retirement** " means, unless the Administrator determines otherwise, Termination of Employment (other than by death or Disability and other than in the event of Termination for Cause) of an Awardee from the Company and its Affiliates after attaining either (i) age 55 and at least 10 years of continuous service with the Company and its Affiliates or (ii) solely with respect to Awards granted on or after July 1, 2017, age 60 and at least five years of continuous service with the Company and its Affiliates, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company."

2. Effective August 8, 2017, Section 4(b)(x) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

   (x) "to modify or amend each Award, including, but not limited to, providing for the continuation or acceleration of vesting and/or exercisability; provided, however, that any such modification or amendment is subject to (A) the minimum vesting provisions set forth in Sections 8(e), 11(a) and 12(a) of the Plan, and (B) the Plan amendment provisions set forth in Section 17 of the Plan;"

3. Effective August 8, 2017, the first three sentences of Section 8(e) of the Plan are hereby deleted in their entirety and in replacement thereof shall be the following:

   (e) "Options granted under the Plan will vest and/or be exercisable at such time and in such installments during the period prior to the expiration of the Option's term as determined by the Administrator, except that no Option may first become exercisable within one year from its Grant Date, other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Option Agreement, or (iii) for up to a number of Shares subject to Options that, when added to the number of Shares subject to Stock Awards and Other Stock-Based Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan . The Administrator has the right to make the timing of the ability to exercise any Option granted under the Plan subject to continued active employment, the passage of time, and/or such performance requirements as deemed appropriate by the Administrator. At any time after the grant of an Option, the Administrator may reduce or eliminate any restrictions surrounding any Participant's right to exercise all or part of the Option, subject to the restrictions set forth above."

4. Effective August 8, 2017, the following sentence is hereby inserted at the end of Section 11(a) of the Plan:

   "No condition that is based upon performance criteria and level of achievement versus such criteria shall be based on performance over a period of less than one year and no condition that is based solely upon continued employment or the passage of time shall provide for vesting in full of a Stock Award in less than one year from its Grant Date,

other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Stock Award Agreement, or (iii) for up to a number of Shares subject to Stock Awards that, when added to the number of Shares subject to Options and Other Stock-Based Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan ."

5. Effective August 8, 2017, the following sentence is hereby inserted at the end of Section 12(a) of the Plan:

"No condition that is based upon performance criteria and level of achievement versus such criteria shall be based on performance over a period of less than one year and no condition that is based solely upon continued employment or the passage of time shall provide for vesting in full of an Other Stock-Based Award in less than one year from its Grant Date, other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Other Stock-Based Award Agreement, or (iii) for up to a number of Shares subject to Other Stock-Based Awards that, when added to the number of Shares subject to Options and Stock Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan ."

6. Effective June 29, 2017, Section 13(d) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

" (d) *Termination of Employment* . The following provisions shall apply to Cash Awards upon Termination of Employment unless the Administrator determines otherwise.

(i) *Termination of Employment Due to Disability, Retirement or Death* . In the event that a Participant's Termination of Employment occurs by reason of Disability, Retirement or death before the date the Cash Award is paid for the applicable performance period, the Cash Award determined by the Administrator to be paid will be prorated based upon the length of time that the Participant was employed by the Company during the applicable performance period. In the case of a Participant's Disability, Termination of Employment will be deemed to occur as of the date that the Administrator determines was the date on which the definition of Disability was satisfied. The Cash Award will be paid at the same time payments are made to Participants who did not terminate employment during the applicable performance period and will be based on the level of financial, business or operational performance actually achieved, to the extent applicable to such Award. The right of the Participant to receive any payment under this Plan will pass to the Participant's estate in the event of the Participant's death.

(ii) *Certain Involuntary Terminations of Employment (Not Disability or Retirement Eligible)* . In the event that (A) a Participant's Termination

of Employment by the Company (other than as a Termination for Cause) occurs on or after the first day of the last one-fourth of the applicable performance period and before the date the Cash Award is paid for the applicable performance period, or (B) solely with respect to Cash Award opportunities granted on or after July 1, 2017, (1) Sections 13(d)(i) and 13(d)(ii)(A) of the Plan are not applicable, but the Participant has attained either (a) age 53 and at least eight years of continuous service with the Company and its Affiliates or (b) age 59 and at least four years of continuous service with the Company and its Affiliates, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, and (2) a Participant's Termination of Employment by the Company (other than as a Termination for Cause) occurs and no later than 45 days after the Termination of Employment, the Participant enters into a written separation agreement and general release of claims with the Company and its Affiliates (in such form as may reasonably be presented by the Company) (a "Separation Agreement") and the Participant does not timely revoke such Separation Agreement, in each case the Cash Award determined by the Administrator to be paid will be prorated based upon the length of time that the Participant was employed by the Company during the applicable performance period. The Cash Award will be paid at the same time payments are made to Participants who did not terminate employment during or after completion of the applicable performance period and will be based on the level of financial, business or operational performance actually achieved, to the extent applicable to such Award.

(iii) *Other Terminations of Employment* . Except as set forth in Sections 13(d)(i) and (ii) above, in the event that a Participant's Termination of Employment occurs before the date the Cash Award is paid for the applicable performance period, all of the Participant's rights to any Cash Award for that performance period will be forfeited."

7. Effective August 8, 2017, the following sentence is hereby inserted before the last sentence of Section 20 of the Plan:

"Further, the Administrator may, in its discretion, require that all or any portion of any Cash Award paid or payable after June 30, 2018 to a Participant who is or was an "executive officer" (as that term is defined under Rule 3b-7 under the Exchange Act) be repaid or forfeited to the Company upon a determination by the Administrator that the Participant engaged in a material violation of law or of the Company's Standards of Business Conduct during the performance or vesting period of the Cash Award and that this conduct caused material financial harm to the Company."

Exhibit 10.2.3

CARDINAL HEALTH, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [date of grant] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee"), a Nonqualified Stock Option (the "Option") to purchase [# of shares] common shares, without par value, of the Company (the "Shares") for an exercise price of [$X.XX] per share. The Option has been granted under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and will include and be subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and will be subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined will have the meanings ascribed to such terms in the Plan. [CLIFF ALTERNATIVE: This Option vests and becomes exercisable on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: This Option vests and becomes exercisable in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Option scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] This Option will expire on [date of expiration] (the "Grant Expiration Date").

1. Method of Exercise and Payment of Price .

(a) Method of Exercise . At any time when all or a portion of the Option is exercisable under the Plan and this Agreement, some or all of the exercisable portion of the Option may be exercised from time to time by written notice to the Company, or such other method of exercise as may be specified by the Company, including without limitation, exercise by electronic means on the web site of the Company's third-party equity plan administrator, which will:

(i) state the number of whole Shares with respect to which the Option is being exercised; and

(ii) if the Option is being exercised by anyone other than Awardee, if not already provided, be accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise the Option under the Plan and all applicable laws and regulations.

(b) Payment of Price . The full exercise price for the portion of the Option being exercised shall be paid to the Company as provided below:

(i) in cash;

(ii) by check acceptable to the Company or wire transfer (denominated in U.S. Dollars);

(iii) subject to any conditions or limitations established by the Administrator, other Shares owned by Awardee that have a Fair Market Value on the date of surrender equal to or greater than the aggregate exercise price of the Shares as to which said Option is exercised (it being agreed that the excess of the Fair Market Value over the aggregate exercise price will be refunded to Awardee, with any fractional Share being repaid in cash);

(iv) if permitted by the Administrator, consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator;

(v) if permitted by the Administrator, and subject to any conditions or limitations established by the Administrator, the Company's withholding Shares otherwise issuable upon exercise of the Option pursuant to a "net exercise" arrangement; or

(vi) any combination of the foregoing methods of payment.

2. Transferability . The Option is transferable (a) at Awardee's death, by Awardee by will or pursuant to the laws of descent and distribution, and (b) by Awardee during Awardee's lifetime, without payment of consideration, to (i) the spouse, former spouse, parents, stepparents, grandparents, parents-in-law, siblings, siblings-in-law, children, stepchildren, children-in-law, grandchildren, nieces or nephews of Awardee, or any other persons sharing Awardee's household (other than tenants or employees) (collectively, "Family Members") or (ii) a trust, partnership or other entity controlled by Awardee or Awardee's Family Members and in which Awardee or Awardee's Family Members have 100% of the pecuniary interest; provided, however, that subsequent transfers of the transferred Option are prohibited, except (X) if the transferee is an individual, at the transferee's death by the transferee by will or pursuant to the laws of descent and distribution, and (Y) without payment of consideration to the individuals or entities listed in Paragraphs (b)(i) or (ii) above, with respect to the original Awardee. The Administrator may, in its discretion, permit transfers to other persons and entities as permitted by the Plan. Neither a transfer under a domestic relations order in settlement of marital property rights nor a transfer to an entity in which more than 50% of the voting interests are owned by Awardee or Family Members in exchange for an interest in that entity will be considered to be a transfer for consideration. Within 10 days of any transfer, Awardee shall notify the Company in writing of the transfer. Following transfer, the Option continues to be subject to the same terms and conditions as were applicable immediately prior to transfer and, except as otherwise provided in the Plan or this Agreement, references to the original Awardee are deemed to refer to the transferee. The events of a Termination of Employment of Awardee provided in Paragraph 3 continue to be applied with respect to the original Awardee, following which the Option is exercisable by the transferee only to the extent, and for the periods, specified in Paragraph 3. The Company has no obligation to notify any transferee of Awardee's Termination of Employment with the Cardinal Group for any reason. The conduct prohibited of Awardee in Paragraph 5 continues to be prohibited of Awardee following transfer to the same extent as immediately prior to transfer and the Option (or its economic value, as applicable) is subject to forfeiture by the transferee and recoupment from Awardee to the same extent as would have been the case of Awardee had the Option not been transferred. Awardee remains subject to the recoupment provisions of Paragraphs 5 and 15 of this Agreement and tax withholding provisions of Section 31 of the Plan following transfer of the Option.

3. Termination of Employment .

(a) Termination of Employment by Reason of Death or Disability . If a Termination of Employment by reason of death or Disability occurs at least six months after the Grant Date, then any outstanding unvested portion of the Option vests upon and becomes exercisable in full from and after such Termination of Employment. The Option may thereafter be exercised by Awardee, any transferee of Awardee, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from the date of such Termination of Employment until the Grant Expiration Date.

(b) Termination of Employment by Reason of Retirement . If a Termination of Employment by reason of Retirement occurs at least six months after the Grant Date, then a Ratable Portion of each

unvested installment of the outstanding Option immediately vests and becomes exercisable. Such "Ratable Portion," with respect to the applicable installment, is an amount equal to such installment of the Option scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after Retirement, but before the Grant Expiration Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date. [1]

(c) Involuntary Termination of Employment with Severance . If (i) Paragraph 3(b) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group, or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least six months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Cardinal Group) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Option immediately vests and becomes exercisable. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after such Termination of Employment, but before the Grant Expiration Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date.

(d) Change of Control . In the event of a Change of Control prior to the Participant's Termination of Employment, any outstanding unvested portion of the Option vests in full, except to the extent a Replacement Award is provided to the Participant in accordance with Section 16(b) of the Plan.

(e) Other Termination of Employment . Except as set forth in Paragraphs 3(a), (b), (c) and (d), if a Termination of Employment occurs, any unexercised portion of the Option that has not vested on such date of Termination of Employment is automatically forfeited. Unless a longer period is applicable as specified in Section 16(b)(iv) of the Plan or Paragraphs 3(a) through (c), Awardee (or any transferee, if applicable) has 90 days from the date of Termination of Employment or until the Grant Expiration Date, whichever period is shorter, to exercise any portion of the Option that is vested and exercisable on the date of Termination of Employment; provided, however, that if the Termination of Employment was a Termination for Cause, as determined by the Administrator, the Option may be immediately canceled by the Administrator (whether then held by Awardee or any transferee).

4. Restrictions on Exercise . The Option is subject to all restrictions in this Agreement and in the Plan. As a condition of any exercise of the Option, the Company may require Awardee or his or her transferee or successor to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters (including Awardee's compliance with the terms of Paragraph

[1] This provision is an alternative that may not be included in every award agreement.

5 or any employment or severance agreement between the Cardinal Group and Awardee) reasonably requested by the Company. The Option is not exercisable if such exercise would involve a violation of any Applicable Law.

5. Special Forfeiture and Repayment Rules . This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct . During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, " **Misconduct** " means

(A) disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

(B) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

(D) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

(E) directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

(F) any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct . If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time since the earlier of one year prior to the date the Competitor Conduct first occurred and one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, " **Competitor Conduct** " means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General .

(i) Nothing in this Paragraph 5 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 5 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor prior to one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 5, including Awardee's receipt of the Option. Awardee further acknowledges that the Company would not provide the Option to Awardee without Awardee's promise to abide by the terms of this Paragraph 5. The parties also acknowledge that the provisions contained in this Paragraph 5 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 5 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

6. Right of Set-Off . By accepting the Option, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

7. Withholding Tax .

(a) Generally . Awardee is liable and responsible for all taxes owed in connection with the exercise of the Option, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Option. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the exercise of the Option. The Company does not commit and is under no obligation to structure the Option or the exercise of the Option to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes . Concurrently with the payment of the exercise price pursuant to Paragraph 1, Awardee is required to arrange for the satisfaction of the minimum amount of any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation") in a manner acceptable to the Company. Any manner provided for in Paragraph 1(b) is an acceptable manner to satisfy the Tax Withholding Obligation unless otherwise determined by the Administrator.

8. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees . This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Option and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 5 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in

connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

9. Defend Trade Secrets Act Notice . Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

10. Action by the Administrator . The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including without limitation whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

11. Prompt Acceptance of Agreement . The Option grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

12. Electronic Delivery and Consent to Electronic Participation . The Company may, in its sole discretion, decide to deliver any documents related to the Option grant under and participation in the Plan or future options that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of option grants and the execution of option agreements through electronic signature.

13. Notices . All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

14. Employment Agreement, Offer Letter or Other Arrangement . To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to (a) vesting of the Option on Termination of Employment by reason of specified events or (b) exercisability of the Option following Termination of Employment, than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Option on Termination of Employment by reason of such specified events or exercisability of the Option following Termination of Employment supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

15. Recoupment . This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 15 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 15 will not apply after a Change of Control.

16. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment will impair the rights of Awardee with respect to an outstanding Award unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Option to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Option, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

17. Adjustments . The number of Shares issuable subject to the Option and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

18. No Right to Future Awards or Employment . The grant of the Option under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not

constitute a commitment to make any future awards. The grant of the Option and any related payments made to Awardee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right with respect to continuance of employment or other service with the Company or any Affiliate, nor interferes in any way with any right the Company or any Affiliate would otherwise have to terminate Awardee's employment or other service at any time.

19. Successors and Assigns . Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Option granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 5 and "Recoupment" set forth in Paragraph 15; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Option may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[

Awardee's Signature

Date]

Exhibit 10.2.4

CARDINAL HEALTH, INC.
RESTRICTED SHARE UNITS AGREEMENT

This Restricted Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [# of shares] Stock Units (the "Restricted Share Units" or "Award"), representing an unfunded unsecured promise of the Company to deliver common shares, without par value, of the Company (the "Shares") to Awardee as set forth in this Agreement. The Restricted Share Units have been granted pursuant to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to such terms in the Plan.

1. Vesting of Restricted Share Units .

(a) General . [CLIFF ALTERNATIVE: The Restricted Share Units vest on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: The Restricted Share Units vest in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Restricted Share Units scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").]

(b) Change of Control . In the event of a Change of Control prior to a Termination of Employment, the Restricted Share Units (to the extent not previously vested or forfeited) vest in full, except to the extent that a Replacement Award is provided to Awardee in accordance with Section 16(b) of the Plan. Any Replacement Award must vest in full upon (i) a Termination for Good Reason by Awardee, (ii) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (iii) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control. In addition, if a Replacement Award is provided, any Restricted Share Units that would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if Awardee's Termination of Employment occurred on the date of the Change of Control will for purposes of this Agreement vest at the time of the Change of Control.

2. Transferability . The Restricted Share Units are not transferable.

3. Termination of Employment .

(a) General . Except as set forth in Paragraphs 1(b) and 3(b), (c) and (d), if a Termination of Employment occurs, then any unvested Restricted Share Units are forfeited by Awardee immediately after such Termination of Employment.

(b) Death or Disability . If a Termination of Employment by reason of Awardee's death or Disability occurs at least 6 months after the Grant Date, then any outstanding unvested Restricted Share Units immediately vest in full and are not forfeited.

(c) Retirement . If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then a Ratable Portion of each unvested installment of the

outstanding Restricted Share Units immediately vests and is not forfeited. Such "Ratable Portion," with respect to the applicable installment, is an amount equal to such installment of the Restricted Share Units scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date. [1]

(d) Involuntary Termination with Severance . If (i) Paragraph 3(c) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Restricted Share Units immediately vests and is not forfeited.

4. Special Forfeiture and Repayment Rules . This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct . During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, " **Misconduct** " means

(A) disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization

[1] This provision is an alternative that may not be included in every award agreement.

from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

(B) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

(D) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

(E) directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

(F) any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct . If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time since the

earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, " **Competitor Conduct** " means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General .

(i) Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Restricted Share Units. Awardee further acknowledges that the Company would not provide the Restricted Share Units to Awardee without Awardee's promise to abide by the terms of this Paragraph 4. The parties also acknowledge that the provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Payment .

(1) General . Subject to the provisions of Paragraph 4 and Paragraphs 5(b), (c), (d) and (e), Awardee is entitled to receive from the Company (without any payment by or on behalf of Awardee other than as described in Paragraph 9) the Shares represented by the vested Restricted Share Units on the Vesting Date.

(a) Death . To the extent that Restricted Share Units are vested on the date of Awardee's Termination of Employment due to death, Awardee is entitled to receive the corresponding Shares from the Company on the date of death.

(b) Disability, Retirement and Other Separations from Service. To the extent that Restricted Share Units are vested as the result of Disability, Retirement or otherwise on the date of Awardee's "separation from service" (determined in accordance with Section 409A of the Code), Awardee is entitled to receive the corresponding Shares from the Company on the date that is 60 days after Awardee's "separation from service"; provided, however, that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), to the extent necessary to avoid the imposition of tax under Section 409A of the Code, Awardee is entitled to receive the corresponding Shares from the Company on the first day of the seventh month after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

(c) Change of Control. To the extent that Restricted Share Units are vested on the date of a Change of Control, Awardee is entitled to receive the corresponding Shares from the Company on the date of the Change of Control; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 5(a), (b) or (c).

(d) Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the date of payment provided in this Agreement may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code.

6. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Restricted Share Units, but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Restricted Share Units if it had been outstanding between the Grant Date and the payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt as permitted under Paragraph 5(e), the Company shall pay dividend equivalent payments in cash as soon as reasonably practicable after the payment date of the Restricted Share Units to which such dividend equivalents relate.

7. Right of Set-Off. By accepting the Restricted Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

8. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Restricted Share Units, including no right to vote the Shares represented by the Restricted Share Units, until such Shares vest and are paid to Awardee.

9. Withholding Tax.

(a) Generally. Awardee is liable and responsible for all taxes owed in connection with the Restricted Share Units (including taxes owed with respect to the cash payments described in Paragraph 6), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Restricted Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the

grant, vesting or payment of the Restricted Share Units or the subsequent sale of Shares issuable pursuant to the Restricted Share Units. The Company does not commit and is under no obligation to structure the Restricted Share Units to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes . Prior to any event in connection with the Restricted Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required, and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 6 the amount of any taxes which the Company is required to withhold with respect to such payments.

10. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees . This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Restricted Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

11. Defend Trade Secrets Act Notice . Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

12. Action by the Administrator . The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with

regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

13. Prompt Acceptance of Agreement . The Restricted Share Unit grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

14. Electronic Delivery and Consent to Electronic Participation . The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Share Unit grant under and participation in the Plan or future Restricted Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of restricted share unit grants and the execution of restricted share unit agreements through electronic signature.

15. Notices . All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

16. Employment Agreement, Offer Letter or Other Arrangement . To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

17. Recoupment . This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 17 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 17 will not apply after a Change of Control.

18. Amendment . Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Restricted Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Restricted Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Restricted Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

19. Adjustments . The number of Shares issuable for each Restricted Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

20. Compliance with Section 409A of the Code . To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

21. No Right to Future Awards or Employment . The grant of the Restricted Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Restricted Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

22. Successors and Assigns . Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Restricted Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 17; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Restricted Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[_____

Awardee's Signature

_____

Date]

Exhibit 10.2.5

CARDINAL HEALTH, INC.
PERFORMANCE SHARE UNITS AGREEMENT

This Performance Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [target # of units] performance-based Stock Units (the "Performance Share Units" or "Award"). The Performance Share Units have been granted pursuant to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to them in the Plan.

1. Vesting of Performance Share Units. Subject to the provisions of this Agreement, zero to [maximum percentage] of the Performance Share Units vest when the Administrator certifies the payout level ("Payout Level") as a result of achievement of: (a) specific performance criteria (the "Performance Goals") for a performance period ("Performance Period") set forth in Exhibit A attached hereto; and (b) Qualifying Performance Criteria set by the Administrator for a Performance Period, if the Award is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code.

2. Transferability. The Performance Share Units are not transferable.

3. Termination of Employment.

(a) General. Except to the extent that vesting occurs pursuant to Paragraphs 3(b), (c), (d) or (e) or Paragraph 5, if a Termination of Employment occurs prior to the applicable payment date in Paragraph 6(a) (the "Payment Date") associated with a Performance Period, any Performance Share Units allocated to that Performance Period, whether vested or unvested, are forfeited by Awardee.

(b) Death or Disability. If a Termination of Employment by reason of Awardee's death or Disability occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will vest as if Awardee had remained employed through the Payment Date.

(c) Retirement. If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the Payment Date multiplied by a fraction, the numerator of which is the number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period. [1]

(d) Involuntary Termination with Severance. If (i) neither Paragraph 3(c) nor Paragraph 3(e) is applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Company and its Affiliates (collectively, the "Cardinal Group"), or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after

[1] This provision is an alternative that may not be included in every award agreement.

the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into awritten separation agreement and general release with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then the outstanding unvested Performance Share Units for a Performance Period will vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the Payment Date multiplied by a fraction, the numerator of which is the number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period.

(e) Involuntary Termination After Completion of a Performance Period . If a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs after the completion of a Performance Period but prior to the Payment Date, then the Performance Share Units for the applicable Performance Period will vest as if Awardee had remained employed through the Payment Date.

4. Special Forfeiture and Repayment Rules . This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct . During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to: (A) the gross gain to Awardee resulting from the payment of the Performance Share Units pursuant to Paragraph 6 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the Payment Date.

As used in this Agreement, " **Misconduct** " means

(A) disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

(B) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

(D) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

(E) directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

(F) any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct . If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay the Company an amount equal to: (A) the gross gain to Awardee resulting from the payment of Performance Share Units pursuant to Paragraph 6 that had vested at any time since the earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the Payment Date.

As used in this Agreement, " **Competitor Conduct** " means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of

Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct is limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General .

(i) Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Performance Share Units. Awardee further acknowledges that the Company would not provide the Performance Share Units to Awardee without Awardee's promise to abide by the terms of this Paragraph 4. The parties also acknowledge that the provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Change of Control .

(a) Valuation . In the event of a Change of Control prior to a Payment Date, the Administrator, as constituted immediately before such Change of Control, shall determine and certify the Payout Level (the "Change of Control Payout Level") based on (i) actual performance through the most recent date prior to the Change of Control for which achievement of the Performance Goals can reasonably be determined; and (ii) the expected performance for the remainder of the Performance Period based on information reasonably available.

(b) Vesting and Substitute Awards .

(i) In the event of a Change of Control prior to a Payment Date, the percentage of the Performance Share Units determined in accordance with Exhibit A at the Change of Control Payout Level vests unless an award meeting the requirements of Paragraph 5(b)(ii) (a "Substitute Award") is provided to Awardee to replace or adjust the Award. If a Substitute Award is provided, any Performance Share Units that (A) except to the extent that clause (B) applies, would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if

Awardee's Termination of Employment occurred on the date of the Change of Control or (B) are eligible to vest in accordance with Paragraph 3(d) as a result of Awardee's Termination of Employment that actually occurs prior to the Change of Control, vest at the time of the Change of Control. No Substitute Award will be provided in the event of Awardee's Termination of Employment by reason of death, Disability, Retirement or the circumstances described in Paragraph 3(d) prior to a Change of Control.

(ii) An award meets the conditions of this Paragraph 5(b)(ii) (and hence qualifies as a Substitute Award) if, as determined by the Administrator as constituted immediately before the Change of Control, (A) it has a value at the time of grant or adjustment at least equal to the value of the Performance Share Units that would vest under Paragraph 5(b)(i) if there were no Substitute Award; (B) it is paid in publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control; (C) it is a restricted stock unit award with vesting and payment not conditioned on the achievement of any performance criteria or conditions; (D) it vests in full upon (1) a Termination for Good Reason by Awardee, (2) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (3) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control; (E) if Awardee is subject to U.S. federal income tax under the Code, the tax consequences to Awardee under the Code of the Substitute Award are not less favorable to Awardee than the tax consequences of the Award; and (F) its other terms and conditions are not less favorable to Awardee than the terms and conditions of the Award (including the provisions that would apply in the event of a subsequent Change of Control). Without limiting the generality of the foregoing, the Substitute Award may take the form of a continuation of the Award if the modifications required by the preceding sentence are satisfied.

6. Payment .

(a) General . The Company shall pay Performance Share Units in Shares. Subject to the provisions of Paragraph 4 and Paragraphs 6(b) and (c), Awardee is entitled to receive from the Company (without any payment on behalf of Awardee other than as described in Paragraph 10) one Share for each vested Performance Share Unit not later than the 60th day after the end of a Performance Period, except that if Awardee's Termination of Employment occurs due to death after the end of the Performance Period, Awardee is entitled to receive the corresponding Shares from the Company on the date of death.

(b) Change of Control . Notwithstanding Paragraph 6(a), to the extent that the performance and service vesting requirements have been satisfied for the Performance Share Units on the dates set forth below, payment with respect to the Performance Share Units will be made as follows:

(i) On the date of a Change of Control, Awardee is entitled to receive one Share for each vested Performance Share Unit, subject to any adjustments made pursuant to Section 16(a) of the Plan, from the Company; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 6(a), 6(b)(ii) or 6(b)(iii).

(ii) If Awardee's separation from service occurs during the period of two years following a Change of Control (and such Change of Control constitutes a change of control event as defined in accordance with Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder), Awardee is entitled to receive one Share for each vested Performance Share Unit from the Company on the date of Awardee's separation from service; provided, in such event that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), Awardee is entitled to receive the corresponding Shares from the Company on the first day of the seventh month after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

(iii) On the date of Awardee's Termination of Employment due to death following a Change of Control, Awardee is entitled to receive one Share for each vested Performance Share Unit from the Company on the date of death.

(c) Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the Payment Date may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code.

7. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Performance Share Units, but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Performance Share Units if it had been outstanding between the Grant Date and the payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt as permitted under Paragraph 6(c), the Company shall pay dividend equivalent payments in cash as soon as reasonably practicable after the payment date of (and to the same extent as) the Performance Share Units to which such dividend equivalents relate.

8. Right of Set-Off. By accepting the Performance Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

9. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Performance Share Units, including no right to vote any Shares represented by the Performance Share Units, until such Shares are paid to Awardee.

10. Withholding Tax.

(a) Generally. Awardee is liable and responsible for all taxes owed in connection with the Performance Share Units (including taxes owed with respect to the cash payments described in Paragraph 7), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Performance Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the grant, vesting or payment of the Performance Share Units or the subsequent sale of Shares issuable pursuant to vested Performance Share Units. The Company does not commit and is under no obligation to structure the Performance Share Units to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes . Prior to any event in connection with the Performance Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required, and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 7 the amount of any taxes which the Company is required to withhold with respect to such payments.

11. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees . This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Performance Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

12. Defend Trade Secrets Act Notice . Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

13. Action by the Administrator . The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to

this Agreement, including whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

14. Prompt Acceptance of Agreement . The Performance Share Units grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

15. Electronic Delivery and Consent to Electronic Participation . The Company may, in its sole discretion, decide to deliver any documents related to the Performance Share Unit grant under and participation in the Plan or future Performance Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of performance share unit grants and the execution of performance share unit agreements through electronic signature.

16. Notices . All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

17. Employment Agreement, Offer Letter or Other Arrangement . To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

18. Recoupment . This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of

financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 18 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 18 will not apply after a Change of Control.

19. Amendment . Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Performance Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Performance Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Performance Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

20. Adjustments . The number of Shares issuable for each Performance Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

21. Compliance with Section 409A of the Code . To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

22. No Right to Future Awards or Employment . The grant of the Performance Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Performance Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

23. Successors and Assigns . Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Performance Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in this Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 18; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Performance Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[

Awardee's Signature

Date]

Exhibit A

CARDINAL HEALTH, INC.

Statement of Performance Goals

A-1

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	2013	2014	2015	2016	**2017**
Earnings from continuing operations before income taxes	$ 888	$ 1,798	$ 1,967	$ 2,276	**$ 1,924**
Plus fixed charges:					
Interest expense	119	129	137	178	**187**
Capitalized interest	2	1	2	6	**9**
Amortization of debt offering costs	4	4	8	6	**6**
Interest portion of rent expense	8	10	10	12	**14**
Fixed charges (1)	133	144	156	201	**217**
Plus: amortization of capitalized interest	3	3	2	3	**4**
Less: capitalized interest	(2)	(1)	(2)	(6)	**(9)**
Earnings (1)	$ 1,023	$ 1,944	$ 2,124	$ 2,473	**$ 2,135**
Ratio of earnings to fixed charges (1) (2)	8	14	14	12	**10**

(1) The sum of the components may not equal the total due to rounding.

(2) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings from continuing operations before income taxes plus fixed charges and capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense that is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

Exhibit 21.1

Subsidiaries of the Registrant

Listed below are majority-owned subsidiaries of Cardinal Health, Inc. as of June 30, 2017 . Subsidiaries excluded from the list below would not, considered in the aggregate as a single subsidiary, constitute a "significant subsidiary" of Cardinal Health, Inc. as that term is defined in Rule 1-02(w) of SEC Regulation S-X.

Subsidiary Name	State/Jurisdiction of Incorporation
Access Closure, Inc.	California
Allegiance Corporation	Delaware
AssuraMed, Inc.	Delaware
Cardinal Health 2, LLC	Nevada
Cardinal Health 3, LLC	Delaware
Cardinal Health 5, LLC	Delaware
Cardinal Health 6, Inc.	Nevada
Cardinal Health 7, LLC	Delaware
Cardinal Health 100, Inc.	Indiana
Cardinal Health 104 LP	Ohio
Cardinal Health 105, Inc.	Ohio
Cardinal Health 107, LLC	Ohio
Cardinal Health 108, LLC	Delaware
Cardinal Health 110, LLC	Delaware
Cardinal Health 112, LLC	Delaware
Cardinal Health 114, Inc.	Delaware
Cardinal Health 115, LLC	Ohio
Cardinal Health 116, LLC	Delaware
Cardinal Health 118, LLC	Delaware
Cardinal Health 119, LLC	Delaware
Cardinal Health 121, LLC	Delaware
Cardinal Health 122, LLC	Delaware
Cardinal Health 123, LLC	Delaware
Cardinal Health 124, LLC	Delaware
Cardinal Health 126, LLC	Delaware
Cardinal Health 127, Inc.	Kansas
Cardinal Health 200, LLC	Delaware
Cardinal Health 201, Inc.	Delaware
Cardinal Health 222 (Thailand) Ltd.	Thailand
Cardinal Health 247, Inc.	Colorado
Cardinal Health 249, LLC	Delaware
Cardinal Health 414, LLC	Delaware
Cardinal Health Australia 503 Pty. Ltd.	Australia
Cardinal Health Austria 504 GmbH	Austria
Cardinal Health Belgium 505 BVBA	Belgium
Cardinal Health Canada Inc.	Canada
Cardinal Health Colombia S.A.S.	Colombia
Cardinal Health D.R. 203 II Ltd.	Bermuda
Cardinal Health Denmark ApS	Denmark
Cardinal Health Finland Oy	Finland
Cardinal Health Foundation	Ohio
Cardinal Health France 506 SAS	France
Cardinal Health Funding, LLC	Nevada

Subsidiary Name	State/Jurisdiction of Incorporation
Cardinal Health Germany 507 GmbH	Germany
Cardinal Health (H.K.) Co. Ltd.	Hong Kong
Cardinal Health International Philippines, Inc.	Philippines
Cardinal Health IPS, LLC	Delaware
Cardinal Health Ireland 419 Designated Activity Company	Ireland
Cardinal Health Ireland 508 Limited	Ireland
Cardinal Health Italy 509 Srl	Italy
Cardinal Health Japan G.K.	Japan
Cardinal Health Korea Limited	Korea
Cardinal Health (L) Co., Ltd.	Malaysia
Cardinal Health Luxembourg 522 S.a.r.l.	Luxembourg
Cardinal Health Malaysia 211 Sdn. Bhd.	Malaysia
Cardinal Health Malta 212 Limited	Malta
Cardinal Health Managed Care Services, LLC	Delaware
Cardinal Health Medical Products India Private Limited	India
Cardinal Health Mexico 244 S. de R.L. de C.V.	Mexico
Cardinal Health Mexico 514 S. de R.L. de C.V.	Mexico
Cardinal Health Netherlands 502 B.V.	Netherlands
Cardinal Health Norway AS	Norway
Cardinal Health Pharmaceutical Contracting, LLC	Delaware
Cardinal Health Pharmacy Services, LLC	Delaware
Cardinal Health Poland Spółlka z ograniczonąa odpowiedzialnośsciąa	Poland
Cardinal Health Portugal 513 Unipessoal Lda.	Portugal
Cardinal Health P.R. 120, Inc.	Puerto Rico
Cardinal Health P.R. 218, Inc.	Puerto Rico
Cardinal Health P.R. 220, LLC	Puerto Rico
Cardinal Health Singapore 225 Pte. Ltd.	Singapore
Cardinal Health Spain 511 S.L.	Spain
Cardinal Health Specialty Pharmacy, LLC	Delaware
Cardinal Health Sweden 512 A.B.	Sweden
Cardinal Health Switzerland 515 GmbH	Switzerland
Cardinal Health Systems, Inc.	Ohio
Cardinal Health Technologies, LLC	Nevada
Cardinal Health Technologies Switzerland GmbH	Switzerland
Cardinal Health U.K. 432 Limited	United Kingdom
Cirpro de Delicias S.A. de C.V.	Mexico
Convertors de Mexico S.A. de C.V.	Mexico
Cordis Cashel Company Unlimited	Ireland
Cordis Corporation	Florida
Cordis (Shanghai) Medical Devices Co., Ltd.	China
Cornerstone Partners G.P.O., L.P.	Tennessee
Curaspan Health Group, Inc.	Delaware

Subsidiary Name	State/Jurisdiction of Incorporation
Dutch American Manufacturers II (D.A.M. II) B.V.	Netherlands
EPIC Insurance Company	Vermont
Griffin Capital, LLC	Nevada
Innovative Therapies, Inc.	Delaware
Instant Diagnostic Systems, Inc.	Alabama
Leader Drugstores, Inc.	Delaware
Marin Apothecaries	California
Medicine Shoppe International, Inc.	Delaware
NaviHealth, Inc.	Delaware
One Cloverleaf, LLC	Delaware
Pinnacle Intellectual Property Services, Inc.	Nevada
Pinnacle Intellectual Property Services-International, Inc.	Nevada
Post-Acute Care Center for Research, LLC	Delaware
Quiroproductos de Cuauhtemoc S. de R.L. de C.V.	Mexico
R Cubed, Inc.	Tennessee
RainTree GPO, LLC	Delaware
RGH Enterprises, Inc.	Ohio
RightCare Solutions, Inc.	Delaware
Rxealtime, Inc.	Nevada
Sonexus Health, LLC	Texas
The Harvard Drug Group, L.L.C.	Michigan
Tradex International, Inc.	Ohio
WaveMark, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-3 No. 333-215935 of Cardinal Health, Inc.,

(2) Registration Statements on Form S-4 No. 333-62938 and No. 333-74761 of Cardinal Health, Inc., and

(3) Registration Statements on Form S-8 No. 33-42357, No. 33-64337, No. 333-72727, No. 333-90423, No. 333-91849, No. 333-38192, No. 333-38198, No. 333-56010, No. 333-129725, No. 333-149107, No. 333-155156, No. 333-163128, No. 333-164736, No. 333-177728, No. 333-183471, No. 333-206339, No. 333-206340, and No. 333-214412 of Cardinal Health, Inc.;

of our reports dated August 10, 2017 , with respect to the consolidated financial statements and schedule of Cardinal Health, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Cardinal Health, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Cardinal Health, Inc. and subsidiaries for the year ended June 30, 2017 .

/s/ Ernst & Young LLP

Columbus, Ohio
August 10, 2017

Exhibit 31.1

I, George S. Barrett, certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ G EORGE S. B ARRETT

George S. Barrett

Chairman and Chief Executive Officer

Exhibit 31.2

I, Michael C. Kaufmann, certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Michael C. Kaufmann, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K for the fiscal year ended June 30, 2017 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2017

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 99.1

Statement Regarding Forward-Looking Information

As used in this exhibit, "we," "our," "us" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the "2017 Form 10-K"), our quarterly reports on Form 10-Q and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution services agreements with branded pharmaceutical manufacturers, changes in the amount of service fees we receive or, in cases where part of our compensation under these agreements is based on branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- risks arising from possible violations of healthcare fraud and abuse laws;
- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls and related product liability claims and lawsuits, including class action lawsuits;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, non-renewal or early termination of contracts, or delinquencies or defaults by key customers;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- adverse changes in U.S. or foreign tax laws, including proposals relating to new taxes or import tariffs, unfavorable challenges to our tax positions and payments to settle these challenges, or failure to permanently repeal the U.S. medical device tax;
- uncertainties due to government healthcare reform, including possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;

- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- the risks of counterfeit products in the supply chain;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- manufacturing disruptions, whether due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks to our business and information and controls systems in the event that the Pharmaceutical segment's multi-year systems replacement project or other business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of sensitive information;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, product liability claims or lawsuits, patent infringement claims, *qui tam* actions or other legal proceedings;
- possible losses relating to product liability claims regarding products for which we cannot obtain product liability insurance or for which such insurance is not adequate to cover our losses;
- our ability to maintain adequate intellectual property protections;
- risks and uncertainties relating to the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses from Medtronic plc (the "Patient Recovery Business"), including the following: we may fail to realize the synergies and other benefits we expect from the acquisition; we may fail to retain key personnel of the acquired businesses; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems; we may face challenges retaining the customers of the acquired businesses; we may encounter unforeseen internal control, regulatory or compliance issues; and we may face other additional risks relating to regulatory matters, legal proceedings, tax laws or positions, supply interruptions, commodity price volatility and global operations, including the effects of local economic environments and currency volatility;
- risks relating to the use of a significant amount of cash, including borrowings under our existing credit arrangements, to fund the acquisition of the Patient Recovery Business, which is expected to result in increased short-term borrowings in the course of our operations during fiscal 2018;
- risks and uncertainties relating to the acquisition of Cordis, including the ability to achieve the expected synergies and positive impact to operating results and the additional risks the Cordis acquisition subjects us to relating to regulatory matters, legal proceedings, tax laws or positions and global operations, including the effects of local economic environments and currency volatility;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the “Risk Factors” section of the 2017 Form 10-K.

The words "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions generally identify "forward-looking statements," which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

Ohio	**31-0958666**
(State or other jurisdiction of incorporation or organization)	***(IRS Employer Identification No.)***
7000 Cardinal Place, Dublin, Ohio	**43017**
(Address of principal executive offices)	***(Zip Code)***

(614) 757-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Name of each exchange on which registered*
Common shares (without par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. ☑
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑
The aggregate market value of voting stock held by non-affiliates or registrant on December 31, 2017 , was the following: $19,248,647,885 .
The number of the registrant's common shares, without par value, outstanding as of July 31, 2018 , was the following: 308,828,810 .

Documents Incorporated by Reference:

Portions of the registrant's Definitive Proxy Statement to be filed for its 2018 Annual Meeting of Shareholders are incorporated by reference into the sections of this Form 10-K addressing the requirements of Part III of Form 10-K.

Cardinal Health

Fiscal 2018 Form 10-K

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Introduction

References to Cardinal Health and Fiscal Years

As used in this report, "we," "our," "us," "Cardinal Health" and similar pronouns refer to Cardinal Health, Inc. and its majority-owned subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2019 , 2018 , 2017 , 2016 , 2015 and 2014 and to the fiscal years ended June 30, 2019 , 2018 , 2017 , 2016 , 2015 and 2014 , respectively. Except as otherwise specified, information in this report is provided as of June 30, 2018 .

Non-GAAP Financial Measures

In this report, including in the "Fiscal 2018 Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we use financial measures that are derived from consolidated financial data but are not presented in our financial statements that are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Explanation and Reconciliation of Non-GAAP Financial Measures" section following MD&A in this report.

Important Information Regarding Forward-Looking Statements

This report (including information incorporated by reference) includes forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in MD&A, but there are others throughout this report, which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these risks and uncertainties are described in "Risk Factors" in this report and in Exhibit 99.1 to the Form 10-K included in this report. Forward-looking statements in this report speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.cardinalhealth.com), under the "Investors — Financial Reporting — SEC Filings" caption, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website (www.sec.gov) where you can search for annual, quarterly and current reports, proxy and information statements, and other information regarding us and other public companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

About Cardinal Health

Cardinal Health, Inc. is an Ohio corporation formed in 1979 and is a global, integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. We manage our business and report our financial results in two segments: Pharmaceutical and Medical.

Pharmaceutical Segment

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical, and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers to support the development, marketing, and distribution of specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals, as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Medical Segment

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at Home division.

Consolidated Results

Fiscal 2018 Overview

Revenue
Revenue for fiscal 2018 was $136.8 billion , a 5 percent increase from the prior year, due primarily to sales growth from pharmaceutical distribution and specialty pharmaceutical customers. The Patient Recovery Business acquisition also contributed to the increase in revenue in fiscal 2018.

GAAP and Non-GAAP Operating Earnings

(in millions)	2018	2017	Change
GAAP	**$ 126**	$ 2,120	**(94)%**
Restructuring and employee severance	**176**	56	
Amortization and other acquisition-related costs	**707**	527	
Impairments and (gain)/loss on disposal of assets	**1,417**	18	
Litigation (recoveries)/charges, net	**159**	48	
Non-GAAP	**$ 2,585**	$ 2,769	**(7)%**

The sum of the components may not equal the total due to rounding.

During fiscal 2018 , GAAP operating earnings decreased 94 percent to $126 million and non-GAAP operating earnings decreased 7 percent to $2.6 billion .

The decrease in GAAP operating earnings was primarily due to a non-cash goodwill impairment charge related to our Medical segment; increased amortization of acquisition-related intangible assets as a result of the Patient Recovery Business acquisition; contract termination restructuring costs to transition the distribution of our Medical segment's surgeon gloves in certain international markets from a third-party distribution arrangement to a direct distribution model; performance from Cardinal Health Brand products, primarily Cordis; performance from our Pharmaceutical segment generics program; litigation charges associated with inferior vena cava (IVC) filter product liability claims; and the adverse impact of pharmaceutical customer contract renewals. These factors were partially offset by contributions from the Patient Recovery Business acquisition.

The decrease in non-GAAP operating earnings was primarily due to performance from Cardinal Health Brand products, primarily Cordis; performance from our Pharmaceutical segment generics program; and the adverse impact of pharmaceutical customer contract renewals. These factors were partially offset by contributions from the Patient Recovery Business acquisition.

GAAP and Non-GAAP Diluted EPS

($ per share)	2018	2017	Change
GAAP	**$ 0.81**	$ 4.03	**(80)%**
Restructuring and employee severance	**0.48**	0.11	
Amortization and other acquisition-related costs	**1.69**	1.13	
Impairments and (gain)/loss on disposal of assets	**4.64**	0.04	
Litigation (recoveries)/charges, net	**0.35**	0.09	
Transitional tax benefit, net	**(2.97)**	$ —	
Non-GAAP	**$ 5.00**	$ 5.40	**(7)%**

The sum of the components may not equal the total due to rounding.

During fiscal 2018 , GAAP diluted earnings per share attributable to Cardinal Health, Inc. ("diluted EPS") decreased 80 percent to $0.81 and non-GAAP diluted EPS decreased 7 percent to $5.00 .

Fiscal 2018 GAAP diluted EPS decreased primarily due to the factors impacting GAAP operating earnings and increased interest expense. These were partially offset by the net benefit from the U.S. Tax Cuts and Jobs Act ("Tax Act"), which includes a provisional transitional tax benefit of $936 million as well as the benefit from applying a lower federal tax rate to our U.S. pre-tax earnings.

Fiscal 2018 non-GAAP diluted EPS decreased primarily due to the factors impacting non-GAAP operating earnings and an increase in interest expense, partially offset by the benefit of applying a lower U.S. federal statutory tax rate under the Tax Act to U.S. pre-tax non-GAAP earnings.

Cash and Equivalents

Our cash and equivalents balance was $1.8 billion at June 30, 2018 compared to $6.9 billion at June 30, 2017 . The decrease in cash and equivalents during fiscal 2018 was due to $6.1 billion paid for acquisitions, $954 million paid for debt repayments, $581 million paid in dividends, $550 million paid for share repurchases and $384 million paid for capital expenditures. These cash decreases were offset in part by $2.8 billion of net cash provided by operating activities and $861 million of cash proceeds from the sale of our China distribution business.

Significant Developments in Fiscal 2018 and Trends

Acquisitions and Divestitures

Patient Recovery Business Acquisition
On July 29, 2017, we acquired the Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses (the "Patient Recovery Business") from Medtronic plc for $6.1 billion in cash. The acquisition further expanded the Medical segment's portfolio of Cardinal Health Brand products.

China Distribution Business Divestiture
During fiscal 2018 we completed the divestiture of our pharmaceutical and medical products distribution business in China (the "China distribution business") to Shanghai Pharmaceuticals Holding Co., Ltd. for proceeds of $861 million (after adjusting for third party indebtedness and preliminary transaction adjustments). The proceeds are not reflective of tax obligations due in connection with the sale, for which we have recorded a liability of $59 million . We recognized a pre-tax loss of $41 million related to this divestiture.

naviHealth Divestiture
In June 2018, we signed a securities purchase agreement and a contribution and rollover agreement with investor entities controlled by Clayton, Dubilier & Rice ("CD&R") to sell our ownership interest in naviHealth for proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns naviHealth. We also have certain call rights to reacquire naviHealth. We do not expect a cash tax impact from this transaction because the capital gain will be offset by capital loss carry-forwards . The transaction closed on August 1, 2018. We expect to record a pre-tax gain of more than $500 million in the first quarter of fiscal 2019.

Trends

Within our Pharmaceutical segment, we expect fiscal 2019 segment profit to be less than our fiscal 2018 segment profit due to the adverse impact of customer contract renewals, generics program performance, and the previously announced loss of a large pharmaceutical distribution customer. Our generics program performance includes the negative impact of generic pharmaceutical customer pricing changes partially offset by the benefits of Red Oak Sourcing. As is generally the case, the frequency, timing, magnitude and profit impact of pharmaceutical customer pricing changes and branded and generic pharmaceutical manufacturer pricing changes remain uncertain and their impact on Pharmaceutical segment profit and consolidated operating earnings in fiscal 2019 could be more or less than we expect.

The acquisition of the Patient Recovery Business increased Medical segment revenue and profit during fiscal 2018. We expect the acquisition to increase Medical segment profit further during fiscal 2019 due to the one additional month of results and the fiscal 2018 negative impact of the inventory fair value step up. We also expect the acquisition will increase amortization and acquisition-related costs in fiscal 2019 due to the size and complexity of the acquisition.

The performance of our Cordis business within our Medical segment declined significantly due to inventory challenges and increased operating costs in fiscal 2018. We expect Cordis performance to stabilize in fiscal 2019.

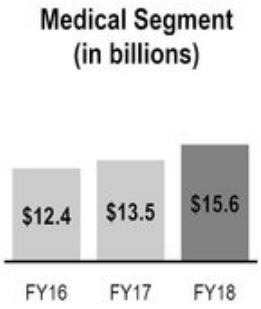
In early fiscal 2019, we implemented certain enterprise-wide cost-saving measures, which we expect to reduce our future operating expenses.

Tax Cuts and Jobs Act
The Tax Act was enacted in December 2017. The Tax Act, among other things, reduced the U.S. federal corporate tax rate from 35 percent to 21 percent and required companies to pay a one-time tax to repatriate, for U.S. purposes, earnings of certain foreign subsidiaries that were previously deferred for tax purposes. The rate change was effective at the beginning of calendar year 2018 and the application of the lower federal tax rate to our U.S. pre-tax earnings resulted in a significant favorable impact to our tax provision in fiscal 2018. Additionally, we recognized a $936 million provisional net transitional tax benefit during fiscal 2018, consisting of the remeasurement of our U.S. deferred tax assets and liabilities at the lower tax rate partially offset by the expense for the repatriation tax. We expect the lower federal statutory rate to be more beneficial in fiscal 2019 than in 2018; however, beginning in fiscal 2019, the Tax Act limits certain deductions and creates new taxes on certain foreign sourced earnings, which will offset some of the additional benefit.

We are still completing our accounting for the tax effects of the Tax Act because all of the necessary information is not currently available, prepared, or analyzed. As such, the amounts we have recorded are provisional estimates and, as permitted by the SEC, we will continue to assess the impact of enactment of the Tax Act and we may record additional provisional amounts or adjustments to provisional amounts during the first half of fiscal 2019.

Results of Operations

Revenue



	Revenue			Change	
(in millions)	**2018**	2017	2016	**2018**	2017
Pharmaceutical	**$ 121,241**	$116,463	$109,131	**4%**	7%
Medical	**15,581**	13,524	12,430	**15%**	9%
Total segment revenue	**136,822**	129,987	121,561	**5%**	7%
Corporate	**(13)**	(11)	(15)	**N.M.**	N.M.
Total revenue	**$ 136,809**	$129,976	$121,546	**5%**	7%

Fiscal 2018 Compared to Fiscal 2017

Pharmaceutical Segment
Fiscal 2018 Pharmaceutical segment revenue grew primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which together increased revenue by $9.4 billion. The increases were partially offset by the previously announced May 2017 expiration of a large pharmaceutical distribution mail order customer contract and the February 2018 divestiture of our China distribution business.

Medical Segment
Fiscal 2018 Medical segment revenue grew mainly due to $1.9 billion of contributions from acquisitions, which primarily consists of the Patient Recovery Business acquisition.

Fiscal 2017 Compared to Fiscal 2016

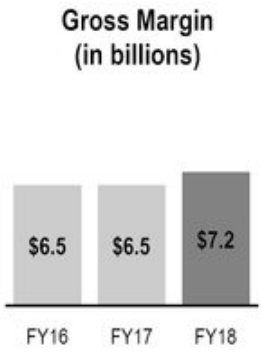
Pharmaceutical Segment
Fiscal 2017 Pharmaceutical segment revenue grew primarily due to sales growth from the addition of OptumRx and from other pharmaceutical distribution customers, including branded pharmaceutical price appreciation, all of which increased revenue by $7.0 billion.

Medical Segment
Fiscal 2017 Medical segment revenue grew primarily due to sales growth from new and existing customers and $212 million in contributions from acquisitions.

Cost of Products Sold

Cost of products sold f or fiscal 2018 and 2017 increased $6.2 billion (5 percent) and $8.4 billion (7 percent) compared to the prior-year periods, respectively, as a result of the same factors affecting the changes in revenue and gross margin.

Gross Margin



	Consolidated Gross Margin			Change	
(in millions)	**2018**	2017	2016	**2018**	2017
Gross margin	**$ 7,181**	$ 6,544	$ 6,543	**10%**	—%

Fiscal 2018 Compared to Fiscal 2017

Fiscal 2018 consolidated gross margin increased $637 million (10 percent) and was favorably impacted by acquisitions ($809 million), which primarily consists of the Patient Recovery Business acquisition.

Gross margin rate grew during fiscal 2018 , mainly due to acquisitions, which primarily consists of the Patient Recovery Business acquisition. Gross margin rate growth was partially offset by the negative impact of changes in pharmaceutical distribution product mix and performance in our Cordis business due to inventory challenges and increased manufacturing costs.

Fiscal 2017 Compared to Fiscal 2016

Fiscal 2017 consolidated gross margin was essentially flat versus the prior-year period.

Consolidated gross margin for fiscal 2017 was positively impacted by sales growth from pharmaceutical distribution customers ($260 million) and acquisitions in both segments ($132 million) and was negatively impacted by the previously disclosed loss of a large pharmaceutical distribution customer.

Gross margin rate contracted during fiscal 2017 , primarily due to generic pharmaceutical customer pricing changes, partially offset by the benefits from Red Oak Sourcing within our Pharmaceutical segment generics program.

Distribution, Selling, General and Administrative ("SG&A") Expenses

	SG&A Expenses			Change	
(in millions)	**2018**	2017	2016	**2018**	2017
SG&A expenses	**$ 4,596**	$ 3,775	$ 3,648	**22%**	3%

Fiscal 2018 Compared to Fiscal 2017

Fiscal 2018 SG&A expenses increased mainly due to acquisitions ($524 million), which primarily consists of the Patient Recovery Business acquisition, and enterprise-wide compensation related items.

Fiscal 2017 Compared to Fiscal 2016

Fiscal 2017 SG&A expenses increased primarily due to acquisitions ($112 million) and costs related to a multi-year project to replace certain Pharmaceutical segment finance and operating information systems, partially offset by reduced enterprise-wide incentive compensation.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 16 of the "Notes to Consolidated Financial Statements" for additional information on segment profit.

	Segment Profit and Operating Earnings			Change	
(in millions)	**2018**	2017	2016	**2018**	2017
Pharmaceutical	**$ 1,992**	$ 2,187	$ 2,488	**(9)%**	(12)%
Medical	**662**	572	457	**16 %**	25 %
Total segment profit	**2,654**	2,759	2,945	**(4)%**	(6)%
Corporate	**(2,528)**	(639)	(486)	**296 %**	31 %
Total consolidated operating earnings	**$ 126**	$ 2,120	$ 2,459	**(94)%**	(14)%

Fiscal 2018 Compared to Fiscal 2017

Pharmaceutical Segment Profit
Fiscal 2018 Pharmaceutical segment profit decreased largely due to our generics program performance and the adverse impact of customer contract renewals. Our generics program performance includes the negative impact of generic pharmaceutical customer pricing changes partially offset by the benefits of Red Oak Sourcing. Performance from our specialty pharmaceutical products distribution and services business positively impacted Pharmaceutical segment profit.

Medical Segment Profit
Fiscal 2018 Medical segment profit increased largely due to acquisitions, inclusive of the unfavorable cost of products sold impact from the fair value step up of inventory acquired with the Patient Recovery Business acquisition. The increase was partially offset by performance from the Cordis business, and to a lesser extent, performance from other Cardinal Health Brand products. The performance from the Cordis business primarily reflects inventory challenges and increased operating costs.

Corporate
The changes in Corporate during fiscal 2018 are due to the factors discussed in the Other Components of Consolidated Operating Earnings section that follows.

Fiscal 2017 Compared to Fiscal 2016

Pharmaceutical Segment Profit
Fiscal 2017 Pharmaceutical segment profit decreased largely due to our generic program performance. The previously disclosed loss of a large pharmaceutical distribution customer, the adverse impact of customer contract renewals and reduced levels of branded pharmaceutical price appreciation also contributed to the decrease in Pharmaceutical segment profit.

Medical Segment Profit
Fiscal 2017 Medical segment profit increased due to strong performance from naviHealth, contributions from Cardinal Health branded products, reduced enterprise-wide incentive compensation, and contributions from distribution services. Cardinal Health branded products growth includes the prior year unfavorable impact on cost of products sold from the Cordis inventory fair value step up.

Corporate
The changes in Corporate during fiscal 2017 are due to the factors discussed in the Other Components of Consolidated Operating Earnings section that follows.

Other Components of Consolidated Operating Earnings

In addition to revenue, gross margin, and SG&A expenses discussed previously, consolidated operating earnings were impacted by the following:

(in millions)	2018	2017	2016
Restructuring and employee severance	**$ 176**	$ 56	$ 25
Amortization and other acquisition-related costs	**707**	527	459
Impairments and (gain)/loss on disposal of assets, net	**1,417**	18	21
Litigation (recoveries)/charges, net	**159**	48	(69)

Restructuring and Employee Severance
The increase in restructuring and employee severance during fiscal 2018 was primarily due to $125 million in contract termination costs to transition the distribution of our Medical segment's surgeon gloves in certain international markets from a third-party distribution arrangement to a direct distribution model.

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $574 million, $395 million and $355 million for fiscal 2018 , 2017 and 2016 , respectively. The increase in amortization of acquisition-related intangible assets during fiscal 2018 was largely due to the Patient Recovery Business acquisition.

Transaction and integration costs associated with the acquisition of the Patient Recovery Business were $109 million and $54 million during fiscal 2018 and 2017, respectively.

Impairments and (gain)/loss on disposal of assets, net
During the fourth quarter of fiscal 2018, we recognized a $1.4 billion non-cash goodwill impairment charge related to our Medical segment, as discussed further in Note 5 of the "Notes to Consolidated Financial Statements." There was no tax benefit related to this goodwill impairment charge.

Litigation (Recoveries)/Charges, Net
The increases in litigation charges during fiscal 2018 and 2017 were due to an increase in estimated losses and legal defense costs associated with inferior vena cava (IVC) filter product liability claims.

During fiscal 2016 , we received and recognized income of $80 million from settlements of class action antitrust lawsuits in which we were a class member.

Earnings/(loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes was impacted by the following:

	Earnings/(loss) Before Income Taxes			Change	
(in millions)	2018	2017	2016	2018	2017
Other (income)/expense, net	**$ 23**	$ (5)	$ 5	**N.M.**	N.M.
Interest expense, net	**329**	201	178	**64%**	13%
Loss on extinguishment of debt	**2**	—	—	**N.M.**	N.M.

Interest Expense, Net
Fiscal 2018 interest expense increased primarily due to new debt issued in June 2017 to fund a portion of the purchase price of the Patient Recovery Business acquisition.

Provision for Income Taxes

Generally, fluctuations in the effective tax rate are due to changes in the distribution of income among taxing jurisdictions with differing income tax rates and other reconciling items.

The fluctuations in the effective tax rate from fiscal 2017 to fiscal 2018 are primarily due to net benefits from the enactment of the Tax Act, the impact of nondeductible goodwill impairment charges, an increase in valuation allowances and a benefit from a capital loss due to international legal entity reorganization. The significant increase in valuation allowances were related to capital losses, credit carryforwards and net operating loss carryforwards in U.S. federal, U.S. state and international jurisdictions that will not likely be realized. A reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations is as follows (see Note 8 of the "Notes to Consolidated Financial Statements" for additional information):

	2018 (1)	2017 (2)	2016 (2)
Provision at Federal statutory rate	**28.1 %**	35.0 %	35.0 %
State and local income taxes, net of federal benefit	**(16.0)**	1.0	1.5
Foreign tax rate differential	**(48.4)**	(7.3)	(0.6)
Nondeductible/nontaxable items	**(10.2)**	0.2	1.0
Goodwill impairment	**(124.7)**	—	—
Tax Act	**410.9**	—	—
Capital loss	**71.4**	—	—
Change in valuation allowances	**(76.9)**	7.7	0.1
Foreign tax credits	**27.3**	(1.6)	(0.1)
China tax	**(25.8)**	—	—
Other	**(21.9)**	(2.3)	0.2
Effective income tax rate	**213.8 %**	32.7 %	37.1 %

(1) The effective income tax rate for fiscal 2018 represents an income tax benefit tax rate.

(2) The effective income tax rates for fiscal 2017 and 2016 represents income tax expense tax rates.

Fiscal 2018

The fiscal 2018 effective income tax rate was impacted by various items including benefits from the enactment of the Tax Act, the impact of nondeductible goodwill impairment charges, changes in valuation allowances and a benefit from a capital loss due to an international legal entity reorganization.

The net benefit from the Tax Act for fiscal 2018 includes a provisional net tax benefit of $977 million related to the remeasurement of our deferred tax assets and liabilities to the new federal statutory rate, the benefit from the impact of applying a lower federal tax rate to our year-to-date U.S. pre-tax earnings and a provisional tax expense of $41 million for the one-time repatriation tax applied to our undistributed foreign earnings.

Our effective tax rate for fiscal 2018 also includes $59 million of tax expense recognized in connection with the sale of our China distribution business.

Ongoing Audits

The IRS is currently conducting audits of fiscal years 2008 through 2014.

Fiscal 2017 and Fiscal 2016

The fiscal 2017 effective income tax rate was favorably impacted by the realignment of foreign subsidiaries in anticipation of closing the acquisition of the Patient Recovery Business and also from deductions related to U.S. production activities. The state and local income tax rate decreased primarily due to resolutions with state taxing authorities.

The fiscal 2016 effective income tax rate was favorably impacted by the state and local income tax rate, which decreased due to resolutions with state taxing authorities and a shift in the distribution of income among jurisdictions. The foreign tax rate differential decreased primarily due to the deferred tax benefits recognized in fiscal 2015.

Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, dividends, and share repurchases. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

Cash and Equivalents

Our cash and equivalents balance was $1.8 billion at June 30, 2018 compared to $6.9 billion at June 30, 2017 . The decrease in cash and equivalents during fiscal 2018 was due to $6.1 billion deployed for acquisitions during the year, $954 million used for debt repayments, $581 million paid in dividends, $550 million paid for share repurchases and $384 million paid for capital expenditures, offset in part by $2.8 billion net cash provided by operating activities and $861 million of proceeds from the divestiture of the China distribution business. N et cash provided by operating activities increased by $1.6 billion from fiscal 2017 primarily due to working capital changes in part as a result of timing of customer and vendor payments related to the new Pharmaceutical segment finance and operating information systems. At June 30, 2018 , our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

In August 2018, we completed the sale of our interest in naviHealth to CD&R and received proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns naviHealth.

The increase in cash and equivalents during fiscal 2017 of $4.5 billion was due to proceeds from a $5.2 billion debt issuance and $1.2 billion provided by operating activities, partially offset by $600 million paid for share repurchases, $577 million paid in dividends, $387 million paid in capital expenditures and $310 million in debt repayments. The $1.8 billion decrease in net cash provided by operating activities in fiscal 2017 was primarily due to an increase in working capital as a result of changes in timing of customer and vendor payments, some of which related to implementation of the new Pharmaceutical segment finance and operating information systems.

The decrease in cash and equivalents during fiscal 2016 of $2.2 billion was due to $3.6 billion deployed for acquisitions, $651 million paid for share repurchases, $512 million paid in dividends and $465 million paid in capital expenditures, partially offset by net cash provided by operating activities of $3.0 billion , which was positively impacted by increased net earnings and working capital improvements.

The cash and equivalents balance at June 30, 2018 included $557 million of cash held by subsidiaries outside of the United States. Though our foreign earnings as of December 31, 2017 have been deemed to be repatriated from a U.S. federal tax perspective, we have not yet completed our assessment of the Tax Act on our plans to reinvest foreign earnings and as such have not changed our prior conclusion that the earnings are indefinitely reinvested. As such, no non-U.S. taxes related to repatriation were recorded at June 30, 2018 . If we decide to repatriate these earnings in the future, we may be subject to certain non-U.S. taxes at that time. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information on the Tax Act.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases and payments to vendors in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at June 30, 2018 include a $2.0 billion commercial paper program, backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility program. At June 30, 2018 , we had no amounts outstanding under our revolving credit facility or our committed receivables sales facility program. Under our commercial paper and committed receivables programs, we had maximum amounts outstanding of $1.7 billion and an average daily amount outstanding of $277 million during fiscal 2018. Our revolving credit facility and committed receivables sales facility programs require us to maintain, as of the end of any calendar quarter, a consolidated leverage ratio of no more than 4.25-to-1 , which will reduce to 3.25-to-1 in March 2019. As of June 30, 2018 , we were in compliance with this financial covenant.

Long-Term Obligations

In June 2018, we repaid our $550 million 1.95% Notes due 2018 in full at maturity. At June 30, 2018 , we had total long-term obligations of $8.0 billion . In fiscal 2018 we sold our China distribution business, including its debt which was $378 million as of June 30, 2017. See Note 4 of the "Notes to Consolidated Financial Statements" for further discussion of this divestiture.

In June 2017, we sold $1 billion aggregate principal amount of 1.948% notes due 2019, $1.15 billion aggregate principal amount of 2.616% notes due 2022, $350 million aggregate principal amount of floating rate notes due 2022, $750 million aggregate principal amount of 3.079% notes due 2024, $1.35 billion aggregate principal amount of 3.410% notes due 2027 and $600 million aggregate principal amount of 4.368% notes due 2047. In addition to funding a portion of the purchase price of the acquisition of the Patient Recovery Business described below, in July 2017 we used a portion of the debt proceeds to redeem our $400 million 1.7% notes due 2018.

Funding for Acquisition of Medtronic's Patient Recovery Business

On July 29, 2017 , we acquired the Patient Recovery Business from Medtronic for $6.1 billion in cash. We funded the acquisition through $4.5 billion in new long-term debt issued in June 2017, the use of existing cash and borrowings under existing credit arrangements.

Risk Management

We use interest rate swaps, foreign currency contracts and commodity contracts to manage our exposure to cash flow variability. We also use interest rate swaps to protect the value of our debt and use foreign currency forward contracts to protect the value of our existing and forecasted foreign currency assets and liabilities. See the "Quantitative and Qualitative Disclosures About Market Risk" section as well as Note 1 and Note 12 of the "Notes to Consolidated Financial Statements" for information regarding the use of financial instruments and derivatives as well as foreign currency, interest rate and commodity exposures.

Capital Deployment

Capital Expenditures

Capital expenditures during fiscal 2018 , 2017 and 2016 were $384 million , $387 million and $465 million , respectively.

We expect capital expenditures in fiscal 2019 to be between $360 million and $390 million primarily for information technology projects, growth projects in our core business and for integration of the acquisition of the Patient Recovery Business.

Dividends

During fiscal 2018 , we paid quarterly dividends totaling $1.85 per share, an increase of 3 percent from fiscal 2017 .

On May 9, 2018, our Board of Directors approved a quarterly dividend of $0.4763 per share, or $1.91 per share on an annualized basis, which was paid on July 15, 2018 to shareholders of record on July 2, 2018.

On August 8, 2018, our Board of Directors approved a quarterly dividend of $0.4763 per share, or $1.91 per share on an annualized basis, which will be paid on October 15, 2018 to shareholders of record on October 1, 2018.

Share Repurchases

During fiscal 2018 , we repurchased $550 million of our common shares. We funded the repurchases with available cash and short-term borrowing. At June 30, 2018 , we had $893 million r emaining under our existing $1.0 billion share repurchase program.

On August 16, 2018 we entered into an accelerated share repurchase program ("ASR") to purchase shares of our common stock for an aggregate purchase price of $ 600 million and received an initial delivery of 9.5 million shares of common stock using a reference price of $ 50.45 . The program is expected to conclude in the second quarter of fiscal 2019.

During fiscal 2017, we repurchased $600 million of our common shares. We funded the repurchases with available cash.

Acquisition of Medtronic's Patient Recovery Business

Described above under "Funding for Acquisition of Medtronic's Patient Recovery Business."

Contractual Obligations

At June 30, 2018 , our contractual obligations, including estimated payments due by period, are as follows:

(in millions)	2019	2020 to 2021	2022 to 2023	There-after	Total
Long-term debt and short-term borrowings (1)	$ 999	$ 964	$ 2,259	$ 4,783	**$ 9,005**
Interest on long-term debt	303	531	420	2,068	**3,322**
Capital lease obligations (2)	2	4	2	—	**8**
Operating leases (3)	113	174	99	103	**489**
Purchase obligations and other payments (4)	534	501	382	196	**1,613**
Total contractual obligations (5)	**$ 1,951**	**$ 2,174**	**$ 3,162**	**$ 7,150**	**$ 14,437**

(1) Represents maturities of our long-term debt obligations and other short-term borrowings excluding capital lease obligations described below. See Note 7 of the "Notes to Consolidated Financial Statements" for further information.

(2) Represents maturities of our capital lease obligations included within long-term obligations in our consolidated balance sheets.

(3) Represents minimum rental payments for operating leases having initial or remaining non-cancelable lease terms as described in Note 9 of the "Notes to Consolidated Financial Statements."

(4) A purchase obligation is defined as an agreement to purchase goods or services that is legally enforceable and specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally canceled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period. Purchase obligations and other payments also includes quarterly payments of $45.6 million that we are required to pay CVS Health Corporation ("CVS") in connection with Red Oak Sourcing and will be in place for the remaining six years of the agreement. See Note 9 of the "Notes to Consolidated Financial Statements" for additional information.

(5) Long-term liabilities, such as unrecognized tax benefits, deferred taxes and other tax liabilities, have been excluded from the above table due to the inherent uncertainty of the underlying tax positions or because of the inability to reasonably estimate the timing of any cash outflows. See Note 8 of the "Notes to Consolidated Financial Statements" for further discussion of income taxes.

Off-Balance Sheet Arrangements

We had no significant "off-balance sheet arrangements" at June 30, 2018 , as that term is defined in the SEC rules.

Recent Financial Accounting Standards

See Note 1 of the "Notes to Consolidated Financial Statements" for a discussion of recent financial accounting standards.

Critical Accounting Policies and Sensitive Accounting Estimates

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ. In this section, we describe the significant policies applied in preparing our consolidated financial statements that management believes are the most dependent on estimates and assumptions. For further discussion of accounting policies for items within this section and of additional accounting policies, see Note 1 of the "Notes to Consolidated Financial Statements."

Allowance for Doubtful Accounts

The allowance for doubtful accounts includes general and specific reserves. We determine our allowance for doubtful accounts by reviewing accounts receivable aging, industry trends, customer financial strength and credit standing, historical write-off trends and payment history. We regularly evaluate how changes in economic conditions may affect credit risks. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Receivables and Allowance for Doubtful Accounts.

A hypothetical 0.1 percent increase or decrease in the reserve as a percentage of trade receivables at June 30, 2018 , would result in an increase or decrease in bad debt expense of $8 million . We believe the reserve maintained and expenses recorded in fiscal 2018 are appropriate.

At this time, we are not aware of any analytical findings or customer issues that are likely to lead to a significant future increase in the allowance for doubtful accounts as a percentage of revenue. The following table presents information regarding the allowance for doubtful accounts over the past three fiscal years:

(in millions, except percentages)	2018	2017	2016
Allowance for doubtful accounts at beginning of period	$ **137**	$ 135	$ 135
Charged to costs and expenses	**114**	60	74
Reduction to allowance for customer deductions and write-offs	**(111)**	(58)	(74)
Allowance for doubtful accounts at end of period	$ **139**	$ 137	$ 135
Allowance as a percentage of customer receivables	**1.8%**	1.7%	1.8%
Allowance as a percentage of revenue	**0.10%**	0.11%	0.11%

The sum of the components may not equal the total due to rounding.

Inventories

A substantial portion of our inventories (56 percent at both June 30, 2018 and 2017) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These are primarily merchandise inventories at the core pharmaceutical distribution facilities within our Pharmaceutical segment ("distribution facilities"). The LIFO impact on the consolidated statements of earnings depends on pharmaceutical manufacturer price appreciation or deflation and our fiscal year-end inventory levels, which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end. Historically, prices for branded pharmaceuticals have generally tended to rise, resulting in an increase in cost of products sold, whereas prices for generic pharmaceuticals generally tend to decline, resulting in a decrease in cost of products sold. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Inventories.

Using LIFO, if there is a decrease in inventory levels that have experienced pharmaceutical price appreciation, the result generally will be a decrease in future cost of products sold as our older inventory is held at a lower cost. Conversely, if there is a decrease in inventory levels that have experienced a pharmaceutical price decline, the result generally will be an increase in future cost of products sold as our older inventory is held at a higher cost.

We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation. If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2018 or 2017 because inventories valued at LIFO were $92 million and $46 million higher than the average cost value at June 30, 2018 and 2017 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record a LIFO reserve in fiscal 2018 and 2017 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or market. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $147 million and $76 million at June 30, 2018 and 2017 , respectively. The increase in the reserves for excess and obsolete inventory during fiscal 2018 was driven by increased inventory reserves within our Medical segment Cordis business and the Patient Recovery acquisition.

We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies. If actual conditions are less favorable than our assumptions, additional inventory reserves may be required.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. For further discussion of the Business Combinations accounting policy, see Note 1 of the "Notes to Consolidated Financial Statements."

Critical estimates and assumptions include: expected future cash flows for customer relationships, trademarks, trade names, patents, developed technology, in-process research and development ("IPR&D") and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. See Note 2 of the "Notes to Consolidated Financial Statements" for additional information regarding our acquisitions.

Goodwill and Other Indefinite-Lived Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value does not exceed the carrying amount, then a quantitative test is performed. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (which are components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear Pharmacy Services division); Nuclear Pharmacy Services division; Medical operating segment (excluding our Cardinal Health at Home division and naviHealth division) ("Medical Unit"); Cardinal Health at Home division; and naviHealth division.

Goodwill impairment testing involves judgment, including the identification of repo rting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Our determination of estimated fair value of our reporting units is based on a combination of the income-based and market-based approaches (using discount rates ranging from 8.5 percent to 13.5 percent) . We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment. If a reporting unit fails to achieve expected earnings or otherwise fails to meet current financial plans, or if there were changes to any other key assumptions used in the tests, the reporting unit could incur a goodwill impairment in a future period.

We performed annual impairment testing in fiscal 2018, 2017 and 2016 and, with the exception of our Medical Unit in fiscal 2018, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. As discussed further in Note 5 of the "Notes to Consolidated Financial Statements," during the fourth quarter of fiscal 2018 we recognized a $1.4 billion goodwill impairment charge related to our Medical Unit, which is included in impairments and loss on disposal of assets in our consolidated statements of earnings. The impairment was primarily driven by inventory and cost challenges within our Cordis business which furthered in the fourth quarter of fiscal 2018. There was no tax benefit related to the goodwill impairment charge. If the fair value of the Medical Unit were to decline below its carrying value in subsequent periods, additional impairment would be recognized in those periods. For any of our other reporting units, there would not have been an impairment for fiscal 2018 if we raised the discount rate by 1 percent.

The impairment test for indefinite-lived intangibles other than goodwill (primarily IPR&D) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

See Note 1 of "Notes to Consolidated Financial Statements" for additional information regarding goodwill and other intangible assets.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputed transactions are researched and resolved based upon findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. For further discussion on the Vendor Reserves, see Note 1 of "Notes to Consolidated Financial Statements."

Vendor reserves were $45 million and $50 million at June 30, 2018 and 2017 , respectively. Approximately 69 percent of the vendor reserve at the end of fiscal 2018 pertained to the Pharmaceutical segment compared to 77 percent at the end of fiscal 2017 . The reserve balance will fluctuate due to variations in outstanding claims from period-to-period, timing of resolutions and specific vendor issues.

The ultimate outcome of specific claims may be different than our original estimate and may require adjustment. We believe, however, that reserves recorded for such disputes are reasonable based upon current facts and circumstances.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or outcomes can occur, assessing contingencies is highly subjective and requires judgments about future events.

We also self-insure for employee healthcare, certain product liability matters, auto liability, property and workers' compensation and maintain insurance for individual losses exceeding certain limits when available.

Self-insurance accruals include an estimate for expected settlements on pending claims, defense costs, administrative fees, claims adjustment costs and an estimate for claims incurred but not reported. For certain types of exposures, we develop the estimate of expected ultimate costs to settle each claim based on specific information related to each claim if available. Other estimates are based on an assessment of outstanding claims, historical analysis and current payment trends. For claims incurred but not reported, the liabilities are calculated and derived in accordance with generally accepted actuarial practices or using an estimated lag period.

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. Examples of such contingencies include the New York Opioid Stewardship Act, various lawsuits related to the distribution of prescription opioid pain medications and the Cordis IVC filter lawsuits. The amount of loss may differ from these estimates. See Note 9 of the "Notes to Consolidated Financial Statements" for additional information regarding loss contingencies and product liability lawsuits.

Provision for Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. Our income tax expense, deferred income tax assets and liabilities, and unrecognized tax benefits reflect management's assessment of estimated future taxes to be paid on items in the consolidated financial statements.

The following table presents information about our tax position at June 30:

(in millions)	2018	2017
Total deferred income tax assets (1)	**$ 848**	$ 692
Valuation allowance for deferred income tax assets (2)	**(412)**	(237)
Net deferred income tax assets	**436**	455
Total deferred income tax liabilities	**(2,213)**	(2,331)
Net deferred income tax liability	**$ (1,777)**	$ (1,876)

(1) Total deferred income tax assets included $526 million and $378 million of loss and tax credit carryforwards at June 30, 2018 and 2017 , respectively.

(2) The valuation allowance primarily relates to federal, state and international loss and credit carryforwards for which the ultimate realization of future benefits is uncertain.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly when it is more likely than not that at least a portion of the respective deferred tax assets will not be realized. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described above. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

Our assumptions and estimates around uncertain tax positions require significant judgment; the actual amount of tax benefit related to uncertain tax positions may differ from these estimates. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information regarding unrecognized tax benefits.

We believe that our estimates for the valuation allowances against deferred tax assets and unrecognized tax benefits are appropriate based on current facts and circumstances. The amount we ultimately pay when matters are resolved may differ from the amounts accrued. Changes in our current estimates due to unanticipated market conditions, tax law changes or other factors could have a material effect on our ability to utilize deferred tax assets. For a further discussion on Provision for Income Taxes, see Note 8 of the "Notes to the Consolidated Financial Statements."

The calculation of our tax liabilities includes estimates for uncertainties in the application of broad and complex changes to the U.S. tax code as per the Tax Cuts and Jobs Act ("the Tax Act") as enacted by the United States government on December 22, 2017. Although we are still completing our accounting for the tax effects of the Tax Act, we have made reasonable estimates and recorded provisional amounts based on management judgment and our current understanding of the Tax Act which is subject to further interpretation by the Internal Revenue Service ("IRS"). See Note 8 of the "Notes to Consolidated Financial Statements" for additional information regarding the Tax Act.

Share-Based Compensation

Employee share-based compensation is recognized in the consolidated statements of earnings based on the grant date fair value of the awards. The grant date market price of our common shares determines the fair value of restricted share units and performance share units. The fair value of stock options is determined using a lattice valuation model. We believe the lattice model provides reasonable estimates because it takes into account employee exercise patterns based on changes in our stock price and other variables and it provides for a range of input assumptions.

We analyze historical data to estimate option exercise behaviors and post-vesting forfeitures. The expected life of the options granted, which represents the length of time in years that the options granted are expected to be outstanding, is calculated from the option valuation model. Expected volatilities are based on implied volatility from traded options on our common shares and historical volatility over a period of time commensurate with the contractual term of the option grant (up to ten years).

Forfeiture estimates for all types of awards are adjusted as circumstances change and ultimately reflect actual forfeitures when an award vests. Actual forfeitures in future reporting periods could be higher or lower than our current estimates.

Compensation expense for nonvested performance share units depends on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. See Note 17 of the "Notes to Consolidated Financial Statements" for additional information regarding share-based compensation.

Explanation and Reconciliation of Non-GAAP Financial Measures

This report, including the "Fiscal 2018 Overview" section within MD&A, contains financial measures that are not calculated in accordance with GAAP. In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, evaluate the balance sheet, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs , which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded primarily for consistency with the presentation of the financial results of our peer group companies. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.
- Impairments and gain or loss on disposal of assets are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount.
- Loss on extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact during the one-year measurement period of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and measurement period adjustments for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings, both of which are subject to adjustment during an up to 12 month measurement period.

The tax effect for each of the items listed above, other than the transitional tax benefit item, is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

Explanation and Reconciliation of Non-GAAP Financial Measures

Definitions

Growth rate calculation : growth rates in this report are determined by dividing the difference between current period results and prior period results by prior period results.

Non-GAAP operating earnings : operating earnings excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets and (5) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes : earnings before income taxes excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net and (6) loss on extinguishment of debt.

Non-GAAP Net Earnings attributable to Cardinal Health, Inc.: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, (6) loss on extinguishment of debt, each net of tax, and (7) transitional tax benefit related to the Tax Cuts and Jobs Act.

Non-GAAP effective tax rate : (provision for income taxes adjusted for (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, (6) loss on extinguishment of debt, and (7) transitional tax benefit, (net) divided by (earnings before income taxes adjusted for the first six items).

Non-GAAP diluted EPS attributable to Cardinal Health, Inc. : non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

Explanation and Reconciliation of Non-GAAP Financial Measures

GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings/(Loss) Before Income Taxes	Provision for Income Taxes	Net Earnings [1,2]	Net Earnings/(Loss) [1,2] Growth Rate	Diluted EPS [1,2]	Diluted EPS [1,2] Growth Rate
				Fiscal Year 2018				
GAAP	**$ 126**	**(94)%**	**$ (228)**	**$ (487)**	**$ 259**	**(80)%**	**$ 0.81**	**(80)%**
Restructuring and employee severance	176		176	25	151		0.48	
Amortization and other acquisition-related costs	707		707	176	531		1.69	
Impairments and loss on disposal of assets [4]	1,417		1,417	(44)	1,461		4.64	
Litigation (recoveries)/charges, net	159		159	48	111		0.35	
Loss on extinguishment of debt	—		2	1	1		—	
Transitional tax benefit, net [3]	—		—	936	(936)		(2.97)	
Non-GAAP	**$ 2,585**	**(7)%**	**$ 2,233**	**$ 655**	**$ 1,578**	**(9)%**	**$ 5.00**	**(7)%**
				Fiscal Year 2017				
GAAP	$ 2,120	(14)%	$ 1,924	$ 630	$ 1,288	(10)%	$ 4.03	(7)%
Restructuring and employee severance	56		56	20	36		0.11	
Amortization and other acquisition-related costs	527		527	165	362		1.13	
Impairments and loss on disposal of assets	18		18	6	12		0.04	
Litigation (recoveries)/charges, net	48		48	19	29		0.09	
Non-GAAP	$ 2,769	(4)%	$ 2,572	$ 839	$ 1,727	— %	$ 5.40	3 %
				Fiscal Year 2016				
GAAP	$ 2,459	14 %	$ 2,276	$ 845	$ 1,427	18 %	$ 4.32	20 %
Restructuring and employee severance	25		25	9	16		0.05	
Amortization and other acquisition-related costs	459		459	143	316		0.96	
Impairments and (gain)/loss on disposal of assets	21		21	6	15		0.04	
Litigation (recoveries)/charges, net	(69)		(69)	(27)	(42)		(0.13)	
Non-GAAP	$ 2,895	17 %	$ 2,711	$ 976	$ 1,732	18 %	$ 5.24	20 %
				Fiscal Year 2015				
GAAP	$ 2,161	15 %	$ 1,967	$ 755	$ 1,212	4 %	$ 3.61	7 %
Restructuring and employee severance	44		44	15	29		0.09	
Amortization and other acquisition-related costs	281		281	100	181		0.54	
Impairments and (gain)/loss on disposal of assets	(19)		(19)	(10)	(9)		(0.03)	
Litigation (recoveries)/charges, net	5		5	(14)	19		0.06	
Loss on extinguishment of debt	—		60	23	37		0.11	
Non-GAAP	$ 2,472	16 %	$ 2,339	$ 870	$ 1,469	11 %	$ 4.38	14 %
				Fiscal Year 2014				
GAAP	$ 1,885	89 %	$ 1,798	$ 635	$ 1,163	247 %	$ 3.37	247 %
Restructuring and employee severance	31		31	11	20		0.06	
Amortization and other acquisition-related costs	223		223	79	144		0.42	
Impairments and (gain)/loss on disposal of assets	15		15	5	10		0.03	
Litigation (recoveries)/charges, net	(21)		(21)	(8)	(13)		(0.04)	
Non-GAAP	$ 2,133	4 %	$ 2,047	$ 722	$ 1,324	3 %	$ 3.84	3 %

1 from continuing operations

2 attributable to Cardinal Health, Inc.

3 Reflects the estimated net transitional benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amounts are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.

4 Fiscal year 2018 includes a goodwill impairment charge of $1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

The sum of the components may not equal the total due to rounding.
We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Selected Financial Data

The consolidated financial data below includes all business combinations as of the date of acquisition that occurred during these periods. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and MD&A.

(in millions, except per common share amounts)	**2018** [1,2]	2017	2016	2015	2014
Earnings Data:					
Revenue	**$ 136,809**	$ 129,976	$ 121,546	$ 102,531	$ 91,084
Operating earnings	**126**	2,120	2,459	2,161	1,885
Earnings from continuing operations	**259**	1,294	1,431	1,212	1,163
Earnings/(loss) from discontinued operations, net of tax	**—**	—	—	3	3
Net earnings	**259**	1,294	1,431	1,215	1,166
Less: Net earnings attributable to noncontrolling interests	**(3)**	(6)	(4)	—	—
Net earnings attributable to Cardinal Health, Inc.	**$ 256**	$ 1,288	$ 1,427	$ 1,215	$ 1,166
Basic earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 0.82**	$ 4.06	$ 4.36	$ 3.65	$ 3.41
Discontinued operations	**—**	—	—	0.01	0.01
Net basic earnings per common share attributable to Cardinal Health, Inc.	**$ 0.82**	$ 4.06	$ 4.36	$ 3.66	$ 3.42
Diluted earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 0.81**	$ 4.03	$ 4.32	$ 3.61	$ 3.37
Discontinued operations	**—**	—	—	0.01	0.01
Net diluted earnings per common share attributable to Cardinal Health, Inc.	**$ 0.81**	$ 4.03	$ 4.32	$ 3.62	$ 3.38
Cash dividends declared per common share	**$ 1.8635**	$ 1.8091	$ 1.6099	$ 1.4145	$ 1.2500
Balance Sheet Data:					
Total assets	**$ 39,951**	$ 40,112	$ 34,122	$ 30,142	$ 26,033
Long-term obligations, less current portion	**8,012**	9,068	4,952	5,211	3,171
Total Cardinal Health, Inc. shareholders' equity	**6,059**	6,808	6,554	6,256	6,401

[1] During the fourth quarter of fiscal 2018, we recognized a non-cash goodwill impairment charge of $1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

[2] During fiscal 2018, the United States enacted the Tax Cuts and Jobs Act. See Note 8 for more information.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to foreign exchange, interest rate, and commodity price-related changes. We maintain a hedging program to manage volatility related to some of these market exposures which employs operational, economic, and derivative financial instruments in order to mitigate risk. See Note 1 and Note 12 of the "Notes to Consolidated Financial Statements" for further discussion regarding our use of derivative instruments.

Foreign Exchange Rate Sensitivity

By the nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. The following foreign currencies represent the principal drivers of our foreign exchange exposure: Canadian dollar, Euro, Thai baht, Mexican peso and Chinese renminbi.

We apply a Value-At-Risk ("VAR") methodology to our transactional and translational exposures. The VAR model is a risk estimation tool and is not intended to represent actual losses in fair value that could be incurred.

Transactional Exposure

Transactional exposure arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our subsidiaries. At the end of each fiscal year we perform sensitivity analyses on our forecasted transactional exposure for the upcoming fiscal year. These analyses include the estimated impact of our hedging program, which is designed to mitigate transactional exposure. Applying a VAR methodology to our transactional exposure and including the impact of our hedging program, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $26 million, which is based on a one-year horizon and a 95 percent confidence level. Under the same methodology, at June 30, 2017, our potential maximum loss in earnings for the upcoming fiscal year was estimated to be $19 million.

Translational Exposure

We have exposure related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Applying a VAR methodology to our translational exposure, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $9 million, which is based on a one-year horizon and a 95 percent confidence level. Under the same methodology, at June 30, 2017, our potential maximum loss in earnings for the upcoming fiscal year was estimated to be $14 million.

Interest Rate Sensitivity

We are exposed to changes in interest rates primarily as a result of our borrowing and investing activities to maintain liquidity and fund operations. The nature and amount of our long-term and short-term debt can be expected to fluctuate as a result of business requirements, market conditions and other factors. Our policy is to manage exposures to interest rates using a mix of fixed and floating rate debt as deemed appropriate by management. We utilize interest rate swap instruments to mitigate our exposure to interest rate movements.

As part of our risk management program, we perform an annual sensitivity analysis on our forecasted exposure to interest rates for the upcoming fiscal year. This analysis assumes a hypothetical 50 basis point change in interest rates. At June 30, 2018 and 2017 , the potential increase or decrease in annual interest expense under this analysis as a result of this hypothetical change was $15 million and $16 million, respectively.

We are also exposed to market risk from changes in interest rates related to our cash and cash equivalents, which includes marketable securities that are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. The fair value of our cash and cash equivalents is subject to change primarily as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. At June 30, 2018 , a hypothetical increase or decrease of 50 basis points in interest rates would result in no change in the estimated fair value. At June 30, 2017 , a hypothetical increase or decrease of 50 basis points in interest rates would result in a potential increase or decrease of $1 million in the estimated fair value.

Commodity Price Sensitivity

We are directly exposed to market price changes for certain commodities, including oil-based resins, nitrile, cotton, diesel fuel and latex. We typically purchase raw materials at either market prices or prices tied to a commodity index and some finished goods at prices based in part on a commodity price index.

As part of our risk management program, we perform sensitivity analysis on our forecasted direct commodity exposure for the upcoming fiscal year. Our forecasted direct commodity exposure at June 30, 2018 increased approximately $190 million from June 30, 2017 primarily due to the acquisition of the Patient Recovery Business. At June 30, 2018 and 2017 , we had hedged a portion of these direct commodity exposures (see Note 12 of the "Notes to Consolidated Financial Statements" for further discussion).

Our forecasted direct commodity exposures for the upcoming fiscal years were $424 million and $234 million at June 30, 2018 and 2017, respectively. The potential gain/loss given a hypothetical 10 percent fluctuation in commodity prices, assuming pricing collectively shifts in the same direction and we are unable to change customer pricing in response to those shifts, for the upcoming fiscal year were $42 million and $23 million at June 30, 2018 and 2017, respectively. The hypothetical offsetting impact of hedges in both periods was minimal. In prior years, we forecasted both direct and indirect exposure to commodity pricing changes. Beginning in fiscal 2018, we began only estimating direct exposure because it is the primary way that we view and manage commodity risk. Under the prior methodology, our exposure in fiscal 2017 for the next fiscal year was estimated to be $411 million and the potential gain/loss was $41 million.

Business

General

Cardinal Health, Inc. is a global integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency from hospital to home.

Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

- distributes branded and generic pharmaceutical and over-the-counter healthcare and consumer products through its Pharmaceutical Distribution division to retailers (including chain and independent drug stores and pharmacy departments of supermarkets and mass merchandisers), hospitals and other healthcare providers. This division:
  - maintains prime vendor relationships that streamline the purchasing process resulting in greater efficiency and lower costs for our retail, hospital and other healthcare provider customers;
  - provides services to pharmaceutical manufacturers, including distribution, inventory management, data reporting, new product launch support and chargeback administration;
  - provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers, and operates pharmacies in community health centers; and
  - repackages generic pharmaceuticals and over-the-counter healthcare products;
- through its Specialty Solutions division, distributes specialty pharmaceutical products to hospitals and other healthcare providers and provides consulting, patient support and other services for specialty pharmaceutical products to pharmaceutical manufacturers and healthcare providers; and
- operates nuclear pharmacies and manufacturing facilities through its Nuclear Pharmacy Services division, which manufactures, prepares and delivers radiopharmaceuticals for use in nuclear imaging and other procedures in hospitals and physician offices. This division also contract manufactures a radiopharmaceutical treatment (Xofigo) and holds the North American rights to manufacture and distribute Lymphoseek, a radiopharmaceutical diagnostic imaging agent.

See Note 16 of the "Notes to Consolidated Financial Statements" for Pharmaceutical segment revenue, profit and assets for fiscal 2018 , 2017 and 2016 .

Pharmaceutical Distribution

Our Pharmaceutical Distribution division's gross margin includes margin from our generic pharmaceutical program, from distribution services agreements with branded pharmaceutical manufacturers and from over-the-counter healthcare and consumer products. It also includes manufacturer cash discounts.

Margin from our generic pharmaceutical program includes price discounts and rebates from manufacturers and may in some instances include price appreciation. Our earnings on generic pharmaceuticals are generally highest during the period immediately following the initial launch of a product, because generic pharmaceutical selling prices are generally highest during that period and tend to decline over time.

Margin from distribution services agreements with branded pharmaceutical manufacturers is derived primarily from compensation we receive for providing a range of distribution and related services to manufacturers. Our compensation typically is a percentage of the wholesale acquisition cost that is set by manufacturers. In addition, under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers, also serves as part of our compensation.

Sourcing Venture With CVS Health Corporation

In July 2014, we established Red Oak Sourcing, a U.S.-based generic pharmaceutical sourcing venture with CVS with an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of both companies.

Specialty Pharmaceutical Products and Services

We refer to products and services offered by our Specialty Solutions division as "specialty pharmaceutical products and services." The Specialty Solutions division distributes oncology, rheumatology, urology, nephrology and other pharmaceutical products ("specialty pharmaceutical products") and human-derived plasma products to hospitals, dialysis clinics, physician offices and other healthcare providers; provides consulting, patient support, logistics, group purchasing and other services to pharmaceutical manufacturers and healthcare providers primarily supporting the development, marketing and distribution of specialty pharmaceutical products; and provides specialty pharmacy services. Our use of the terminology "specialty pharmaceutical products and services" may not be comparable to the terminology used by other industry participants.

Medical Segment

Our Medical segment manufactures and sources Cardinal Health branded medical, surgical and laboratory products, including cardiovascular and endovascular products; wound care products; single-use surgical drapes, gowns and apparel; exam and surgical gloves; and fluid suction and collection systems. We further expanded this segment's portfolio of Cardinal Health Brand products through the acquisition of the Patient Recovery Business from Medtronic in July 2017, which includes incontinence, wound care, enteral feeding, urology, operating room supply, electrode and needle, syringe and sharps disposal product lines. Our Cardinal Health Brand products are sold directly or through third-party distributors in the United States, Canada, Europe, Asia and other markets.

The Medical segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada.

This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at Home division.

This segment also assembles and sells sterile and non-sterile procedure kits. It also provides supply chain services, including spend management, distribution management and inventory management services, to healthcare providers.

naviHealth Partnership

In August 2018, we entered into a partnership with CD&R through which we own 44% of the ownership interests in the naviHealth business. naviHealth partners with health plans, hospital systems, physician groups and other healthcare providers to manage post-acute care through value-based programs.

See Note 16 of the "Notes to Consolidated Financial Statements" for Medical segment revenue, profit and assets for fiscal 2018 , 2017 and 2016 .

Acquisitions and Divestitures

Acquisitions

We have acquired a number of businesses over the years that have enhanced our core strategic areas of Cardinal Health Brand medical products, generic pharmaceutical distribution and services, specialty pharmaceutical products and services, international and post-acute care. We expect to continue to pursue additional acquisitions in the future.

During the last five fiscal years, we completed the following three large acquisitions:

Date	Company	Location	Lines of Business	Acquisition Price (in billions)
07/17	Patient Recovery Business of Medtronic, plc	Mansfield, MA	Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency	$6.1
10/15	Cordis business of Johnson & Johnson	Fremont, CA	Cardiovascular and endovascular products	$1.9
07/15	The Harvard Drug Group	Livonia, MI	Pharmaceutical product distribution	$1.1

We have also completed several smaller acquisitions during the last five fiscal years, including: in fiscal 2017, the acquisition of the North American rights to Lymphoseek, a radiopharmaceutical diagnostic imaging agent, from Navidea Biopharmaceuticals, Inc.; in fiscal 2015, the acquisitions of Tradex International, Inc., a supplier of disposable gloves, and Metro Medical Supply, Inc., a distributor of specialty pharmaceuticals and medical and surgical products; and in fiscal 2014, the acquisition of Access Closure, Inc., a manufacturer and distributor of extravascular closure devices.

Divestitures

Over the past year, we have also completed several divestitures, including, in February 2018, selling our pharmaceutical and medical products distribution business in China to Shanghai Pharmaceuticals Holding Co., Ltd. for proceeds of $861 million (after adjusting for third party indebtedness and preliminary transaction adjustments).

Additionally, in August 2018, we completed the sale of our ownership interest in naviHealth, Inc. to investor entities controlled by CD&R for proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns the naviHealth business.

We had acquired our ownership interest in naviHealth through a series of transactions, beginning in fiscal 2016, when we acquired a 71% ownership interest. As of the end of fiscal 2018, we owned 98% of the interests in naviHealth.

Customers

Our largest customers, CVS and OptumRx accounted for 25 percent and 11 percent of our fiscal 2018 revenue, respectively. In the aggregate, our five largest customers, including CVS and OptumRx, accounted for 47 percent of our fiscal 2018 revenue. Our pharmaceutical distribution agreements with CVS extend through June 2019.

We have agreements with group purchasing organizations ("GPOs") that act as agents to negotiate vendor contracts on behalf of their members. Our two largest GPO relationships in terms of member revenue are with Vizient, Inc. and Premier, Inc. Sales to members of these two GPOs, under numerous contracts across all of our businesses, collectively accounted for 22 percent of our revenue in fiscal 2018 .

Suppliers

We rely on many different suppliers. Products obtained from our five largest suppliers accounted for an aggregate of 29 percent of our revenue during fiscal 2018 , but no single supplier's products accounted for more than 8 percent of revenue.

Competition

We operate in a highly competitive environment in the distribution of pharmaceuticals and consumer healthcare products. We also operate in a highly competitive environment in the development, manufacturing and distribution of medical devices and surgical products. We compete on many levels, including price, service offerings, support services, breadth of product lines and product quality and efficacy.

In the Pharmaceutical segment, we compete with wholesale distributors with national reach, including McKesson Corporation and AmerisourceBergen Corporation, regional wholesale distributors, self-warehousing chains, specialty distributors, third-party logistics companies, companies that provide specialty pharmaceutical services and nuclear pharmacies, among others. In addition, the Pharmaceutical segment has experienced competition from a number of organizations offering generic pharmaceuticals, including telemarketers. We also compete with manufacturers that sell their products directly.

In the Medical segment, we compete with many diversified healthcare companies and national medical product distributors, such as Medline Industries, Inc., Owens & Minor, Inc. and Becton, Dickinson and Company, as well as regional medical product distributors and companies that are focused on specific product categories. We also compete with companies that distribute medical products to patients' homes and third-party logistics companies.

Employees

At June 30, 2018 , we had approximately 32,300 employees in the United States and approximately 17,900 employees outside of the United States.

Intellectual Property

We rely on a combination of trade secret, patent, copyright and trademark laws, nondisclosure and other contractual provisions, and technical measures to protect our products, services and intangible assets. We hold patents, and continue to pursue patent protection throughout the world, relating to the manufacture, operation and use of various medical and surgical products, to certain distribution and logistics systems, to the production and distribution of our nuclear pharmacy products and to other service offerings. We also operate under licenses for certain proprietary technologies, and in certain instances we license our technologies to third parties.

We believe that we have taken all necessary steps to protect our proprietary rights, but no assurance can be given that we will be able to successfully enforce or protect our rights in the event that they are infringed upon by a third party. While all of these proprietary rights are important to our operations, we do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

Our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. Depending upon the specific business, we may be subject to regulation by government entities including:

- the U.S. Drug Enforcement Administration (the "DEA");
- certain agencies within the U.S. Department of Health and Human Services, including the U.S. Food and Drug Administration (the "FDA"), the Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights;
- state health departments, insurance departments, Medicaid departments or other comparable state agencies;
- state boards of pharmacy and other controlled substance authorities;
- the U.S. Nuclear Regulatory Commission (the "NRC");
- the U.S. Federal Trade Commission (the "FTC");
- U.S. Customs and Border Protection; and
- agencies comparable to those listed above in markets outside the United States.

These regulatory agencies have a variety of civil, administrative and criminal sanctions at their disposal for failure to comply with applicable legal or regulatory requirements. They can suspend our ability to manufacture and distribute products, initiate product recalls, seize products or impose criminal, civil and administrative sanctions.

Distribution

State Boards of Pharmacy, FDA, DEA and various other state authorities regulate the marketing, purchase, storage and distribution of pharmaceutical and medical products under various federal and state statutes including the federal Prescription Drug Marketing Act of 1987, Drug Quality and Security Act of 2013 (the "DQSA"), and Controlled Substances Act (the "CSA"). The CSA governs the sale, packaging, storage and distribution of controlled substances. Wholesale distributors of controlled substances must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the CSA. They must also comply with state requirements relating to controlled substances that differ from state to state.

Manufacturing and Marketing

We sell our manufactured products in the United States, Canada, Europe, Asia and other markets. The FDA and other governmental agencies in the United States, as well as foreign governmental agencies, administer requirements that cover the design, testing, safety, effectiveness, manufacturing (including good manufacturing practices), quality systems, labeling, promotion and advertising (including restrictions on promoting or advertising a product other than for the product's cleared or approved uses), distribution, importation and post-market surveillance for most of our manufactured products. In addition, we need specific approval or clearance from, and registrations with, regulatory authorities before we can market and sell some products in the United States and certain other countries, including countries in the European Union ("EU").

In the United States, authorization to commercially market a medical device is generally received in one of two ways. The first, known as pre-market notification or the 510(k) process, requires us to demonstrate that a medical device is substantially equivalent to a legally marketed medical device. The second more rigorous process, known as pre-market approval ("PMA"), requires us to independently demonstrate that a medical device is safe and effective. Many of our Medical segment products are cleared through the 510(k) process and certain Cordis products must be approved through the PMA process.

In the EU, we are required to comply with applicable Medical Device Directives ("MDDs") and obtain CE Mark Certification in order to market medical devices. The EU regulatory bodies finalized a new Medical Device Regulation ("MDR") in 2017, which replaces the existing MDDs after a three-year transition period. Among other things, the MDR clarifies that private label distributors are deemed to be the manufacturer, which will increase our regulatory obligations in the EU with respect to private label products.

It can be costly and time-consuming to obtain regulatory approvals, clearances and registrations of medical devices, and they might not be granted on a timely basis, if at all. Even after we obtain approval or clearance to market a product or obtain product registrations, the product and our manufacturing processes are subject to continued regulatory oversight, including periodic inspection of manufacturing facilities by FDA and other regulatory authorities both in the United States and internationally.

From time to time, we may determine that products we manufacture or market do not meet our specifications, regulatory requirements or published standards. When we or a regulatory agency identify a quality or regulatory issue, we investigate and take appropriate corrective action, which may include recalling the product, correcting the product at the customer location, revising product labeling and notifying customers.

Health and Personal Information Practices

We collect, handle and maintain patient-identifiable health information. The U.S. Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as augmented by the Health Information Technology for Economic and Clinical Health Act, and state laws regulate the use and disclosure of patient-identifiable health information, including requiring specified privacy and security measures. We also collect, handle and maintain other sensitive personal and financial information that is subject to U.S. federal and state laws protecting such information.

The processing and disclosure of personal information is also highly regulated in many other countries in which we operate. In Europe, for example, we are subject to the EU data protection regulations, including the current EU Directive on Data Protection, which requires member states to impose minimum restrictions on the collection, use

and transfer of personal data. The EU General Data Protection Regulation ("GDPR") includes, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. The GDPR also requires companies processing personal data of individuals residing in the EU to comply with EU privacy and data protection rules.

Nuclear Pharmacies and Related Businesses

Our nuclear pharmacies and radiopharmaceutical manufacturing facilities (including for Xofigo) require licenses or permits and must abide by regulations issued by the NRC, applicable state boards of pharmacy and the radiologic health agency or department of health of each state in which we operate, including pharmacy sterile compounding standards and practices. In addition, our radiopharmaceutical manufacturing facilities also must comply with FDA regulations, including good manufacturing practices.

Product Tracing and Supply Chain Integrity

Title II of the DQSA, known as the Drug Supply Chain Security Act or "Track and Trace," establishes a phased-in national system for tracing pharmaceutical products through the pharmaceutical distribution supply chain to prevent the introduction of counterfeit, adulterated or mislabeled drugs. The first phase of implementation began in 2015, and upon full implementation in 2023, we and other supply chain stakeholders will participate in an electronic, interoperable, prescription drug tracing system. In addition, the FDA also has issued regulations requiring most medical device labeling to bear a unique device identifier. These regulations are being phased in through 2020. The MDR finalized in the EU in 2017 also introduces a new unique device identifier requirement with a three-year transition period.

Government Healthcare Programs

We are subject to U.S. federal healthcare fraud and abuse laws. These laws generally prohibit persons from soliciting, offering, receiving or paying any compensation in order to induce someone to order, recommend or purchase products or services that are in any way paid for by Medicare, Medicaid or other federally-funded healthcare programs. They also prohibit submitting any fraudulent claim for payment by the federal government. There are similar state healthcare fraud and abuse laws that apply to Medicaid and other state-funded healthcare programs. Violations of these laws may result in criminal or civil penalties, as well as breach of contract claims and *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments).

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program. These businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements. Other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our U.S. federal and state government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Antitrust Laws

The U.S. federal government, most U.S. states and many foreign countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Environmental, Health and Safety Laws

In the United States and other countries, we are subject to various federal, state and local environmental laws, as well as laws relating to safe working conditions and laboratory practices.

Laws Relating to Foreign Trade and Operations

U.S. and foreign laws require us to abide by standards relating to the import and export of finished goods, raw materials and supplies and the handling of information. We also must comply with various export control and trade embargo laws, which may require licenses or other authorizations for transactions within some countries or with some counterparties.

Similarly, we are subject to U.S. and foreign laws concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other foreign anti-bribery laws. Among other things, these laws generally prohibit companies and their intermediaries from offering, promising or making payments to officials of foreign governments for the purpose of obtaining or retaining business.

Other Information

Although our agreements with manufacturers sometimes require us to maintain inventory levels within specified ranges, our distribution businesses are generally not required by our customers to maintain particular inventory levels other than as needed to meet service level requirements. Certain supply contracts with U.S. government entities require us to maintain sufficient inventory to meet emergency demands, but we do not believe those requirements materially affect inventory levels.

Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return products that can be added back to inventory and resold at full value, or that can be returned to vendors for credit.

We offer market payment terms to our customers.

Revenue and Long-Lived Assets by Geographic Area

See Note 16 of the "Notes to Consolidated Financial Statements" for revenue and long-lived assets by geographic area.

Risk Factors

The risks described below could materially and adversely affect our results of operations, financial condition, liquidity or cash flows. These are not the only risks we face. Our businesses also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

We could continue to suffer the adverse effects of competitive pressures.
As described in greater detail in the "Business" section, we operate in markets that are highly competitive and dynamic. In addition, competitive pressures in our pharmaceutical and medical distribution may be increased by new business models, new entrants, new regulations, or changes in consumer demand. Our businesses face continued pricing pressure from these factors, which adversely affects our margins. If we are unable to offset margin reductions caused by these pricing pressures through steps such as sourcing or cost control measures, additional service offerings and sales of higher margin products, our results of operations could continue to be adversely affected.

Our Pharmaceutical segment's generic pharmaceutical program may continue to be adversely affected by pricing changes and fewer product launches.
The performance of our Pharmaceutical segment's generic pharmaceutical program declined in fiscal 2018 and 2017 and is expected to decline in fiscal 2019. The decline has been due to generic pharmaceutical customer pricing deflation and less benefit from new generic pharmaceutical launches, which have more than offset the benefits from sourcing generic pharmaceuticals through our Red Oak Sourcing venture with CVS. If we continue to be unable to offset this decline, our Pharmaceutical segment profit and consolidated operating earnings will continue to be adversely affected.

The extent and magnitude of generic pharmaceutical pricing changes is uncertain in future fiscal years and may vary from what we anticipate. Similarly, the number of new generic pharmaceutical launches also varies from year to year, and the margin impact of these launches varies from product to product. Finally, the benefit from Red Oak Sourcing could be less than we anticipate.

CVS is a large customer that generates a significant amount of our revenue.
Our sales and credit concentration is significant. CVS accounted for 25 percent of our fiscal 2018 revenue and 22 percent of our gross trade receivable balance at June 30, 2018. Our pharmaceutical distribution agreements with CVS expire in June 2019. If CVS does not renew our agreements, renews our agreements at a reduced price or significantly reduces its purchases from us, our results of operations and financial condition could be adversely affected.

Changes in manufacturer approaches to pricing branded pharmaceutical products could have an adverse effect on our Pharmaceutical segment's margins.

Our compensation under contractual arrangements with manufacturers for the purchase of branded pharmaceutical products is set as a percentage of the wholesale acquisition cost set by the manufacturer. Sales prices of branded pharmaceutical products to our customers generally are a percentage discount from wholesale acquisition cost.

In recent years, pharmaceutical manufacturers have generally increased the wholesale acquisition cost of their branded pharmaceuticals each year. In May 2018, the U.S. government announced plans to, among other things, adopt policies to encourage manufacturers to limit increases in (or reduce) wholesale acquisition cost. If manufacturers change their historical approach to setting and increasing wholesale acquisition cost and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our Pharmaceutical segment profit and consolidated operating earnings could be adversely affected.

Our Pharmaceutical segment's margins under a limited number of our distribution services agreements with branded pharmaceutical manufacturers are affected by prices established by the manufacturers.
Our distribution services agreements with branded pharmaceutical manufacturers generally provide that we receive fees from the manufacturers to compensate us for services we provide them. Under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers currently also serves as a part of our compensation. If manufacturers decide not to increase prices or to implement only small increases and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our margins could be adversely affected.

Our business is subject to rigorous regulatory and licensing requirements.
As described in greater detail in the "Business" section, our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. If we fail to comply with regulatory requirements, or if allegations are made that we fail to comply, our results of operations and financial condition could be adversely affected.

To lawfully operate our businesses, we are required to obtain and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. For example, as a wholesale distributor of controlled substances, we must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the CSA. Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on our results of operations and financial condition.

Products that we manufacture, source, distribute or market must comply with regulatory requirements. Noncompliance or concerns over noncompliance may result in suspension of our ability to distribute, import or manufacture products, product bans, recalls or seizures, or criminal or civil sanctions, which, in turn, could result in product liability claims and lawsuits, including class actions. In addition, it can be costly and time-consuming to obtain regulatory approvals or product registrations to market a medical device, and

such approvals or registrations might not be granted on a timely basis, if at all.

We collect, handle and maintain patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information. Regulations currently in place continue to evolve, and new laws in this area could further restrict our ability to collect, handle and maintain personal or patient information, or could require us to incur additional compliance costs, either of which could have an adverse impact on our results of operations. Violations of federal, state or foreign laws concerning privacy and data protection could subject us to civil or criminal penalties, breach of contract claims, costs for remediation and harm to our reputation.

We are required to comply with laws relating to healthcare fraud and abuse. The requirements of these laws are complex and subject to varying interpretations, and it is possible that regulatory authorities could challenge our policies and practices. If we fail to comply with these laws, we could be subject to federal or state government investigations or *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments), which could result in civil or criminal sanctions, including the loss of licenses or the ability to participate in Medicare, Medicaid and other federal and state healthcare programs. Such sanctions and damages could adversely affect our results of operations and financial condition.

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid program and the federal 340B drug pricing program. In addition, other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Our global operations are required to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws. If we fail to comply with any of these laws, we could suffer civil or criminal sanctions.

We could be subject to adverse changes in the tax laws or challenges to our tax positions.

We are a large multinational corporation with operations in the United States and many foreign countries. As a result, we are subject to the tax laws of many jurisdictions.

The Tax Act was enacted in December 2017. The Tax Act, among other things, reduced the U.S. federal corporate tax rate from 35 percent to 21 percent and required companies to pay a one-time tax to repatriate, for U.S. purposes, earnings of certain foreign subsidiaries that were previously deferred for tax purposes. In addition, beginning in our fiscal year 2019, the Tax Act limits certain deductions and creates new taxes on certain foreign sourced earnings. While we generally expect the impact of the Tax Act to be positive, it is possible that the limitation of certain deductions and the creation of new taxes could be more detrimental to us than anticipated.

From time to time, initiatives are proposed in the United States and other jurisdictions in which we operate that could adversely affect our tax positions, effective tax rate or tax payments. Specific initiatives that may impact us include the repeal of the LIFO (last-in, first-out) method of inventory accounting for income tax purposes, the establishment or increase in taxation at the U.S. state level on the basis of gross revenues, recommendations of the base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid.

Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

Changes to the U.S. healthcare environment may not be favorable to us.

In recent years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include adoption of the Patient Protection and Affordable Care Act, a general decline in Medicare and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models, and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

We expect the U.S. healthcare industry to continue to change significantly in the future. Possible changes include repeal and replacement of major parts of the Patient Protection and Affordable Care Act, further reduction or limitations on governmental funding at the state or federal level, efforts by healthcare insurance companies to further limit payments for products and services or changes in legislation or regulations governing prescription pharmaceutical pricing, healthcare services or mandated benefits. These possible changes, and the uncertainty surrounding these possible changes, may cause healthcare industry participants to reduce the amount of products and services they purchase from us or the price they are willing to pay for our products and services, which could adversely affect us.

Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks. Our business could be adversely affected if we experience a cyber-attack or other systems breach.

We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

- facilitate the purchase and distribution of inventory items from numerous distribution centers;
- receive, process and ship orders on a timely basis;
- manage accurate billing and collections for thousands of customers;
- process payments to suppliers;
- facilitate manufacturing and assembly of medical products; and
- generate financial information.

Our business also depends on the proper functioning of our critical facilities, including our national logistics center, and our distribution networks. Our results of operations could be adversely affected if our or a service provider's information systems, critical facilities or distribution networks are disrupted (including disruption of access), are damaged or fail, whether due to physical disruptions, such as fire, natural disaster, pandemic or power outage, or due to cyber-security incidents, ransomware or other actions of third parties, including labor strikes, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities.

From time to time, our businesses perform business process improvements or infrastructure modernizations or use service providers for key systems and processes, such as receiving and processing customer orders, customer service and accounts payable. If any of these initiatives are not successfully or efficiently implemented or maintained, they could adversely affect our business and our internal control over financial reporting.

Our business relies on the secure transmission, storage and hosting of patient-identifiable health information, financial information and other sensitive information relating to our customers, company and workforce. We have programs in place to detect, contain and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, hardware, software or applications developed internally or procured from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties also may attempt to gain access to our or a service provider's systems or facilities through fraud, trickery or other forms of deception. Any compromise of our or a service provider's information systems, including unauthorized access to or use or disclosure of sensitive information, could adversely impact our operations, results of operations or our ability to satisfy legal requirements, including those related to patient-identifiable health information and the new EU general data protection regulation (GDPR).

Consolidation in the U.S. healthcare industry may negatively impact our results of operations.

In recent years, U.S. healthcare industry participants, including distributors, manufacturers, healthcare providers, insurers and pharmacy chains, have consolidated or formed strategic alliances. Consolidations create larger enterprises with greater negotiating power, and also could result in the possible loss of a customer where the combined enterprise selects one distributor from two incumbents. If this consolidation trend continues, it could adversely affect our results of operations.

We may become involved in legal proceedings that could adversely impact our cash flows or results of operations.

Due to the nature of our business, which includes the distribution of controlled substances and the manufacture of medical products, we may from time to time become involved in disputes, litigation and regulatory matters. Litigation is inherently unpredictable and the unfavorable outcome of one or more of these legal proceedings could adversely affect our results of operations or financial condition.

For example, we are subject to a number of lawsuits and investigations related to the national health crisis involving the abuse of opioid pain medication as described below in the Risk Factor titled "The public health crisis involving the abuse of prescription opioid pain medication could negatively affect our business" and in Note 9 to the "Notes to Consolidated Financial Statements."

Additionally, some of the products that we distribute or manufacture have been and may in the future be alleged to cause personal injury, subjecting us to product liability claims. For example, we are a defendant in product liability lawsuits that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. We have accrued an amount for losses and legal defense costs related to these lawsuits, which are discussed in Note 9 of the "Notes to Consolidated Financial Statements." Any settlement of or judgment for a product liability claim that is not covered by insurance and is in excess of any prior accruals could adversely affect our results of operations and financial condition.

We also operate in an industry characterized by extensive intellectual property litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or force us to make royalty payments in order to continue selling the affected products.

The public health crisis involving the abuse of prescription opioid pain medication could negatively affect our business.

Our Pharmaceutical segment distributes prescription opioid pain medications. In recent years, the abuse of prescription opioid pain medication has received heightened public attention. These developments heighten a number of risks that we face and may present new risks that could adversely affect our operations or financial condition.

A significant number of counties, municipalities and other plaintiffs, including a number of state attorneys general, have filed lawsuits against pharmaceutical manufacturers, pharmaceutical wholesale distributors (including us), retail chains and others relating to the manufacturing, marketing or distribution of prescription opioid pain medications. In addition, we are currently being investigated by about 40 other states for the same activities and may be named as a defendant in additional lawsuits in the future. We are vigorously defending ourselves in these lawsuits. The defense and resolution of current and future lawsuits could adversely affect our results of operations and financial condition or have adverse reputational or operational effects on our business. See Note 9 of the "Notes to the Consolidated Financial Statements" for more information regarding these matters.

Other legislative, regulatory or industry measures related to the public health crisis could affect our business in ways that we may not be able to predict. For example, in April 2018, the State of New York created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. In addition, legislation has been proposed in some states that, if enacted, could require distributors to pay taxes on the distribution of opioid medications in those states. These proposed bills vary in the tax amounts and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted.

Unfavorable publicity regarding the abuse or misuse of prescription opioid pain medications and the role of wholesale distributors in the supply chain of such prescription medications, as well as the continued proliferation of the opioid lawsuits, investigations, regulations and legislative actions discussed above could adversely affect our reputation and results of operations.

Our ability to manage and complete acquisitions and divestitures could impact our strategic objectives and financial condition.

An important element of our growth strategy has been to acquire other businesses that expand or complement our existing businesses. In fiscal 2018, we spent $6.1 billion to acquire other businesses including, in July 2017, the acquisition of the Patient Recovery Business from Medtronic for $6.1 billion and divested our China distribution business as well as our majority interest in naviHealth.

The acquisition of the Patient Recovery Business as well as other acquisitions involve the following risks: we may overpay for a business or fail to realize the synergies and other benefits we expect from the acquisition; our management's attention may be diverted to integration efforts; we may fail to retain key personnel of the acquired business; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems; we may assume liabilities related to legal proceedings involving the acquired business; we may face challenges retaining the customers of the acquired business; or we may encounter unforeseen internal control, regulatory or compliance issues.

When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our strategic objectives. We could also experience greater dis-synergies than expected and the impact of the divestiture on our results of operations could be greater than anticipated.

We depend on certain suppliers to make their raw materials and products available to us and are subject to fluctuations in costs of raw materials and products.

We depend on the availability of various components, compounds, raw materials and energy supplied by others for our operations. In some instances, for reasons of quality assurance, cost effectiveness, or availability, we procure certain components and raw materials from a sole supplier. Any of our supplier relationships could be interrupted due to events beyond our control, including natural disasters, or could be terminated. In addition, due to the stringent regulations and requirements of the FDA regarding the manufacture of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. A sustained supply reduction or interruption, and an inability to develop alternative sources for such supply, could have an adverse effect on our business.

Our manufacturing businesses use oil-based resins, pulp, cotton, latex and other commodities as raw materials in many products. Prices of oil and gas also affect our distribution and transportation costs. Prices of these commodities are volatile and can fluctuate significantly, causing our costs to produce and distribute our products to fluctuate. Due to competitive dynamics and contractual limitations, we may be unable to pass along cost increases through higher prices. If we cannot fully offset cost increases through other cost reductions, or recover these costs through price increases or surcharges, our results of operations could be adversely affected.

Our results of operations may suffer upon the bankruptcy, insolvency, or other credit failure of a customer that has a substantial amount owed to us.

Most of our customers buy products and services from us on credit, which is made available to customers based on our assessment of creditworthiness. The bankruptcy, insolvency or other credit failure of any customer that has a substantial amount owed to us could adversely affect our results of operations.

As a result of our international operations, we have exposure to economic, political and currency risks, including changes in tariffs.

We conduct our operations in various regions of the world outside of the United States, including Europe, Asia and Latin America. Global developments can affect our business in many ways. Our global operations are affected by local economic environments, including inflation, recession and competition. Additionally, divergent or unfamiliar regulatory systems and labor markets also can increase the risks and burdens of operating in numerous countries.

Changes or uncertainty in U.S. or foreign policy, including any changes or uncertainty with respect to U.S. or international trade

policies or tariffs, also can disrupt our global operations, as well as our customers and suppliers, in a particular location and may require us to spend more money to source certain products or materials that we purchase.

In addition, we conduct our business in U.S. dollars and various functional currencies of our foreign subsidiaries. Changes in foreign currency exchange rates could adversely affect our financial results, which are reported in U.S. dollars. We may not be able to hedge to protect us against these exposures, and any hedges may not successfully mitigate these exposures.

Our goodwill may be further impaired, which would require us to record a significant charge to earnings in accordance with generally accepted accounting principles.

U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. This year, as a result of the required annual test, we have recorded a $1.4 billion impairment to goodwill within our Medical segment. The testing required by GAAP involves estimates and judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions, including a failure to meet business plans or other unanticipated events and circumstances such as a rise in interest rates, may affect the accuracy or validity of such estimates. In addition to the impairment to goodwill in our Medical segment, it is possible that we may record significant charges related to other business units or we may record additional charges in our Medical segment, which charge or charges could adversely affect our results of operations. See "Critical Accounting Policies and Sensitive Accounting Estimates" in MD&A above for more information regarding goodwill impairment testing.

Properties

In the United States and Puerto Rico, at June 30, 2018 , the Pharmaceutical segment operated 24 primary pharmaceutical distribution facilities and one national logistics center; seven specialty distribution facilities; and more than 140 nuclear pharmacy and radiopharmaceutical manufacturing facilities. The Medical segment operated more than 70 medical-surgical distribution, assembly, manufacturing and other operating facilities in the United States and Puerto Rico. Our U.S. operating facilities are located in 45 states.

Outside the United States and Puerto Rico, at June 30, 2018 , our Medical segment operated 25 facilities in Canada, Costa Rica, the Dominican Republic, Germany, Ireland, Japan, Malaysia, Malta, Mexico and Thailand that engage in manufacturing, distribution or research.

At June 30, 2018 , we owned more than 75 operating facilities and leased more than 200 operating facilities around the world. Our principal executive offices are headquartered in an owned building located at 7000 Cardinal Place in Dublin, Ohio.

We consider our operating properties to be in satisfactory condition and adequate to meet our present needs. However, we regularly evaluate operating properties and may make further additions and improvements or consolidate locations as we seek opportunities to expand or enhance the efficiency of our business.

Legal Proceedings

The legal proceedings described in Note 9 of the "Notes to Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the New York Stock Exchange under the symbol "CAH." The following table reflects the range of the reported high and low closing prices of our common shares as reported on the New York Stock Exchange Composite Tape and the per share dividends declared for the fiscal years ended June 30, 2018 and 2017 and paid quarterly. It also reflects the range of the reported high and low closing prices of our common shares from July 1, 2018 through the period ended on July 31, 2018 and the per share dividends declared from July 1, 2018 through the period ended on July 31, 2018:

	High	Low	Dividends Declared
Fiscal 2017			
Quarter Ended:			
September 30, 2016	$ 84.92	$ 75.26	$ 0.4489
December 31, 2016	76.71	65.17	0.4489
March 31, 2017	83.80	72.47	0.4489
June 30, 2017	82.71	71.18	0.4624
Fiscal 2018			
Quarter Ended:			
September 30, 2017	$ 78.69	$ 64.36	$ 0.4624
December 31, 2017	68.24	55.00	0.4624
March 31, 2018	75.23	61.22	0.4624
June 30, 2018	65.82	48.83	0.4763
Fiscal 2019	$ 50.80	$ 48.80	$ —

At July 31, 2018 there were approximately 7,817 shareholders of record of our common shares.

We anticipate that we will continue to pay quarterly cash dividends in the future. The payment and amount of future dividends remain, however, within the discretion of our Board of Directors and will depend upon our future earnings, financial condition, capital requirements and other factors.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2) (in millions)
April 2018	292	$ 63.07	—	$ 993
May 2018	449,113	52.22	448,675	970
June 2018	1,433,537	53.41	1,433,244	893
Total	**1,882,942**	**$ 53.13**	**1,881,919**	**$ 893**

(1) Reflects 292 , 438 and 293 common shares purchased in April, May and June 2018 , respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On February 7, 2018 our Board of Directors approved a $1.0 billion share repurchase program that expires on December 31, 2020. During the three months ended June 30, 2018 , we repurchased two million common shares under this program at June 30, 2018. We have $893 million available under this program. On August 16, 2018 we entered into an ASR program to purchase shares of our common stock for an aggregate purchase price of $ 600 million and received an initial delivery of 9.5 million shares of common stock using a reference price of $ 50.45 . The program is expected to conclude in the second quarter of fiscal 2019.

Market for Registrant's Common Equity

Five Year Performance Graph

The following line graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor's Composite—500 Stock Index (the "S&P 500 Index") and the Standard & Poor's Composite—500 Healthcare Index (the "S&P 500 Healthcare Index"). The line graph assumes, in each case, an initial investment of $100 on June 30, 2013, based on the market prices at the end of each fiscal year through and including June 30, 2018 , and reinvestment of dividends. The S&P 500 Index and S&P 500 Healthcare Index investments are weighted on the basis of market capitalization at the beginning of each period.

	June 30					
	2013	2014	2015	2016	2017	**2018**
Cardinal Health, Inc.	$ 100.00	$ 148.12	$ 183.83	$ 174.87	$ 178.80	**$ 115.63**
S&P 500 Index	100.00	124.60	133.84	139.17	164.06	**187.62**
S&P 500 Healthcare Index	100.00	130.09	161.53	158.26	177.99	**190.64**

Management Reports

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2018 . Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls deemed effective now may become inadequate in the future because of changes in conditions, or because compliance with policies or procedures has deteriorated or been circumvented.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2018 . In making this assessment, management used the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). Based on management's assessment and the COSO criteria, management believes that our internal control over financial reporting was effective as of June 30, 2018 .

Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on our internal control over financial reporting. Ernst & Young LLP's report appears following this "Management Reports" section and expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

On July 29, 2017, we completed the acquisition of the Patient Recovery business. As permitted by guidelines established by the SEC, management excluded the Patient Recovery business from the scope of its assessment of the effectiveness of internal control over financial reporting as of June 30, 2018. The Patient Recovery business constituted 17% and 11% of our total and net assets, respectively, as of June 30, 2018 and approximately 2% of our revenue for the fiscal year then ended.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Shareholders and the Board of Directors of Cardinal Health, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cardinal Health, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on the COSO criteria.

As indicated in the accompanying "Management's Report on Internal Control Over Financial Reporting," management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Patient Recovery Business, which is included in the 2018 consolidated financial statements of the Company and constituted 17% and 11% of total and net assets, respectively; as of June 30, 2018 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the Patient Recovery Business.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Cardinal Health, Inc. and subsidiaries as of June 30, 2018 and 2017 and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated August 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

August 22, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries (the Company) as of June 30, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Grandview Heights, Ohio

August 22, 2018

Financial Statements and Supplementary Data

Consolidated Statements of Earnings

(in millions, except per common share amounts)	2018	2017	2016
Revenue	$ 136,809	$ 129,976	$ 121,546
Cost of products sold	129,628	123,432	115,003
Gross margin	7,181	6,544	6,543
Operating expenses:			
Distribution, selling, general and administrative expenses	4,596	3,775	3,648
Restructuring and employee severance	176	56	25
Amortization and other acquisition-related costs	707	527	459
Impairments and (gain)/loss on disposal of assets, net	1,417	18	21
Litigation (recoveries)/charges, net	159	48	(69)
Operating earnings	126	2,120	2,459
Other (income)/expense, net	23	(5)	5
Interest expense, net	329	201	178
Loss on extinguishment of debt	2	—	—
Earnings/(loss) before income taxes	(228)	1,924	2,276
Provision for/(benefit from) income taxes	(487)	630	845
Net earnings	259	1,294	1,431
Less: Net earnings attributable to noncontrolling interests	(3)	(6)	(4)
Net earnings attributable to Cardinal Health, Inc.	$ 256	$ 1,288	$ 1,427
Earnings per common share attributable to Cardinal Health, Inc.			
Basic	$ 0.82	$ 4.06	$ 4.36
Diluted	0.81	4.03	4.32
Weighted-average number of common shares outstanding:			
Basic	313	317	327
Diluted	315	320	330

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Comprehensive Income

(in millions)	2018	2017	2016
Net earnings	**$ 259**	$ 1,294	$ 1,431
Other comprehensive income/(loss):			
Foreign currency translation adjustments and other	**58**	(25)	(82)
Amounts reclassified to earnings	**(23)**	—	—
Net unrealized gain/(loss) on derivative instruments, net of tax	**(2)**	16	(11)
Total other comprehensive income/(loss), net of tax	**33**	(9)	(93)
Total comprehensive income	**292**	1,285	1,338
Less: comprehensive income attributable to noncontrolling interests	**(3)**	(6)	(4)
Total comprehensive income attributable to Cardinal Health, Inc.	**$ 289**	$ 1,279	$ 1,334

The accompanying notes are an integral part of these consolidated statements.

Consolidated Balance Sheets

(in millions)	June 30 2018	2017
Assets		
Current assets:		
Cash and equivalents	**$ 1,763**	$ 6,879
Trade receivables, net	**7,800**	8,048
Inventories, net	**12,308**	11,301
Prepaid expenses and other	**1,926**	2,117
Assets held for sale	**756**	—
Total current assets	**24,553**	28,345
Property and equipment, net	**2,487**	1,879
Goodwill and other intangibles, net	**12,229**	9,207
Other assets	**682**	681
Total assets	**$ 39,951**	$ 40,112
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 19,677**	$ 17,906
Current portion of long-term obligations and other short-term borrowings	**1,001**	1,327
Other accrued liabilities	**2,002**	$ 1,988
Liabilities related to assets held for sale	**213**	—
Total current liabilities	**22,893**	21,221
Long-term obligations, less current portion	**8,012**	9,068
Deferred income taxes and other liabilities	**2,975**	2,877
Redeemable noncontrolling interests	**12**	118
Shareholders' equity:		
Preferred shares, without par value:		
Authorized— **500 thousand** shares, Issued— **none**	**—**	—
Common shares, without par value:		
Authorized— **755 million** shares, Issued— **327 million** shares at **June 30, 2018** and June 30, 2017, respectively	**2,730**	2,697
Retained earnings	**4,645**	4,967
Common shares in treasury, at cost: **18 million** shares and 11 million shares at **June 30, 2018** and June 30, 2017, respectively	**(1,224)**	(731)
Accumulated other comprehensive loss	**(92)**	(125)
Total Cardinal Health, Inc. shareholders' equity	**6,059**	6,808
Noncontrolling interests	**—**	20
Total shareholders' equity	**6,059**	6,828
Total liabilities, redeemable noncontrolling interests and shareholders' equity	**$ 39,951**	$ 40,112

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Shareholders' Equity

(in millions)	Common Shares Shares Issued	Common Shares Amount	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	**Total Shareholders' Equity**
Balance at June 30, 2015	364	$ 3,003	$ 5,521	(36)	$ (2,245)	$ (23)	$ —	**$ 6,256**
Net earnings			1,427				3	**1,430**
Other comprehensive loss, net of tax						(93)		**(93)**
Purchase of noncontrolling interests							(7)	**(7)**
Employee stock plans activity, including tax benefit of $33 million	—	7		2	137			**144**
Treasury shares acquired				(8)	(651)			**(651)**
Dividends declared			(529)					**(529)**
Other							21	**21**
Balance at June 30, 2016	364	3,010	6,419	(42)	(2,759)	(116)	17	**6,571**
Net earnings			1,288				2	**1,290**
Other comprehensive loss, net of tax						(9)		**(9)**
Purchase of noncontrolling interests							(1)	**(1)**
Employee stock plans activity, including tax benefit of $34 million	—	(11)		2	167			**156**
Treasury shares acquired				(8)	(600)			**(600)**
Dividends declared			(580)					**(580)**
Other			(1)				2	**1**
Retirement of Treasury Shares	(37)	(302)	(2,159)	37	2,461			**—**
Balance at June 30, 2017	327	2,697	4,967	(11)	(731)	(125)	20	**6,828**
Net earnings			**256**				**(1)**	**255**
Other comprehensive loss, net of tax						**33**		**33**
Purchase and divestiture of noncontrolling interests							**(19)**	**(19)**
Employee stock plans activity, including tax benefit of $10 million	—	**33**		**1**	**57**			**90**
Treasury shares acquired				**(8)**	**(550)**			**(550)**
Dividends declared			**(584)**					**(584)**
Other			**6**					**6**
Balance at June 30, 2018	**327**	**$ 2,730**	**$ 4,645**	**(18)**	**$ (1,224)**	**$ (92)**	**$ —**	**$ 6,059**

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

(in millions)	2018	2017	2016
Cash flows from operating activities:			
Net earnings	**$ 259**	$ 1,294	$ 1,431
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**1,032**	717	641
Loss on extinguishment of debt	**2**	—	—
Impairments and loss on sale of other investments	**6**	4	—
Impairments and loss on disposal of assets, net	**1,417**	18	21
Share-based compensation	**85**	96	111
Provision for/(benefit from) deferred income taxes	**(1,012)**	291	87
Provision for bad debts	**111**	63	73
Change in fair value of contingent consideration obligation	**(2)**	(5)	(16)
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:			
Increase in trade receivables	**(871)**	(665)	(866)
Increase in inventories	**(1,211)**	(673)	(1,179)
Increase in accounts payable	**2,574**	564	2,815
Other accrued liabilities and operating items, net	**378**	(520)	(147)
Net cash provided by operating activities	**2,768**	1,184	2,971
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	**(6,142)**	(132)	(3,614)
Additions to property and equipment	**(384)**	(387)	(465)
Purchase of available-for-sale securities and other investments	**(9)**	(194)	(200)
Proceeds from sale of available-for-sale securities and other investments	**65**	228	136
Proceeds from maturities of available-for-sale securities	**—**	77	50
Proceeds from divestitures, net of cash sold, and disposal of property and equipment	**862**	3	13
Net cash used in investing activities	**(5,608)**	(405)	(4,080)
Cash flows from financing activities:			
Payment of contingent consideration obligation	**(35)**	(3)	(25)
Net change in short-term borrowings	**(50)**	3	26
Purchase of noncontrolling interests	**(106)**	(12)	(10)
Reduction of long-term obligations	**(954)**	(310)	(6)
Proceeds from interest rate swap terminations	**—**	14	—
Proceeds from long-term obligations, net of issuance costs	**3**	5,171	—
Net tax proceeds/(withholding) from share-based compensation	**(3)**	26	6
Excess tax benefits from share-based compensation	**—**	34	33
Dividends on common shares	**(581)**	(577)	(512)
Purchase of treasury shares	**(550)**	(600)	(651)
Net cash provided by/(used in) financing activities	**(2,276)**	3,746	(1,139)
Effect of exchange rates changes on cash and equivalents	**4**	(2)	(12)
Cash reclassified to assets held for sale	**(4)**	—	—
Net increase/(decrease) in cash and equivalents	**(5,116)**	4,523	(2,260)
Cash and equivalents at beginning of period	**6,879**	2,356	4,616
Cash and equivalents at end of period	**$ 1,763**	$ 6,879	$ 2,356
Supplemental Information:			
Cash payments for interest	**$ 320**	$ 200	$ 174
Cash payments for income taxes	**425**	686	635

The accompanying notes are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cardinal Health, Inc. is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. The company provides medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. References to "we", "our" and similar pronouns in these consolidated financial statements are to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context otherwise requires.

Our fiscal year ends on June 30. References to fiscal 2018 , 2017 and 2016 in these consolidated financial statements are to the fiscal years ended June 30, 2018 , 2017 and 2016 , respectively.

Basis of Presentation

Our consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. To conform to the current year presentation, certain prior year amounts have been reclassified. The results of businesses acquired or disposed of are included in the consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively.

Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in accordance with GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates, judgments and assumptions are used in the accounting and disclosure related to, among other items, allowance for doubtful accounts, inventory valuation and reserves, business combinations, goodwill and other intangible asset impairment, vendor reserves, loss contingencies, self-insurance accruals, income taxes and share-based compensation. Actual amounts could ultimately differ from these estimated amounts.

Cash Equivalents

We consider liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Receivables and Allowance for Doubtful Accounts

Trade receivables are presented net of an allowance for doubtful accounts of $139 million and $137 million at June 30, 2018 and 2017 , respectively. An account is considered past due on the first day after its due date. In accordance with contract terms, we generally have the ability to charge customers service fees or higher prices if an account is considered past due. We regularly monitor past due accounts and establish appropriate reserves to cover potential losses, which are based primarily on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

We provide financing to various customers. Such financing arrangements range from 1 year to 5 years at interest rates that are generally subject to fluctuation. Interest income on these arrangements is recognized as it is earned. The financings may be collateralized, guaranteed by third parties or unsecured. Finance notes, net and related accrued interest were $136 million (current portion $26 million) and $171 million (current portion $53 million) at June 30, 2018 and 2017 , respectively, and are included in other assets (current portion is included in prepaid expenses and other) in the consolidated balance sheets. Finance notes receivable allowance for doubtful accounts were $7 million and $9 million at June 30, 2018 and 2017 , respectively. We estimate an allowance for these financing receivables based on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

Concentrations of Credit Risk

We maintain cash depository accounts with major banks, and we invest in high quality, short-term liquid instruments, and in marketable securities. Our short-term liquid instruments mature within three months and we have not historically incurred any related losses. Investments in marketable debt securities consist of a portfolio of high-grade instruments. Such investments are made only in instruments issued by highly-rated institutions, whose financial condition we monitor. We had none of these investments at June 30, 2018.

Our trade receivables and finance notes and related accrued interest are exposed to a concentration of credit risk with certain large customers and with customers in the retail and healthcare sectors. Credit risk can be affected by changes in reimbursement and other economic pressures impacting the healthcare industry. With respect to customers in the retail and healthcare sectors, such credit risk is limited due to supporting collateral and the diversity of the customer base, including its wide geographic dispersion. We perform regular credit evaluations of our customers' financial conditions and maintain reserves for losses through the established allowance for doubtful accounts. Historically, such losses have been within our expectations. Refer to the "Receivables and Allowance for Doubtful Accounts" section within this Note for additional information on the accounting treatment of reserves for allowance for doubtful accounts.

Major Customers

CVS Health Corporation ("CVS") and OptumRx, are our only customers that individually account for at least 10 percent of revenue and gross trade receivables. These customers are primarily serviced through our Pharmaceutical segment.

The following table summarizes historical percent of revenue and gross trade receivables from CVS and OptumRx:

	Percent of Revenue			Percent of Gross Trade Receivables at June 30	
	2018	2017	2016	**2018**	2017
CVS	**25%**	23%	25%	**22%**	20%
OptumRx	**11%**	11%	7%	**4%**	1%

Our pharmaceutical distribution contract with OptumRx began in fiscal 2016 and did not exceed 10 percent until fiscal 2017.

We have entered into agreements with group purchasing organizations ("GPOs") which act as purchasing agents that negotiate vendor contracts on behalf of their members. Vizient, Inc. and Premier, Inc. are our two largest GPO member relationships in terms of revenue. Sales to members of these two GPOs collectively accounted for 22 percent , 21 percent and 17 percent of revenue for fiscal 2018 , 2017 and 2016 , respectively. Our trade receivable balances are with individual members of the GPO, and therefore no significant concentration of credit risk exists with these types of arrangements.

Inventories

A substantial portion of our inventories (56 percent at both June 30, 2018 and 2017) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These inventories are included within the core pharmaceutical distribution facilities of our Pharmaceutical segment ("distribution facilities") and are primarily merchandise inventories. The LIFO method presumes that the most recent inventory purchases are the first items sold, so LIFO helps us better match current costs and revenue. We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within the distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation.

If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2018 or 2017 because inventories valued at LIFO were $92 million and $46 million higher than the average cost value at June 30, 2018 and 2017 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record any changes in our LIFO reserve in fiscal 2018 and 2017 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $147 million and $76 million at June 30, 2018 and 2017 , respectively. The increase in the reserves for excess and obsolete inventory during fiscal 2018 was driven by increased Cordis inventory reserves and the Patient Recovery acquisition. We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory and age of on-hand inventory.

Cash Discounts

Manufacturer cash discounts are recorded as a component of inventory cost and recognized as a reduction of cost of products sold as inventory is sold.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Property and equipment held for sale are recorded at the lower of cost or fair value less cost to sell. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including capital lease assets which are depreciated over the terms of their respective leases. We generally use the following range of useful lives for our property and equipment categories: buildings and improvements— 3 to 39 years ; machinery and equipment— 3 to 20 years ; and furniture and fixtures— 3 to 7 years . We recorded depreciation and amortization expense of $446 million , $314 million and $277 million for fiscal 2018 , 2017 and 2016 , respectively.

The following table presents the components of property and equipment, net at June 30:

(in millions)	**2018**	2017
Land, building and improvements	**$ 2,115**	$ 1,637
Machinery and equipment	**3,006**	2,860
Furniture and fixtures	**139**	130
Total property and equipment, at cost	**5,260**	4,627
Accumulated depreciation and amortization	**(2,773)**	(2,748)
Property and equipment, net	**$ 2,487**	$ 1,879

Repairs and maintenance expenditures are expensed as incurred. Interest on long-term projects is capitalized using a rate that approximates the weighted-average interest rate on long-term obligations, which was 4 percent at June 30, 2018 . The amount of capitalized interest was immaterial for all periods presented.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. We base the fair values of identifiable intangible assets on detailed valuations that require management to make significant judgments, estimates and assumptions. Critical estimates and assumptions include: expected future cash flows for customer relationships, trade names and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. When an acquisition involves contingent consideration, we recognize a liability equal to the fair value of the contingent consideration obligation at the acquisition date. The estimate of fair

value of a contingent consideration obligation requires subjective assumptions to be made regarding future business results, discount rates, discount periods and probabilities assigned to various potential business result scenarios. See Note 2 for additional information regarding our acquisitions.

Goodwill and Other Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually or when indicators of impairment exist.

Purchased goodwill is tested for impairment at least annually. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value does not exceed the carrying amount, then a quantitative test is performed. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear Pharmacy Services division); Nuclear Pharmacy Services division; Medical operating segment (excluding our Cardinal Health at Home division and naviHealth division) ("Medical Unit"); Cardinal Health at Home division; and naviHealth division.

Fair value can be determined using market, income or cost-based approaches. Our determination of estimated fair value of the reporting units is based on a combination of the income-based and market-based approaches. Under the income-based approach, we use a discounted cash flow model in which cash flows anticipated over several future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate risk-adjusted rate of return. We use our internal forecasts to estimate future cash flows, which we believe are consistent with those of a market participant, and include an estimate of long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ materially from those used in our forecasts. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Discount rates used in our reporting unit valuations ranged from 8.5 percent to 13.5 percent .

Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units. To further confirm fair value, we compare the aggregate fair value of our reporting units to our total market capitalization. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including forecasted operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment.

We performed annual impairment testing in fiscal 2018 , 2017 and 2016 and with the exception of our Medical Unit in fiscal 2018, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. As discussed further in Note 5 of the "Notes to Consolidated Financial Statements," during the fourth quarter of fiscal 2018 we recognized a $1.4 billion goodwill impairment charge related to our Medical Unit, which is included in impairments and loss on disposal of assets in our consolidated statements of earnings. There was no tax benefit related to this goodwill impairment charge.

The impairment test for indefinite-lived intangibles other than goodwill (primarily IPR&D) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

Intangible assets with finite lives, primarily customer relationships; trademarks, trade names and patents; and developed technology, are amortized using a combination of straight-line and accelerated methods based on the expected cash flows from the asset over their estimated useful lives. We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of the future forecasted undiscounted cash flows expected to be generated by the asset group. Actual results may differ materially from those used in our forecasts.

Assets Held for Sale

We classify assets and liabilities (the "disposal group") as held for sale when management commits to a plan to sell the disposal group in its present condition and at a price that is reasonable in relation to its current fair value. We also consider whether an active program to locate a buyer has been initiated and if it is probable that the sale will

occur within one year without significant changes to the plan to sell. Upon classification of the disposal group as held for sale, we test the assets for impairment and cease related depreciation and amortization.

Investments

Investments in non-marketable equity securities are accounted for under either the cost or equity method of accounting and are included in other assets in the consolidated balance sheets. For investments in which we can exercise significant influence, we use the equity method of accounting. Our share of the earnings and losses was immaterial, both individually and in the aggregate, for all periods presented and is recorded in other income, net in the consolidated statements of earnings. We closely monitor our investments for other-than-temporary impairment by considering factors such as the operating performance of the investment and current economic and market conditions.

Marketable securities are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are included within shareholders' equity in accumulated other comprehensive income ("AOCI"). We monitor these securities for other-than-temporary impairment by considering factors such as the duration that, and the extent to which, the fair value is below cost, the operating performance and credit worthiness of the issuer of the securities and current economic and market conditions. See Note 6 for additional information regarding available-for-sale securities.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputes are researched and resolved based upon the findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. Though the claim types are relatively consistent, we periodically refine our methodology by updating the reserve estimate percentages to reflect actual historical experience. The ultimate outcome of certain claims may be different than our original estimate and may require an adjustment. Adjustments to vendor reserves are included in cost of products sold. In addition, the reserve balance will fluctuate due to variations of outstanding claims from period-to-period, timing of settlements and specific vendor issues, such as bankruptcies. Vendor reserves were $45 million and $50 million at June 30, 2018 and 2017 , respectively, excluding third-party returns. See Third-Party Returns section within this Note for a description of third-party returns.

Distribution Services Agreement and Other Vendor Fees

Our Pharmaceutical segment recognizes fees received from distribution services agreements and other fees received from vendors related to the purchase or distribution of the vendors' inventory when those fees have been earned and we are entitled to payment. Since the benefit provided to a vendor is related to the purchase and distribution of the vendor's inventory, we recognize the fees as a reduction in the carrying value of the inventory that generated the fees, and as such, a reduction of cost of products sold in our consolidated statements of earnings when the inventory is sold.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We also self-insure for employee healthcare, general liability, certain product liability matters, auto liability, property and workers' compensation. Self-insurance accruals include an estimate for expected settlements or pending claims, defense costs, administrative fees, claim adjustment costs and an estimate for claims incurred but not reported. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies and other liabilities is highly subjective and requires judgments about future events. We regularly review contingencies and our self-insurance accruals to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates. We recognize these estimated loss contingencies, income from favorable resolution of litigation and certain defense costs in litigation (recoveries)/charges in our consolidated statements of earnings. See Note 9 for additional information regarding loss contingencies and product liability lawsuits.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate . We assess the realizability of deferred tax assets on a quarterly basis and provide a valuation allowance for deferred tax assets when it is more likely than not that at least a portion of the deferred tax assets will not be realized. The realizability of deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction and also considers all available positive and negative evidence.

Deferred taxes for non-U.S. liabilities are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are indefinitely reinvested.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation processes. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. See Note 8 for additional information regarding income taxes.

Other Accrued Liabilities

Other accrued liabilities represent various current obligations, including certain accrued operating expenses and taxes payable.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests represent the portion of net earnings, comprehensive income and net assets that is not attributable to Cardinal Health, Inc.

The redeemable noncontrolling interests relate to our ownership interest in naviHealth Holdings, LLC ("naviHealth"), which we acquired during fiscal 2016. The redeemable noncontrolling interests are redeemable at the option of the third-party noncontrolling interest holders at any time after the two-year anniversary of the closing, or earlier if a trigger event occurs. As such, the noncontrolling interests have been presented as redeemable noncontrolling interests in our consolidated balance sheets. The noncontrolling interests will be adjusted each period for net earnings and dividends attributable to the noncontrolling interests and changes in the noncontrolling ownership interests, if any. An additional adjustment to the carrying value of the noncontrolling interests may be required if the redemption value under the terms of the agreement exceeds the carrying value. Changes in the carrying value of the noncontrolling interests related to a change in the redemption value will be recorded through retained earnings and will not affect net earnings attributable to Cardinal Health, Inc. See Note 13 for additional information regarding redeemable noncontrolling interests.

In June 2018, we signed a securities purchase agreement and a contribution and rollover agreement with investor entities controlled by Clayton, Dubilier & Rice ("CD&R") to sell our ownership interest in naviHealth. For more information on this divestiture see Note 4 .

Share-Based Compensation

Share-based compensation provided to employees is recognized in the consolidated statements of earnings based on the grant date fair value of the awards. The fair value of stock options is determined on the grant date using a lattice valuation model. The fair value of restricted share units and performance share units is determined by the grant date market price of our common shares. The compensation expense associated with nonvested performance share units is dependent on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. The compensation expense recognized for share-based awards is net of estimated forfeitures and is recognized ratably over the service period of the awards. All income tax effects of share-based awards are recognized in the statement of earnings as awards vest or are settled. We classify share-based compensation expense in distribution, selling, general and administrative ("SG&A") expenses to correspond with the same line item as the majority of the cash compensation paid to employees. If awards are modified in connection with a restructuring activity, the incremental share-based compensation expense is classified in restructuring and employee severance. See Note 17 for additional information regarding share-based compensation.

Dividends

We paid cash dividends per common share of $1.85 , $1.80 and $1.55 in fiscal 2018 , 2017 and 2016 , respectively.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, product delivery has occurred or the services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

Pharmaceutical Segment

The Pharmaceutical segment recognizes distribution revenue when title transfers to its customers and we have no further obligation to provide services related to such merchandise.

Revenue for deliveries that are directly shipped to customers from the manufacturer when we act as an intermediary in the ordering and delivery of products is recorded gross. This is in accordance with accounting standards addressing reporting revenue on a gross basis as a principal versus on a net basis as an agent. This revenue is recorded on a gross basis since we incur credit risk from the customer, are primarily responsible for fulfillment, bear the risk of loss for incomplete shipments and do not receive a separate fee or commission for the transaction and, as such, are the primary obligor. Revenue from these sales is recognized when title transfers to the customer and we have no further obligation to provide services related to such merchandise.

Radiopharmaceutical revenue is recognized upon delivery of the product to the customer and we have no further obligation to provide services related to such merchandise.

Medical Segment

The Medical segment recognizes revenue when title transfers to its customers and we have no further obligation to provide services related to such products.

Sales Returns and Allowances

Revenue is recorded net of sales returns and allowances. Our customer return policies generally require that the product be physically returned, subject to restocking fees, in a condition suitable to be added back to inventory and resold at full value, or returned to vendors for credit ("merchantable product"). Product returns are generally consistent throughout the year and typically are not specific to any particular product or customer.

We accrue for estimated sales returns and allowances at the time of sale based upon historical customer return trends, margin rates and processing costs. Our accrual for sales returns is reflected as a reduction of revenue and cost of products sold for the sales price and cost, respectively. At June 30, 2018 and 2017 , the accrual for estimated sales returns and allowances was $479 million and $347 million , respectively, the impact of which is reflected in trade receivables, net and inventories, net in the consolidated balance sheets. Sales returns and allowances were $2.4 billion , $2.3 billion and $2.2 billion , for fiscal 2018 , 2017 and 2016 , respectively.

Third-Party Returns

We generally do not accept non-merchantable pharmaceutical product returns from our customers, so many of our customers return non-merchantable pharmaceutical products to the manufacturer through third parties. Since our customers generally do not have a direct relationship with manufacturers, our vendors pass the value of such returns to us (usually in the form of an accounts payable

deduction) for distribution to customers. We, in turn, pass the value received, less an administrative fee, to our customer. In certain instances, we pass the estimated value of the return to our customer prior to our receipt of the value from the vendor. Although we believe we have satisfactory protections, we could be subject to claims from customers or vendors if our administration of this overall process was deficient in some respect or our contractual terms with vendors are in conflict with our contractual terms with our customers. We have maintained reserves for some of these situations based on their nature and our historical experience with their resolution.

Shipping and Handling

Shipping and handling costs are primarily included in SG&A expenses in our consolidated statements of earnings. Shipping and handling costs include all delivery expenses as well as all costs to prepare the product for shipment to the end customer. Shipping and handling costs were $543 million , $496 million and $504 million , for fiscal 2018 , 2017 and 2016 , respectively. Revenue received for shipping and handling was immaterial for all periods presented.

Restructuring and Employee Severance

Restructuring activities are programs that are not part of the ongoing operations of our underlying business, such as closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including realignment of the management structure in response to changing market conditions). See Note 3 for additional information regarding our restructuring activities.

Amortization and Other Acquisition-Related Costs

We classify certain costs incurred in connection with acquisitions as amortization and other acquisition-related costs in our consolidated statements of earnings. These costs consist of amortization of acquisition-related intangible assets, transaction costs, integration costs and changes in the fair value of contingent consideration obligations. Transaction costs are incurred during the initial evaluation of a potential acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as due diligence activities. Integration costs relate to activities required to combine the operations of an acquired enterprise into our operations and, in the case of the Cordis and Patient Recovery businesses, to stand-up the systems and processes needed to support an expanded geographic footprint. We record changes in the fair value of contingent consideration obligations relating to acquisitions as income or expense in amortization and other acquisition-related costs. See Note 5 for additional information regarding amortization of acquisition-related intangible assets and Note 11 for additional information regarding contingent consideration.

Translation of Foreign Currencies

Financial statements of our subsidiaries outside the United States are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign subsidiaries into U.S. dollars are accumulated in shareholders' equity through AOCI utilizing period-end exchange rates. Revenues and expenses of these foreign subsidiaries are translated using average exchange rates during the year.

The foreign currency translation gains/(losses) included in AOCI at June 30, 2018 and 2017 are presented in Note 14 . Foreign currency transaction gains and losses for the period are included in the consolidated statements of earnings in the respective financial statement line item.

Interest Rate, Currency and Commodity Risk

All derivative instruments are recognized at fair value on the consolidated balance sheets and all changes in fair value are recognized in net earnings or shareholders' equity through AOCI, net of tax.

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. Any contract not designated as a hedge, or so designated but ineffective, is adjusted to fair value and recognized immediately in net earnings. If a fair value or cash flow hedge ceases to qualify for hedge accounting treatment, the contract continues to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value are recognized immediately in net earnings. If a forecasted transaction is probable not to occur, amounts previously deferred in AOCI are recognized immediately in net earnings. See Note 12 for additional information regarding our derivative instruments, including the accounting treatment for instruments designated as fair value, cash flow and economic hedges.

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are:

Level 1 - Observable prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

See Note 11 for additional information regarding fair value measurements.

Recent Financial Accounting Standards

In March 2018, the Financial Accounting Standards Board (the "FASB") issued amended accounting guidance to codify guidance

pursuant to SEC staff accounting bulletin 118 ("SAB 118"), which was issued in connection with the Tax Cuts and Jobs Act (the "Tax Act") of December 2017. The guidance allows companies to use provisional estimates to record the effects of the Tax Act and also provides a measurement period (not to exceed one year from the date of enactment) to complete the accounting for the impacts of the Tax Act. We adopted this guidance in the second quarter of fiscal 2018 when it was initially issued as SAB 118. We are still completing our accounting for the tax effects of the Tax Act because all the necessary information is not currently available, prepared, or analyzed. As such, we have made reasonable estimates of the effects of the Tax Act on our financial results. As we complete our analysis of the accounting for the tax effects of enactment of the Tax Act, we may record additional provisional amounts or adjustments to provisional amounts as discrete items in future periods. See Note 8 for additional information regarding income taxes.

In August 2017, the FASB issued accounting guidance which is intended to improve and simplify accounting rules around hedge accounting. The guidance will be effective for us in the first quarter of fiscal 2020 and early adoption is permitted. While we are currently evaluating the timing of adoption, we do not expect the impact of this standard to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued amended accounting guidance that changed the accounting for certain aspects of share-based compensation to employees. The guidance requires all income tax effects of share-based awards to be recognized in the statement of earnings as awards vest or are settled. Additionally, the guidance increases the amount employers can withhold in shares to cover employee income taxes without requiring liability classification and allows a policy election for accounting for forfeitures. The primary impact of adoption is the recognition of excess tax benefits in the statement of earnings on a prospective basis, rather than as a component of equity. The impact on the presentation in the consolidated statement of cash flows is also prospective. We adopted this guidance in the first quarter of fiscal 2018. The impact of adoption on the provision for/(benefit from) income taxes on our consolidated statement of earnings was immaterial. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for/(benefit from) income taxes as the amount of excess tax benefits or deficiencies from share- based compensation awards depends on our stock price at the date the awards vest or settle.

In February 2016, the FASB issued amended accounting guidance that requires lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. The guidance also requires disclosures that meet the objective of enabling financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases. This guidance will be effective for us in the first quarter of fiscal 2020 and we expect to elect the practical expedient which will allow us to not apply the amended lease accounting guidance to comparative periods that will be presented. The majority of our lease spend relates to certain real estate with the remaining lease spend primarily related to equipment.

We are continuing to evaluate the impact of this standard on our consolidated financial statements and the methods of adoption.

In May 2014, the FASB issued amended accounting guidance related to revenue recognition which is effective for us in the first quarter of fiscal 2019. This guidance is based on the principle that revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to customers. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The FASB also subsequently issued several amendments to the standard, including clarification on principal versus agent considerations, performance obligations and licensing, and certain scope improvements and practical expedients.

During fiscal 2018 we finalized our evaluation and assessment of the amended revenue recognition guidance. Our revenue is primarily distribution revenue, which we recognize at a point in time when title transfers to customers and we have no further obligation to provide services related to such merchandise. The timing of recognition of our distribution revenue will be unchanged under the amended guidance. The adoption of the amended accounting guidance will not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued final guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. This guidance will be effective for us in the first quarter of fiscal 2019 and the impact of this new guidance is dependent on future events.

In February 2017, the FASB clarified the guidance on how to account for the derecognition of nonfinancial assets (e.g., real estate, land, buildings, intangibles) and in-substance nonfinancial assets once an entity adopts the new revenue recognition guidance that is discussed in more detail above. The guidance also defines what constitutes an in-substance nonfinancial asset. This guidance will be effective for us in the first quarter of fiscal 2019. We anticipate the adoption of this guidance will not impact our consolidated financial statements.

In January 2017, the FASB issued amended accounting guidance that simplifies the accounting for goodwill impairment by eliminating the step of measuring a goodwill impairment by estimating the implied fair value of goodwill. Instead, goodwill impairment will be measured as the amount by which the reporting unit's carrying value exceeds its fair value, limited to the carrying value of the goodwill. We adopted this guidance in the second quarter of fiscal 2018. During the fourth quarter of fiscal 2018, we measured the Medical Unit's impairment at the amount by which the reporting unit's carrying value exceeded its fair value, resulting in an impairment charge of $1.4 billion . Refer to Note 5 for further discussion.

Also in January 2017, the FASB issued new accounting guidance that changes the definition of a business when evaluating whether a set of transferred assets and activities is considered a business. This

guidance will be effective for us in the first quarter of fiscal 2019. The impact of adoption is dependent on future events.

In October 2016, the FASB issued amended accounting guidance that requires an entity to recognize the income tax effect of intercompany sales and transfers of assets other than inventory at the time that the transfer occurs rather than when the asset is sold to a third party. This amendment will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In August 2016, the FASB issued accounting guidance which clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to contingent consideration payments made after a business combination, distributions received from equity method investees, debt prepayment or debt extinguishment costs and proceeds from the settlement of insurance claims. This guidance will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In June 2016, the FASB issued amended accounting guidance that will require entities to measure credit losses on trade and other receivables, held-to-maturity debt securities, loans and other instruments using an "expected credit loss" model that considers historical experience, current conditions and reasonable supportable forecasts. This guidance also requires that credit losses on available-for-sale debt securities with unrealized losses be recognized as allowances rather than as deductions in the amortized cost of the securities. This guidance will be effective for us in the first quarter of fiscal 2021. We are currently evaluating the impact of adoption on our consolidated financial statements.

2. Acquisitions

D uring fiscal 2018 , we completed several acquisitions, the most significant of which is the Patient Recovery Business described in more detail below. T he pro forma results of operations and the results of operations for acquired businesses since the acquisition dates have not been separately disclosed because the effects were not significant compared to the consolidated financial statements, individually or in the aggregate.

Patient Recovery Business

On July 29, 2017, we acquired the Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses (the "Patient Recovery Business") from Medtronic plc for $6.1 billion in cash. The Patient Recovery Business manufactures 23 categories of medical products sold into multiple healthcare channels. The acquisition further expanded the Medical segment's portfolio of self-manufactured products. We closed the Patient Recovery Business acquisition in 28 principal countries on July 29, 2017, and acquired control of, for GAAP purposes, and the rights to the net economic benefit from the entire Patient Recovery Business in the remaining countries at the closing. We are in the process of transitioning legal ownership in the remaining non-principal countries, which we expect to complete in early calendar 2019.

The results for the entire Patient Recovery Business in all countries are included in the consolidated financial statements beginning July 29, 2017. We funded the acquisition through $4.5 billion in long-term debt, existing cash and borrowings under our existing credit arrangements.

Transaction and integration costs associated with the acquisition of the Patient Recovery business were $109 million during the fiscal year ended June 30, 2018 and are included in amortization and other acquisition-related costs in the consolidated statements of earnings.

Fair Value of Assets Acquired and Liabilities Assumed

The allocation of the purchase price for the acquisition of the Patient Recovery Business is not yet finalized and is subject to adjustment as we complete the valuation analysis for this acquisition.

The valuation of identifiable intangible assets utilizes significant unobservable inputs and thus represents a Level 3 nonrecurring fair value measurement. The estimated fair value of the identifiable intangible assets was determined using income-based approaches, which includes market participant expectations of the cash flows that an asset could generate over its economic life, discounted back to present value using an appropriate rate of return. The weighted- average discount rate used to arrive at the present value of the identifiable intangible assets was 8.0 percent, and considers the inherent risk of each intangible asset relative to the internal rate of return and weighted-average cost of capital.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date for the Patient Recovery Business:

(in millions)		Patient Recovery Business
Identifiable intangible assets:		
Customer relationships (1)	$	1,733
Trade names (2)		187
Developed technology and other (3)		732
Total identifiable intangible assets acquired		2,652
Cash and equivalents		22
Inventories		425
Prepaid expenses and other		252
Property and equipment, net		741
Other accrued liabilities		(322)
Deferred income taxes and other liabilities		(982)
Total identifiable net assets acquired/(liabilities assumed)		2,788
Goodwill		3,292
Total net assets acquired	**$**	**6,080**

(1) The range of useful lives for customer relationships is 10 to 18 years.

(2) The useful life of trade names is 15 years.

(3) The useful life of developed technology is 15 years.

3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

(in millions)	2018	2017	2016
Employee-related costs (1)	$ 34	$ 51	$ 15
Facility exit and other costs (2)	142	5	10
Total restructuring and employee severance	**$ 176**	$ 56	$ 25

(1) Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods.

(2) Facility exit and other costs primarily consist of product distribution and lease contract termination costs, accelerated depreciation, equipment relocation costs, project consulting fees and costs associated with restructuring our delivery of information technology infrastructure services.

In September 2017, we entered into an agreement to transition the distribution of our Medical segment's surgeon gloves in certain international markets from a third-party distribution arrangement to a direct distribution model. The costs with this restructuring include $125 million , on a pre-tax basis, of contract termination costs which have been paid and are reflected in facility exit and other costs in the consolidated statement of earnings during the fiscal year ended 2018.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2016	$ 15	$ 1	**$ 16**
Additions	43	1	**44**
Payments and other adjustments	(17)	(2)	**(19)**
Balance at June 30, 2017	41	—	**41**
Additions	19	131	**150**
Payments and other adjustments	(36)	(127)	**(163)**
Balance at June 30, 2018	**$ 24**	**$ 4**	**$ 28**

4. Divestitures and Assets Held for Sale

China Divestiture

In February 2018, we sold our pharmaceutical and medical products distribution business in China ("China distribution business") for proceeds of $861 million (after adjusting for third party indebtedness and preliminary transaction adjustments) to Shanghai Pharmaceuticals Holding Co., Ltd. The proceeds are not reflective of tax obligations due in connection with the sale, for which we have recorded a liability of $59 million . The purchase price is subject to adjustment based on working capital requirements as set forth in the definitive agreement, which would impact the loss related to this divestiture.

We determined that the sale of the China distribution business does not meet the criteria to be classified as discontinued operations. The China distribution business primarily operated within our Pharmaceutical segment, and a smaller portion operated within our Medical segment.

During the fiscal year ended 2018, we recognized a pre-tax loss of $41 million related to this divestiture.

naviHealth Assets Held for Sale

In June 2018, we entered into a Securities Purchase Agreement and related Contribution and Rollover Agreement with investor entities controlled by CD&R. Pursuant to those agreements, on August 1, 2018, we sold our 98% ownership interest in naviHealth Holdings, LLC in exchange for proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns 100% of the equity interest of naviHealth. We also have certain call rights to reacquire naviHealth.

Upon signing the agreement, we met the criteria for the related assets and liabilities of naviHealth to be classified as held for sale. At June 30, 2018, we determined that the fair value less cost to sell exceeded the book value of the disposal group and there were no other indicators of asset impairment. We recognized a provisional tax benefit of $12 million related to the transaction during the three months ended June 30, 2018. See Note 8 for additional information regarding income taxes. We determined that the sale of naviHealth does not meet the criteria to be classified as discontinued operations. The naviHealth business operated within our Medical segment.

The following table presents information related to the assets and liabilities that were classified as held for sale at June 30, 2018 in the consolidated balance sheets:

(in millions)	June 30, 2018
Trade Receivables, net	**$ 74**
Goodwill and other intangibles, net	**642**
Other assets	**40**
Total assets held for sale	**$ 756**
Deferred revenue	**35**
Deferred income taxes	**38**
Other liabilities	**140**
Total liabilities related to assets held for sale	**$ 213**

5. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

(in millions)	Pharmaceutical (1)	Medical (2)	Total
Balance at June 30, 2016	$ 2,919	$ 4,248	**$ 7,167**
Goodwill acquired, net of purchase price adjustments	29	35	**64**
Foreign currency translation adjustments and other	(9)	(1)	**(10)**
Balance at June 30, 2017	2,939	4,282	**7,221**
Goodwill acquired, net of purchase price adjustments	1	3,342	**3,343**
Foreign currency translation adjustments and other	28	6	**34**
Goodwill divested with the sale of our China distribution business	(347)	(54)	**(401)**
naviHealth goodwill reclassified to assets held for sale	—	(509)	**(509)**
Impairment	—	(1,372)	**(1,372)**
Balance at June 30, 2018	**$ 2,621**	**$ 5,695**	**$ 8,316**

(1) At June 30, 2018 and 2017, the Pharmaceutical segment accumulated goodwill impairment loss was $829 million .

(2) At June 30, 2018 , the Medical segment accumulated goodwill impairment loss was $1.4 billion . The Medical segment had no accumulated goodwill impairment loss at June 30, 2017.

The increase in the Medical segment goodwill during fiscal 2018 is primarily due to the Patient Recovery Business acquisition. Goodwill recognized in connection with the Patient Recovery Business acquisition primarily represents the expected benefits from certain synergies of integrating the business, the existing workforce of the acquired entity, and the expected growth from new customers. See Note 2 for further discussion of this acquisition.

In conjunction with the preparation of our consolidated financial statements for fiscal 2018, we recently completed our annual quantitative goodwill impairment test, which we perform annually in the fourth quarter. This quantitative test resulted in a $1.4 billion goodwill impairment charge related to our Medical Unit, which is included in impairments and loss on disposal of assets in our consolidated statements of earnings. The impairment was primarily driven by inventory and cost challenges within our Cordis business which furthered in the fourth quarter of fiscal 2018. This impairment charge does not impact our liquidity, cash flows from operations, or compliance with debt covenants. There was no tax benefit related to the goodwill impairment charge. The goodwill balance for our Medical Unit, after recognizing the impairment, was $4.3 billion at June 30, 2018.

Using a combination of income and market-based approaches (using a discount rate of 8.5 percent), the carrying amount exceeded the fair value and resulted in an impairment of $1.4 billion for the Medical unit. Our fair value estimates utilize significant unobservable inputs and thus represent Level 3 fair value measurements.

During fiscal 2018, goodwill was also reduced by $401 million and $509 million in connection with the sale of our China distribution business and reclassification of naviHealth's assets and liabilities to held for sale, respectively.

See Note 4 for further discussion of this divestiture and assets held for sale.

Other Intangible Assets

The following tables summarize other intangible assets by class at June 30:

	2018			
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
Indefinite-life intangibles:				
IPR&D, trademarks and other	**$ 62**	**$ —**	**$ 62**	**N/A**
Total indefinite-life intangibles	**62**	**—**	**62**	**N/A**
Definite-life intangibles:				
Customer relationships	**3,513**	**1,191**	**2,322**	**15**
Trademarks, trade names and patents	**667**	**246**	**421**	**15**
Developed technology and other	**1,562**	**454**	**1,108**	**12**
Total definite-life intangibles	**5,742**	**1,891**	**3,851**	**14**
Total other intangible assets	**$ 5,804**	**$ 1,891**	**$ 3,913**	**N/A**

	2017		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 61	$ —	$ 61
Total indefinite-life intangibles	61	—	61
Definite-life intangibles:			
Customer relationships	1,966	967	999
Trademarks, trade names and patents	509	195	314
Developed technology and other	916	304	612
Total definite-life intangibles	3,391	1,466	1,925
Total other intangible assets	$ 3,452	$ 1,466	$ 1,986

Total amortization of intangible assets was $574 million , $395 million and $355 million for fiscal 2018 , 2017 and 2016 , respectively. The estimated annual amortization for intangible assets for fiscal 2019 through 2023 is as follows: $529 million , $501 million , $430 million , $398 million and $348 million .

During fiscal 2018, other intangible assets were reduced by $62 million and $133 million in connection with the sale of our China distribution business and reclassification of naviHealth's assets and liabilities to held for sale, respectively.

See Note 4 for further discussions of this divestiture and assets held for sale.

6. Available-for-Sale Securities

We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. We held the following investments in marketable securities at fair value at June 30:

(in millions)	2018	2017
Current available-for-sale securities:		
Treasury bills	—	25
International bonds	—	3
Corporate bonds	—	30
U.S. agency bonds	—	3
Asset-backed securities	—	3
International equity securities	—	1
Total available-for-sale securities	**$ —**	$ 65

In July 2017, we liquidated our marketable securities. There were no unrealized gains or losses at June 30, 2018 and unrealized gains and losses were immaterial at June 30, 2017 . During fiscal 2018 , 2017 and 2016 , gross realized gains and losses were immaterial and we did not recognize any other-than-temporary-impairments.

7. Long-Term Obligations and Other Short-Term Borrowings

The following table summarizes long-term obligations and other short-term borrowings at June 30:

(in millions) (1)	2018	2017
1.7% Notes due 2018	**$ —**	$ 400
1.95% Notes due 2018	**—**	547
1.948% Notes due 2019	**998**	996
2.4% Notes due 2019	**448**	453
4.625% Notes due 2020	**514**	519
2.616% Notes due 2022	**1,143**	1,142
3.2% Notes due 2022	**243**	248
Floating Rate Notes due 2022	**348**	347
3.2% Notes due 2023	**525**	544
3.079% Notes due 2024	**742**	744
3.5% Notes due 2024	**390**	396
3.75% Notes due 2025	**460**	481
3.41% Notes due 2027	**1,340**	1,340
4.6% Notes due 2043	**346**	346
4.5% Notes due 2044	**342**	341
4.9% Notes due 2045	**445**	445
4.368% Notes due 2047	**594**	594
7.0% Debentures due 2026	**124**	124
Other obligations	**11**	388
Total	**9,013**	10,395
Less: current portion of long-term obligations and other short-term borrowings	**1,001**	1,327
Long-term obligations, less current portion	**$ 8,012**	$ 9,068

(1) Maturities are presented on a calendar year basis.

Maturities of existing long-term obligations and other short-term borrowings for fiscal 2019 through 2023 and thereafter are as follows: $1.0 billion , $452 million , $516 million , $1.7 billion , $526 million and $4.8 billion .

Long-Term Debt

All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 7.0% Debentures represent unsecured obligations of Allegiance Corporation (a wholly-owned subsidiary), which Cardinal Health, Inc. has guaranteed. None of these obligations are subject to a sinking fund and the Allegiance obligations are not redeemable prior to maturity. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $19.7 billion .

In June 2018, we repaid the full principal of the 1.95% Notes due 2018 at maturity for $550 million . In July 2017, we redeemed the 1.7% Notes due 2018 early in full with a portion of the proceeds from the June 2017 issuance for $400 million .

In June 2017, we issued additional debt with the aggregate principal amount of $5.2 billion to fund a portion of the acquisition of the Patient Recovery Business from Medtronic, which closed on July 29, 2017 , to redeem the 1.7% Notes due 2018 and for general corporate purposes. The notes issued in conjunction with the acquisition are 1.948% Notes due 2019, 2.616% Notes due 2022, 3.079% Notes due 2024, 3.41% Notes due 2027, 4.368% Notes due 2047, and floating rate Notes due 2022. The amount of the notes issued net of discounts, premiums, mark-to-market of any interest rate swaps and debt issuance costs was $5.2 billion .

If we undergo a change of control, as defined in the notes, and if the notes receive specified ratings below investment grade by each of Standard & Poors Ratings Services, Moody's Investors Services and Fitch Ratings, any holder of the notes, excluding the debentures, can require with respect to the notes owned by such holder, or we can offer, to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest.

Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $2.0 billion revolving credit facility and a $1.0 billion committed receivables sales facility program, which we increased in August 2017 from $1.75 billion to $2.0 billion . In November 2016, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through November 1, 2019. CHF was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells receivables to CHF. CHF is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors.

We also maintain a $2.0 billion commercial paper program backed by a $2.0 billion revolving credit facility. At June 30, 2018 , we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of $24 million and $20 million at June 30, 2018 and 2017 , respectively. We also had no amounts outstanding under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of $34 million and $46 million at June 30, 2018 and 2017 , respectively. Under our commercial paper and committed receivables programs, we had a maximum amount outstanding of $1.7 billion and an average daily amount outstanding of $277 million during fiscal 2018 . We had no amounts outstanding under the commercial paper program as of June 30, 2018 .

Our revolving credit facility and committed receivables sales facility program require us to maintain, as of the end of any calendar quarter, a consolidated leverage ratio of no more than 4.25 -to-1, which will reduce to 3.25-to-1 in March 2019. As of June 30, 2018 , we were in compliance with these financial covenants.

We also maintain other short-term credit facilities and an unsecured line of credit that allowed for borrowings up to $8 million and $690 million at June 30, 2018 and 2017 , respectively. The $11 million and $388 million balance of other obligations at June 30, 2018 and 2017 , respectively, consisted of short-term borrowings and capital leases.

In fiscal 2018 we sold our China distribution business, including its debt which was $378 million as of June 30, 2017. See Note 4 for further discussion of this divestiture.

8. Income Taxes

Earnings/(loss) before Income Taxes and Provision for Income Taxes

The following table summarizes earnings/(loss) before income taxes:

(in millions)	2018	2017	2016
U.S. operations	$ 391	$ 1,772	$ 2,050
Non-U.S. operations	(619)	152	226
Earnings/(loss) before income taxes	$ (228)	$ 1,924	$ 2,276

The following table summarizes the components of provision for/(benefit from) income taxes:

(in millions)	2018	2017	2016
Current:			
Federal	$ 341	$ 273	$ 633
State and local	41	10	52
Non-U.S.	143	56	73
Total current	$ 525	$ 339	$ 758
Deferred:			
Federal	$ (1,003)	$ 258	$ 96
State and local	16	37	12
Non-U.S.	(25)	(4)	(21)
Total deferred	(1,012)	291	87
Provision for/(benefit from) income taxes	$ (487)	$ 630	$ 845

Effective Tax Rate

The following table presents a reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate:

	2018 (1)	2017 (2)	2016 (2)
Provision at Federal statutory rate	**28.1 %**	35.0 %	35.0 %
State and local income taxes, net of federal benefit	**(16.0)**	1.0	1.5
Foreign tax rate differential	**(48.4)**	(7.3)	(0.6)
Nondeductible/nontaxable items	**(10.2)**	0.2	1.0
Goodwill impairment	**(124.7)**	—	—
Tax Act	**410.9**	—	—
Capital loss	**71.4**	—	—
Change in valuation allowances	**(76.9)**	7.7	0.1
Foreign tax credits	**27.3**	(1.6)	(0.1)
China tax related to divestiture	**(25.8)**	—	—
Other	**(21.9)**	(2.3)	0.2
Effective income tax rate	**213.8 %**	32.7 %	37.1 %

(1) The effective income tax rate for fiscal 2018 represents an income tax benefit tax rate.

(2) The effective income tax rates for fiscal 2017 and 2016 represents income tax expense tax rates.

The income tax benefit rate in fiscal 2018 was 213.8% compared to income tax expense rates of 32.7% in fiscal 2017 and 37.1% in fiscal 2016. Fluctuations in the effective tax rates are primarily due to net benefits from the enactment of the Tax Act, the impact of nondeductible goodwill impairment charges, and a benefit from a capital loss due to international legal entity reorganization. There were also changes in valuation allowances related to capital losses, credit carryforwards and net operating loss carryforwards in U.S. federal, U.S. state and international jurisdictions.

On December 22, 2017, the United States enacted the Tax Act. The Tax Act makes broad and complex changes to the U.S. tax code that affect our fiscal year 2018 financial results in two primary ways. First, effective as of January 1, 2018, the Tax Act reduces the U.S. federal corporate tax rate from 35 percent to 21 percent. Second, it requires companies to pay a one-time U.S. repatriation tax on certain undistributed earnings of foreign subsidiaries. Because our fiscal year ends in June, we have a blended U.S. Federal statutory tax rate for fiscal 2018 of 28.1 percent under the Tax Act. The Tax Act also establishes new tax provisions that will affect us beginning July 1, 2018 including, (1) eliminating the U.S. manufacturing deduction; (2) establishing new limitations on deductible interest expense and certain executive compensation; (3) eliminating the corporate alternative minimum tax; (4) creating the base erosion anti-abuse tax; (5) creating a new provision designed to tax global intangible low-tax income ("GILTI"); (6) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; and (7) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

Regarding the new GILTI tax rules, we are allowed to make an accounting policy election to either (1) treat taxes due on future GILTI exclusions in U.S. taxable income as a current period expense when incurred or (2) reflect such portion of the future GILTI exclusions in U.S. taxable income that relate to existing basis differences in our measurement of deferred taxes. Our analysis of the new GILTI rules and how they may impact us is incomplete. Accordingly, we have not made a policy election regarding the treatment of the GILTI tax.

As a result of the enactment of a lower tax rate, we remeasured our U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. While we are still analyzing certain aspects of the Tax Act and refining our calculations, we have recorded a provisional net benefit of $977 million related to this required remeasurement. The provisional estimate is based on currently available information related to deferred tax assets and liabilities which is subject to change as additional information becomes available, prepared, and analyzed.

At June 30, 2018 , we had $110 million of undistributed earnings from non-U.S. subsidiaries. In connection with the required one-time U.S. repatriation tax on undistributed earnings of foreign subsidiaries, we recorded a provisional tax expense of $41 million which may change when our calculation is complete. The Tax Act permits the payment of this tax in eight installments over an eight-year period beginning in fiscal 2019. Though these foreign earnings have been deemed to be repatriated from a U.S. federal tax perspective, we have not yet completed our assessment of the Tax Act on our plans to reinvest foreign earnings and as such have not changed our prior conclusion that the earnings are indefinitely reinvested. The repatriation tax is based on currently available information and technical guidance related to the new tax law. The provisional estimate will be updated when additional information related to undistributed foreign earnings, foreign taxes and foreign cash and equivalents becomes available, prepared and analyzed.

Our effective tax rate was unfavorably impacted by goodwill impairment charges related to our Medical operating segment for the portion attributable to nondeductible goodwill for income tax purposes.

On June 28, 2018, we executed an international legal entity reorganization. This transaction resulted in a US capital loss and a tax benefit of $163 million . Due to the uncertainty of the future utilization of the capital loss, we recorded a valuation allowance of $72 million on the carryforward.

We had other changes in valuation allowances related to federal credits and various international and state net operating losses that we believe are more likely than not to expire unutilized.

Deferred Income Taxes

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 following table presents the components of the deferred income tax assets and liabilities at June 30:

(in millions)	2018	2017
Deferred income tax assets:		
Receivable basis difference	**$ 41**	$ 42
Accrued liabilities	**110**	125
Share-based compensation	**40**	53
Loss and tax credit carryforwards	**526**	378
Deferred tax assets related to uncertain tax positions	**30**	51
Other	**101**	43
Total deferred income tax assets	**848**	692
Valuation allowance for deferred income tax assets	**(412)**	(237)
Net deferred income tax assets	**$ 436**	$ 455
Deferred income tax liabilities:		
Inventory basis differences	**$ (1,103)**	$ (1,578)
Property-related	**(176)**	(183)
Goodwill and other intangibles	**(934)**	(570)
Total deferred income tax liabilities	$ (2,213)	$ (2,331)
Net deferred income tax liability	**$ (1,777)**	$ (1,876)

Deferred income tax assets and liabilities in the preceding table, after netting by taxing jurisdiction, are in the following captions in the consolidated balance sheets at June 30:

(in millions)	2018	2017
Noncurrent deferred income tax asset (1)	**37**	73
Noncurrent deferred income tax liability (2)	**(1,814)**	(1,949)
Net deferred income tax liability	**$ (1,777)**	$ (1,876)

(1) Included in other assets in the consolidated balance sheets.

(2) Included in deferred income taxes and other liabilities in the consolidated balance sheets.

At June 30, 2018 we had gross federal, state and international loss and credit carryforwards of $794 million , $2.0 billion and $1.1 billion , respectively, the tax effect of which is an aggregate deferred tax asset of $526 million . Substantially all of these carryforwards are available for at least three years. Approximately $379 million of the valuation allowance at June 30, 2018 applies to certain federal, state and international loss carryforwards that, in our opinion, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance would reduce income tax expense.

Unrecognized Tax Benefits

We had $423 million , $417 million and $527 million of unrecognized tax benefits at June 30, 2018 , 2017 and 2016 , respectively. The June 30, 2018 , 2017 and 2016 balances include $262 million , $268 million and $355 million , respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not affect our effective tax rate. We include the full amount of unrecognized tax benefits in deferred income taxes and other liabilities in the consolidated balance sheets. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

(in millions)	2018	2017	2016
Balance at beginning of fiscal year	**$ 417**	$ 527	$ 542
Additions for tax positions of the current year	**15**	29	22
Additions for tax positions of prior years (1)	**141**	23	42
Reductions for tax positions of prior years	**(40)**	(8)	(48)
Settlements with tax authorities (1)	**(99)**	(154)	(30)
Expiration of the statute of limitations (1)	(11)	—	(1)
Balance at end of fiscal year	**$ 423**	$ 417	$ 527

(1) Included in additions for tax positions of prior years is $110 million related to exposures acquired as part of the Patient Recovery Business for which we are indemnified. Settlements of $81 million related to the Patient Recovery Business as well as $11 million of statute expirations.

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is a net decrease of $0 million to $35 million , exclusive of penalties and interest.

We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At June 30, 2018 , 2017 and 2016 , we had $110 million , $99 million and $145 million , respectively, accrued for the payment of interest and penalties. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the consolidated balance sheets. During fiscal 2018 and 2017, we recognized $8 million and $12 million of expense for interest and penalties in income tax expense, respectively. During fiscal 2016 , we recognized $9 million of benefit for interest and penalties in income tax expense.

Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2008 through the current fiscal year.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), which has been acquired by Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was $151 million and $142 million at June 30, 2018 and 2017 , respectively, and is included in other assets in the consolidated balance sheets.

As a result of the acquisition of the Patient Recovery Business, Medtronic plc is obligated to indemnify us for certain tax exposures and transaction taxes related to periods prior to the acquisition under the purchase agreement. The indemnification receivable was $21 million at June 30, 2018 and is included in Other assets in the consolidated balance sheet.

9. Commitments, Contingent Liabilities and Litigation

Commitments

Operating Leases

The future minimum rental payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year at June 30, 2018 for fiscal 2019 through 2023 and thereafter are as follows: $113 million , $97 million , $77 million , $58 million , $41 million and $103 million . Rental expense relating to operating leases was $172 million , $159 million and $126 million in fiscal 2018 , 2017 and 2016 , respectively. Sublease rental income was immaterial for all periods presented.

Generic Sourcing Venture With CVS Health Corporation

Red Oak Sourcing, LLC ("Red Oak Sourcing") is a U.S.-based generic pharmaceutical sourcing venture with CVS Health for an initial term through June 2024. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. Due to the achievement of predetermined milestones, we are required to make quarterly payments of $45.6 million to CVS Health for the initial term.

Contingencies

New York Opioid Stewardship Act

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Each licensed manufacturer and distributor will be required to pay a portion of the assessment based on its ratable share, as determined by the state, of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year. The initial payment is due on January 1, 2019 for opioids sold or distributed during calendar year 2017.

We accrue for contingencies if it is probable that a liability has been incurred and the amount can be reasonably estimated. At this time, we believe that it is probable that we owe an amount under the OSA for calendar years 2017 and 2018, but we are unable to estimate the amount because of uncertainties with respect to the implementation of the assessment and because the information necessary to determine our share of the assessment is not yet available.

Legal Proceedings

We become involved from time to time in disputes, litigation and regulatory matters.

We may be named from time to time in *qui tam* actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a *qui tam* action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government .

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. In addition, from time to time, we receive subpoenas or requests for information from various federal or state agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

From time to time, we may determine that products we manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a potential quality or regulatory issue, we investigate and take appropriate corrective action. Such actions can lead to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, action by regulators and product liability claims and lawsuits, including class actions. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for certain litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges in our consolidated statements of earnings.

Opioid Lawsuits

Pharmaceutical wholesale distributors, including us, have been named as defendants in over 1,000 lawsuits relating to the distribution of prescription opioid pain medications. These lawsuits have been filed in various federal, state, and other courts by a variety of plaintiffs, which are primarily counties, municipalities and political subdivisions from 48 states. Plaintiffs also include state attorneys general, unions and other health and welfare funds, hospital systems and other healthcare providers. Of these lawsuits, 32 are purported class actions. The lawsuits seek equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as negligence, public nuisance, unjust enrichment as well as violations of controlled substance laws and various other

statutes. Many also name pharmaceutical manufacturers, retail pharmacy chains and other entities as defendants.

The vast majority of these lawsuits have been filed in U.S. federal court and have been transferred for consolidated pre-trial proceedings in a Multi-District Litigation proceeding in the United States District Court for the Northern District of Ohio. The court, among other things, ordered that three lawsuits proceed to trial in 2019 depending on the outcome of pre-trial motions. As a part of these proceedings, distributors have engaged in preliminary discussions with various parties, including state attorneys general, regarding possible resolution structures.

In addition, 39 state attorneys general have formed a multi-state task force to investigate the manufacturing, distribution, dispensing and prescribing practices of opioid medications. We have received requests related to this multi-state investigation, as well as civil investigative demands, subpoenas or requests for information from these and other state attorneys general offices. We are cooperating with the offices conducting these investigations.

We are vigorously defending ourselves in all of these opioid matters. Since all of the above-referenced lawsuits and investigations are in early stages, we are unable to predict their outcome or estimate a range of reasonably possible losses.

Product Liability Lawsuits

As of August 20, 2018, we are named as a defendant in 174 product liability lawsuits filed in Alameda County Superior Court in California involving claims by approximately 1,918 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. Another 20 lawsuits involving similar claims by approximately 21 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. We are vigorously defending ourselves in these lawsuits.

At June 30, 2018, we had a total of $259 million , net of expected insurance recoveries, accrued for losses and legal defense costs related to the Cordis IVC filter lawsuits. While we have recorded accruals based on our assessment of these matters, because these lawsuits are in early stages, we are unable to estimate a range of reasonably possible losses in excess of this accrued amount.

10. Guarantees

In the ordinary course of business, we agree to indemnify certain other parties under acquisition and disposition agreements, customer agreements, intellectual property licensing agreements, and other agreements. Such indemnification obligations vary in scope and, when defined, in duration. In many cases, a maximum obligation is not explicitly stated, and therefore the overall maximum amount of the liability under such indemnification obligations cannot be reasonably estimated. Where appropriate, such indemnification obligations are recorded as a liability. Historically, we have not, individually or in the aggregate, made payments under these indemnification obligations in any material amounts. In certain circumstances, we believe that existing insurance arrangements, subject to the general deduction and exclusion provisions, would cover portions of the liability that may arise from these indemnification obligations. In addition, we believe that the likelihood of a material liability being triggered under these indemnification obligations is not probable.

From time to time we enter into agreements that obligate us to make fixed payments upon the occurrence of certain events. Such obligations primarily relate to obligations arising under acquisition transactions, where we have agreed to make payments based upon the achievement of certain financial performance measures by the acquired business. Generally, the obligation is capped at an explicit amount. See Note 11 for detail regarding contingent consideration obligations.

11. Fair Value Measurements

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at June 30:

	2018			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 200	$ —	$ —	$ 200
Other investments (2)	117	—	—	117
Liabilities:				
Contingent consideration (3)	—	—	(1)	(1)
Forward contracts (4)	—	(76)	—	(76)

	2017			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 739	$ —	$ —	$ 739
Available-for-sale securities (1)	—	65	—	65
Other investments (2)	116	—	—	116
Liabilities:				
Contingent consideration (3)	—	—	(32)	(32)
Forward contracts (4)	—	(21)	—	(21)

(1) We invest in marketable securities, which are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. Observable Level 2 inputs such as quoted prices for similar securities, interest rate spreads, yield curves and credit risk are used to determine the fair value. See Note 6 for additional information regarding available-for-sale securities.

(2) Level 1 other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds primarily invest in the equity securities of companies with large market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

(3) Contingent consideration represents the obligations incurred in connection with acquisitions. We do not deem the fair value of the contingent consideration obligations under any single acquisition to be significant. The estimate of fair value of the contingent consideration obligations requires subjective assumptions to be made regarding future business results, discount rates, discount periods, and probabilities assigned to various potential business result scenarios and was determined using probability assessments with respect to the likelihood of reaching various targets or of achieving certain milestones. The fair value measurement is based on significant inputs unobservable in the market and thus represents a Level 3 measurement. Changes in current expectations of progress could change the probability of achieving the targets within the measurement periods and result in an increase or decrease in the fair value of the contingent consideration obligation.

(4) The fair value of interest rate swaps, foreign currency contracts and commodity contracts is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in the consolidated balance sheets.

The following table presents those liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3):

(in millions)	Contingent Consideration Obligation
Balance at June 30, 2016	$ 19
Additions from acquisitions	21
Changes in fair value of contingent consideration (1)	(5)
Payment of contingent consideration	(3)
Balance at June 30, 2017	32
Additions from acquisitions	5
Changes in fair value of contingent consideration (1)	(2)
Payment of contingent consideration	(35)
Balance at June 30, 2018	**$ 1**

The sum of the components may not equal the total due to rounding.

(1) Amount is included in amortization and other acquisition-related costs in the consolidated statements of earnings.

12. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk, and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period.

We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into derivative instruments with major financial institutions that are investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

Interest Rate Risk Management

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

The following table summarizes the fair value of our assets and liabilities related to derivatives designated as hedging instruments and the respective line items in which they were recorded in the consolidated balance sheets at June 30:

(in millions)	2018	2017
Assets:		
Foreign currency contracts (1)	**$ 3**	$ 3
Commodity contracts (1)	**2**	—
Total assets	**$ 5**	$ 3
Liabilities:		
Foreign currency contracts (3)	**$ 3**	$ 2
Pay-floating interest rate swaps (2)	**78**	19
Pay-floating interest rate swaps (3)	**$ —**	$ 2
Commodity contracts (3)	**—**	1
Total liabilities	**$ 81**	$ 24

(1) Included in prepaid expenses and other in the consolidated balance sheets.
(2) Included in deferred income taxes and other liabilities in the consolidated balance sheets.
(3) Included in other accrued liabilities in the consolidated balance sheets.

Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the consolidated statements of earnings.

During fiscal 2018 and 2017 we entered into pay-floating interest rate swaps with total notional amounts of $1.1 billion and $700 million , respectively. These swaps have been designated as fair value hedges of our fixed rate debt and are included in deferred income taxes and other liabilities in the consolidated balance sheets.

During fiscal 2017 we terminated notional amounts of $600 million of pay-floating interest rate swaps that were previously designated as fair value hedges. During fiscal 2018 and 2017 , $550 million and $250 million , respectively, of pay-floating interest rate swaps matured.

The following tables summarize the outstanding interest rate swaps designated as fair value hedges at June 30:

	2018	
(in millions)	**Notional Amount**	**Maturity Date**
Pay-floating interest rate swaps	**$ 2,313**	**Nov 2019 - Sep 2025**

	2017	
(in millions)	Notional Amount	Maturity Date
Pay-floating interest rate swaps	$ 1,813	Jun 2018 - Sep 2025

The following table summarizes the gain/(loss) recognized in earnings for interest rate swaps designated as fair value hedges:

(in millions)	**2018**	2017	2016
Pay-floating interest rate swaps (1)	**$ 11**	$ 17	$ 23
Fixed-rate debt (1)	**(11)**	(17)	(23)

(1) Included in interest expense, net in the consolidated statements of earnings.

There was no ineffectiveness associated with these derivative instruments for any periods presented.

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

During fiscal 2017 we entered into forward interest rate swaps with a total notional amount of $700 million to hedge probable, but not firmly committed, future transactions associated with our debt.

During fiscal 2017 we terminated $1.0 billion in forward interest rate swaps that were previously designated as cash-flow hedges.

We enter into foreign currency contracts to protect the value of anticipated foreign currency revenues and expenses. At June 30, 2018 and 2017 , we held contracts to hedge probable, but not firmly committed, revenue and expenses. The principal currencies hedged are the Canadian dollar, Thai baht, Euro, and Mexican peso.

We enter into commodity contracts to manage the price risk associated with forecasted purchases of certain commodities used in our Medical segment.

The following tables summarize the outstanding cash flow hedges at June 30:

	2018	
(in millions)	**Notional Amount**	**Maturity Date**
Foreign currency contracts	**$ 124**	**Jul 2018 - Jun 2019**
Commodity contracts	**12**	**Jul 2018 - Oct 2020**

	2017	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	$ 162	Jul 2017 - Jun 2018
Commodity contracts	17	Jul 2017 - Apr 2020

The following table summarizes the gain/(loss) included in AOCI for derivative instruments designated as cash flow hedges at June 30:

(in millions)	**2018**	2017
Commodity contracts	**2**	(1)
Foreign currency contracts	**(2)**	—

The following table summarizes the gain/(loss) reclassified from AOCI into earnings for derivative instruments designated as cash flow hedges:

(in millions)	**2018**	2017	2016
Foreign currency contracts (1)	**$ 1**	$ (1)	$ 1
Foreign currency contracts (2)	**—**	(1)	5
Foreign currency contracts (3)	**(2)**	2	(3)
Commodity contracts (3)	**—**	(3)	(5)

(1) Included in revenue in the consolidated statements of earnings.

(2) Included in cost of products sold in the consolidated statements of earnings.

(3) Included in SG&A expenses in the consolidated statements of earnings.

The amount of ineffectiveness associated with these derivative instruments was immaterial for all periods presented.

Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to sales transactions, intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/expense, net. The principal currencies managed through foreign currency contracts are the Euro, Canadian dollar, British pound, Japanese yen, and Chinese renminbi.

The following tables summarize the outstanding economic (non-designated) derivative instruments at June 30:

	2018	
(in millions)	**Notional Amount**	**Maturity Date**
Foreign currency contracts	**$ 550**	**Jul 2018 - Jun 2019**

	2017	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	$ 558	Jul 2017

The following table summarizes the gain/(loss) recognized in earnings for economic (non-designated) derivative instruments:

(in millions)	**2018**	2017	2016
Foreign currency contracts (1)	**$ (5)**	$ (5)	$ (17)

(1) Included in other income, net in the consolidated statements of earnings.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable, and other accrued liabilities at June 30, 2018 and 2017 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at June 30:

(in millions)	**2018**	2017
Estimated fair value	**$ 8,852**	$ 10,713
Carrying amount	**9,013**	10,395

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

The following table is a summary of the fair value gain/(loss) of our derivative instruments based upon the estimated amount that we would receive (or pay), considering counter-party credit risk, to terminate the contracts at June 30:

	2018		2017	
(in millions)	**Notional Amount**	**Fair Value Gain/(Loss)**	Notional Amount	Fair Value Gain/(Loss)
Pay-floating interest rate swaps	**$ 2,313**	**$ (78)**	$ 1,813	$ (19)
Foreign currency contracts	**674**	**—**	720	1
Commodity contracts	**12**	**—**	17	(1)

13. Redeemable Noncontrolling Interests

In connection with the acquisition of a 71 percent ownership interest in naviHealth during fiscal 2016 , we recognized redeemable noncontrolling interests with a fair value of $119 million at the acquisition date.

In August 2017, certain third-party noncontrolling interest holders exercised their put right on the noncontrolling interest representing 16 percent of naviHealth with a redemption value of $ 103 million and a carrying value of $ 109 million . We settled the put in September 2017 and our ownership in naviHealth increased to 98 percent , up from 82 percent at June 30, 2017 and 2016.

In June 2018, we entered into a Securities Purchase Agreement and related Contribution and Rollover Agreement to sell our 98 percent ownership interest in naviHealth, which closed on August 1, 2018. See Note 4 and Note 19 for more information.

The reconciliation of the changes in redeemable noncontrolling interests are as follows:

(in millions)	**Redeemable Noncontrolling Interests**
Balance at June 30, 2016	$ 117
Net earnings attributable to redeemable noncontrolling interests	4
Net purchase of redeemable noncontrolling interests	(3)
Balance at June 30, 2017	118
Net earnings attributable to redeemable noncontrolling interest	2
Net purchase of redeemable noncontrolling interests	(103)
Adjustment of redeemable noncontrolling interests to redemption value	(5)
Balance at June 30, 2018	**$ 12**

14. Shareholders' Equity

At June 30, 2018 and 2017 , authorized capital shares consisted of the following: 750 million Class A common shares, without par value; 5 million Class B common shares, without par value; and 500 thousand non-voting preferred shares, without par value. The Class A common shares and Class B common shares are collectively referred to below as "common shares". Holders of common shares are entitled to share equally in any dividends declared by the Board of Directors and to participate equally in all distributions of assets upon liquidation. Generally, the holders of Class A common shares are entitled to one vote per share, and the holders of Class B common shares are entitled to one-fifth of one vote per share on proposals presented to shareholders for vote. Under certain circumstances, the holders of Class B common shares are entitled to vote as a separate class. Only Class A common shares were outstanding at June 30, 2018 and 2017 .

We repurchased $1.8 billion of our common shares, in the aggregate, through share repurchase programs during fiscal 2018 , 2017 and 2016 , as described below. We funded the repurchases with available cash and short term borrowings. The common shares repurchased are held in treasury to be used for general corporate purposes.

During fiscal 2018 , we repurchased 8.4 million common shares having an aggregate cost of $550 million . The average price paid per common share was $65.30 . These repurchases include $300 million purchased under an accelerated share repurchase ("ASR") program, which began on February 14, 2018 and was completed on March 21, 2018. We repurchased 4.3 million shares under the ASR at an average price paid per share of $69.26 .

During fiscal 2017 , we repurchased 8.1 million common shares having an aggregate cost of $600 million . The average price paid per common share was $74.08 .

During fiscal 2016 , we repurchased 8.2 million common shares having an aggregate cost of $651 million . The average price paid per common share was $78.98 .

During fiscal 2017 , we retired 37 million common shares in treasury. The retirement of these shares had no impact on total shareholders' equity; however, it did impact certain individual components of

shareholders' equity as follows: $2.5 billion decrease in common shares in treasury, $302 million decrease in common shares, and $2.2 billion decrease in retained earnings.

Accumulated Other Comprehensive Income/(Loss)

The following table summarizes the changes in the balance of accumulated other comprehensive income/(loss) by component and in total:

(in millions)	Foreign Currency Translation Adjustments and other	Unrealized Gain/(Loss) on Derivatives, net of tax	**Accumulated Other Comprehensive Income/(Loss)**
Balance at June 30, 2016	$ (123)	$ 7	**$ (116)**
Other comprehensive income/(loss), net before reclassifications	(25)	19	**(6)**
Amounts reclassified to earnings	—	(3)	**(3)**
Total other comprehensive loss attributable to Cardinal Health, Inc., net of tax of $9 million	(25)	16	**(9)**
Balance at June 30, 2017	(148)	23	**(125)**
Other comprehensive income/(loss), before reclassifications	58	—	**58**
Amounts reclassified to earnings	(23)	(2)	**(25)**
Total comprehensive income/(loss) attributable to Cardinal Health, Inc., net of tax of $1 million	35	(2)	**33**
Balance at June 30, 2018	**$ (113)**	**$ 21**	**$ (92)**

Activity related to realized and unrealized gains and losses on available-for-sale securities, as described in Note 6 , was immaterial during fiscal 2018 and 2017 .

15. Earnings Per Share Attributable to Cardinal Health, Inc.

The following table reconciles the computation of basic and diluted earnings per share attributable to Cardinal Health, Inc.:

(in millions, except per share amounts)	**2018**	2017	2016
Net earnings	**$ 259**	$ 1,294	$ 1,431
Net earnings attributable to noncontrolling interest	**(3)**	(6)	(4)
Net earnings attributable to Cardinal Health, Inc.	**$ 256**	$ 1,288	$ 1,427
Weighted-average common shares–basic	**313**	317	327
Effect of dilutive securities:			
Employee stock options, restricted share units, and performance share units	**2**	3	3
Weighted-average common shares–diluted	**315**	320	330
Basic earnings per common share attributable to Cardinal Health, Inc.:	**$ 0.82**	$ 4.06	$ 4.36
Diluted earnings per common share attributable to Cardinal Health, Inc.:	**0.81**	4.03	4.32

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive for fiscal 2018 , 2017 and 2016 were 6 million , 3 million and 2 million , respectively.

16. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

The Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers to support the development, marketing, and distribution of specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. We further expanded this segment's portfolio of manufactured products through the acquisition of the Patient Recovery Business from Medtronic in July 2017, which includes incontinence, wound care, enteral feeding, urology, operating room supply, electrode and needle, syringe and sharps disposal product lines. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada .

The following table presents revenue for each reportable segment and Corporate:

(in millions)	**2018**	2017	2016
Pharmaceutical	**$ 121,241**	$ 116,463	$ 109,131
Medical	**15,581**	13,524	12,430
Total segment revenue	**136,822**	129,987	121,561
Corporate (1)	**(13)**	(11)	(15)
Total revenue	**$ 136,809**	$ 129,976	$ 121,546

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment distribution, selling, general, and administrative ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate

management, corporate finance, financial and customer care shared services, human resources, information technology, and legal and compliance. The results attributable to noncontrolling interests of consolidated entities are recorded within segment profit. Corporate expenses are allocated to the segments based on headcount, level of benefit provided, and other ratable allocation methodologies.

We do not allocate the following items to our segments: LIFO inventory charges/(credits); restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; other income/expense, net; interest expense, net; loss on extinguishment of debt; and provision for/(benefit from) income taxes.

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation, and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. We encourage our segments and corporate functions to identify investment projects that will promote innovation and provide future returns. As approval decisions for such projects are dependent upon executive management, the expenses for such projects are often retained at Corporate. Investment spending within Corporate was $43 million , $17 million and $34 million for fiscal 2018 , 2017 and 2016 , respectively.

The following tables present segment profit by reportable segment and Corporate:

(in millions)	2018	2017	2016
Pharmaceutical	$ 1,992	$ 2,187	$ 2,488
Medical	662	572	457
Total segment profit	2,654	2,759	2,945
Corporate	(2,528)	(639)	(486)
Total operating earnings	$ 126	$ 2,120	$ 2,459

The following tables present depreciation and amortization and additions to property and equipment by reportable segment and Corporate:

(in millions)	2018	2017	2016
Pharmaceutical	$ 156	$ 122	$ 128
Medical	278	156	136
Corporate	598	439	377
Total depreciation and amortization	$ 1,032	$ 717	$ 641

(in millions)	2018	2017	2016
Pharmaceutical	$ 58	$ 50	$ 88
Medical	127	123	96
Corporate	199	214	281
Total additions to property and equipment	$ 384	$ 387	$ 465

The following table presents total assets for each reportable segment and Corporate at June 30:

(in millions)	2018	2017	2016
Pharmaceutical	$ 21,421	$ 21,848	$ 20,662
Medical	16,066	10,688	10,236
Corporate	2,464	7,576	3,224
Total assets	$ 39,951	$ 40,112	$ 34,122

The following tables present revenue and property and equipment, net by geographic area:

(in millions)	2018	2017	2016
United States	$ 132,526	$ 125,006	$ 116,864
International	4,283	4,970	4,682
Total revenue	$ 136,809	$ 129,976	$ 121,546

(in millions)	2018	2017	2016
United States	$ 1,950	$ 1,623	$ 1,558
International	537	256	238
Property and equipment, net	$ 2,487	$ 1,879	$ 1,796

17. Share-Based Compensation

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees. At June 30, 2018 , 19 million shares remain available for future grants under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every share issued ; awards other than stock options are counted against the plan as two and one-half shares for every share issued . This means that only 8 million shares could be issued under awards other than stock options while 19 million shares could be issued under stock options. Shares are issued out of treasury shares when stock options are exercised and when restricted share units and performance share units vest.

The following table provides total share-based compensation expense by type of award:

(in millions)	2018	2017	2016
Restricted share unit expense	$ 73	$ 69	$ 69
Employee stock option expense	22	19	21
Performance share unit expense	(10)	8	21
Total share-based compensation expense	$ 85	$ 96	$ 111

The total tax benefit related to share-based compensation was $23 million , $34 million and $38 million for fiscal 2018 , 2017 and 2016 , respectively.

Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years . Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2016	2	$ 71.73
Granted	1	82.34
Vested	(1)	69.23
Canceled and forfeited	—	—
Nonvested at June 30, 2017	2	76.72
Granted	1	65.97
Vested	(1)	78.92
Canceled and forfeited	—	—
Nonvested at June 30, 2018	**2**	**$ 71.58**

The following table provides additional data related to restricted share unit activity:

(in millions)	2018	2017	2016
Total compensation cost, net of estimated forfeitures, related to nonvested restricted share and share unit awards not yet recognized, pre-tax	**$ 78**	$ 73	$ 79
Weighted-average period in years over which restricted share and share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 65**	$ 64	$ 65

Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for a period up to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date.

The following table summarizes all stock option transactions under the Plans:

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2016	7	$ 54.09
Granted	1	83.09
Exercised	(2)	37.79
Canceled and forfeited	—	—
Outstanding at June 30, 2017	6	63.44
Granted	2	66.39
Exercised	(1)	43.12
Canceled and forfeited	—	—
Outstanding at June 30, 2018	**7**	**$ 64.50**
Exercisable at June 30, 2018	**5**	**$ 59.60**

The following table provides additional detail related to stock options:

(in millions, except per share amounts)	2018	2017	2016
Aggregate intrinsic value of outstanding options at period end	**$ 13**	$ 109	$ 181
Aggregate intrinsic value of exercisable options at period end	**13**	106	161
Aggregate intrinsic value of exercised options	**14**	73	63
Net proceeds/(withholding) from share-based compensation	**(3)**	26	6
Excess tax benefits from share based compensation	**10**	34	33
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	**17**	22	22
Total fair value of shares vested during the year	**19**	19	20
Weighted-average grant date fair value per stock option	**13.50**	16.67	17.40

(in years)	2018	2017	2016
Weighted-average remaining contractual life of outstanding options	**7**	7	6
Weighted-average remaining contractual life of exercisable options	**5**	6	5
Weighted-average period over which stock option compensation cost is expected to be recognized	**2**	2	2

Stock options are granted to our officers and certain employees. The fair values were estimated on the grant date using a lattice valuation model. We believe the lattice model provides reasonable estimates because it has the ability to take into account individual exercise patterns based on changes in our stock price and other variables, and it provides for a range of input assumptions, which are disclosed in the table below. The risk-free rate is based on the U.S. Treasury yield curve at the time of the grant. We analyzed historical data to estimate option exercise behaviors and employee terminations to be used within the lattice model. The expected life of the options granted was calculated from the option valuation model and represents the length of time in years that the options granted are expected to be outstanding. Expected volatilities are based on implied volatility from traded options on our common shares and historical volatility over a period of time commensurate with the contractual term of the option grant (up to ten years).

The following table provides the range of assumptions used to estimate the fair value of stock options:

	2018	2017	2016
Risk-free interest rate	**2.1%**	1.4% - 2.0%	1.5% - 1.9%
Expected volatility	**25%**	24%	23%
Dividend yield	**2.7% - 2.8%**	2.2% - 2.5%	1.8% - 2.0%
Expected life in years	**7**	7	7

Performance Share Units

Performance share units vest over a three -year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 200 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2016	0.8	$ 63.96
Granted	0.2	83.19
Vested (1)	(0.4)	51.49
Canceled and forfeited	—	—
Nonvested at June 30, 2017	0.6	77.83
Granted	0.2	66.43
Vested (2)	(0.2)	71.57
Canceled and forfeited	(0.2)	—
Nonvested at June 30, 2018	**0.4**	**$ 66.13**

(1) Vested at 170 percent of the target performance share units granted.

(2) Vested at 133 percent of the target performance share units granted.

The following table provides additional data related to performance share unit activity:

(in millions)	2018	2017	2016
Total compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized, pre-tax	**$ 1**	$ 13	$ 17
Weighted-average period over which performance share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 14**	$ 19	$ 16

Employee Retirement Savings Plans

Substantially all of our domestic non-union employees are eligible to be enrolled in our company-sponsored contributory retirement savings plans, which include features under Section 401(k) of the Internal Revenue Code of 1986, and provide for matching and profit sharing contributions by us. Our contributions to the plans are determined by the Board of Directors subject to certain minimum requirements as specified in the plans. The total expense for our employee retirement savings plans was $129 million , $49 million and $84 million for fiscal 2018 , 2017 and 2016 , respectively.

18. Selected Quarterly Financial Data (Unaudited)

The following is selected quarterly financial data for fiscal 2018 and 2017 . The sum of the quarters may not equal year-to-date due to rounding.

(in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2018				
Revenue	$ 32,641	$ 35,186	$ 33,633	**$ 35,349**
Gross margin (1)	1,672	1,861	1,913	**1,735**
Distribution, selling, general and administrative expenses	1,062	1,131	1,132	**1,270**
Net earnings/(loss) (2)	117	1,053	255	**(1,166)**
Less: Net earnings attributable to noncontrolling interests	(2)	—	—	—
Net earnings/(loss) attributable to Cardinal Health, Inc.	115	1,053	255	**(1,166)**
Net earnings/(loss) attributable to Cardinal Health, Inc. per common share:				
Basic	$ 0.36	$ 3.35	$ 0.81	**$ (3.76)**
Diluted (3)	0.36	3.33	0.81	**(3.76)**

(1) Gross margin was not impacted by LIFO benefit/(charges) in fiscal 2018.

(2) During the fourth quarter of fiscal 2018, we recognized a goodwill impairment charge of $ 1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

(3) Due to the net loss during the fourth quarter of fiscal 2018, dilutive potential common shares have not been included in the denominator of the dilutive per share computation due to their antidilutive effect.

(in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2017				
Revenue	$ 32,039	$ 33,150	$ 31,821	$ 32,966
Gross margin (4)	1,590	1,602	1,728	1,623
Distribution, selling, general and administrative expenses	920	910	960	983
Net earnings	310	324	382	278
Less: Net earnings attributable to noncontrolling interests	(1)	—	(1)	(4)
Net earnings attributable to Cardinal Health, Inc.	309	324	381	274
Net earnings attributable to Cardinal Health, Inc. per common share:				
Basic	$ 0.97	$ 1.02	$ 1.21	$ 0.87
Diluted	0.96	1.02	1.20	0.86

(4) Gross margin is impacted by LIFO benefit/(charges) of $ 9 million and $(9) million in the second and third quarter, respectively. We did not have LIFO benefits/(charges) in the fourth quarter.

19. Subsequent Events

In June 2018, we entered into a Securities Purchase Agreement and related Contribution and Rollover Agreement with investor entities controlled by CD&R. Pursuant to those agreements, on August 1, 2018, we sold our 98% ownership interest in naviHealth in exchange for proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns 100% of the equity interest of naviHealth. We also have certain call rights to reacquire naviHealth.

On August 16, 2018 we entered into an ASR program to purchase shares of our common stock for an aggregate purchase price of $ 600 million and received an initial delivery of 9.5 million shares of common stock using a reference price of $ 50.45 . The program is expected to conclude in the second quarter of fiscal 2019.

Cardinal Health, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts [1]

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Charged to Other Accounts (2)	Deductions (3)	Balance at End of Period
Fiscal 2018					
Accounts receivable	**$ 137**	**$ 113**	**$ 1**	**$ (111)**	**$ 139**
Finance notes receivable	**9**	**(2)**	**—**	**—**	**7**
Sales returns and allowances	**347**	**2,402**	**—**	**(2,270)**	**479**
Other	**1**	**—**	**—**	**—**	**1**
	$ 494	**$ 2,513**	**$ 1**	**$ (2,381)**	**$ 626**
Fiscal 2017					
Accounts receivable	$ 135	$ 59	$ 1	$ (58)	$ 137
Finance notes receivable	19	3	—	(13)	9
Sales returns and allowances	386	2,285	—	(2,324)	347
Other	1	—	—	—	1
	$ 541	$ 2,347	$ 1	$ (2,395)	$ 494
Fiscal 2016					
Accounts receivable	$ 135	$ 72	$ 2	$ (74)	$ 135
Finance notes receivable	14	6	—	(1)	19
Sales returns and allowances	305	2,207	—	(2,126)	386
Other	1	—	—	—	1
	$ 455	$ 2,285	$ 2	$ (2,201)	$ 541

(1) Fiscal 2018 , 2017 and 2016 include $3 million , $5 million and $5 million , respectively, for reserves related to customer pricing disputes, excluded from provision for bad debts on the consolidated statements of cash flows and classified as a reduction in revenue in the consolidated statements of earnings.

(2) Recoveries of amounts provided for or written off in prior years were $1 million , $1 million and $2 million for fiscal 2018 , 2017 and 2016 , respectively.

(3) Write-off of uncollectible accounts or actual sales returns.

The sum of the components may not equal the total due to rounding.

Directors, Executive Officers and Corporate Governance

The following is a list of our executive officers:

Name	Age	Position
George S. Barrett	63	Executive Chairman of the Board
Michael C. Kaufmann	55	Chief Executive Officer
Jorge M. Gomez	50	Chief Financial Officer
Jon L. Giacomin	53	Chief Executive Officer, Medical segment
Michele A. M. Holcomb	50	Executive Vice President, Strategy and Corporate Development
Pamela O. Kimmet	60	Chief Human Resources Officer
Craig S. Morford	59	Chief Legal and Compliance Officer
Patricia B. Morrison	59	Executive Vice President, Customer Support Services and Chief Information Officer

The business experience summaries provided below for our executive officers describe positions held during the last five years (unless otherwise indicated).

Mr. Barrett has served as Executive Chairman of the Board since January 2018. Prior to that, he served as Chairman and Chief Executive Officer from August 2009. He will retire in November 2018.

Mr. Kaufmann has served as Chief Executive Officer since January 2018. From November 2014 through December 2017, he served as Chief Financial Officer. From August 2009 until November 2014, he served as Chief Executive Officer, Pharmaceutical segment.

Mr. Gomez has served as Chief Financial Officer since January 2018. From June 2015 through December 2017, he served as Senior Vice President and CFO, Medical Segment. From February 2012 until June 2015, he was Senior Vice President and CFO, Pharmaceutical segment.

Mr. Giacomin has served as Chief Executive Officer, Medical segment since February 2018. From November 2014 to February 2018, he served as Chief Executive Officer, Pharmaceutical segment. From January 2011 until November 2014, he served as President, U.S. Pharmaceutical Distribution.

Ms. Holcomb has served as Executive Vice President, Strategy and Corporate Development since January 2017. She joined us from Teva Pharmaceutical Industries Ltd., where she served as Senior Vice President, Strategy, Portfolio, Search, and Partnerships and Chief Operating Officer, Global R&D from October 2015 to December 2016 and Senior Vice President, Chief Operating Officer, Global R&D from September 2012 to September 2015.

Ms. Kimmet has served as Chief Human Resources Officer since June 2016. Prior to joining us, Ms. Kimmet served as Senior Vice President, Human Resources at Coca-Cola Enterprises, Inc. from October 2010 to June 2016.

Mr. Morford has served as Chief Legal and Compliance Officer since May 2009.

Ms. Morrison has served as Executive Vice President, Customer Support Services and Chief Information Officer since June 2011. She will retire on September 1, 2018.

We have adopted *Standards of Business Conduct* that apply to all of our directors, officers and employees. The *Standards of Business Conduct* outline our corporate values and standards of integrity and behavior and are designed to protect and promote our reputation. The full text of the *Standards of Business Conduct* is posted on our website at www.cardinalhealth.com under "About Us — Corporate Citizenship — Ethics and Governance — Ethics and Compliance."

Any waiver of the *Standards of Business Conduct* for directors or executive officers must be approved by the Audit Committee. As required under SEC and New York Stock Exchange rules, we will disclose future amendments to our *Standards of Business Conduct* and waivers from the *Standards of Business Conduct* for our principal executive officer, principal financial officer, and principal accounting officer, or persons performing similar functions, and our other executive officers and directors on our website within four business days following the date of the amendment or waiver.

The other information called for by Item 10 of Form 10-K is incorporated by reference to our Definitive Proxy Statement (which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act) relating to our 2018 Annual Meeting of Shareholders (our "2018 Proxy Statement") under the captions "Corporate Governance" and "Share Ownership Information."

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The table below summarizes information relating to our equity compensation plans at June 30, 2018.

Equity Compensation Plan Information

Plan Category	Common Shares to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted Average Exercise Price of Outstanding Options ($)	Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (#)
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	**10,320,017** (1)	$ 64.50 (1)	19,305,951 (2)
Equity compensation plans not approved by shareholders	**4,203** (3)	— (3)	—
Total at June 30, 2018	**10,324,220**		19,305,951

(1) In addition to stock options outstanding under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "2011 LTIP") and the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (the "2005 LTIP"), also includes 827,766 PSUs and 2,165,340 RSUs outstanding under the 2011 LTIP, 10,241 PSUs and 61,861 RSUs outstanding under the 2005 LTIP, and 165,024 RSUs outstanding under the 2007 Nonemployee Directors Equity Incentive Plan that are payable solely in common shares. PSUs and RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price. PSUs granted in fiscal 2015 are not reported in this table because they expired without any shares vesting. PSUs granted in fiscal 2016 and 2017 are reported in this table at the maximum payout level (200% of target) in accordance with SEC rules.

(2) Reflects common shares available under the 2011 LTIP in the form of stock options and other stock-based awards. Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every common share issued; awards other than stock options are counted against the plan as two and one-half shares for every common share issued. This means that only 7,722,380 shares could be issued under awards other than stock options while 19,305,951 shares could be issued under stock options.

(3) RSUs outstanding under the Cardinal Health, Inc. Amended and Restated Outside Directors Equity Incentive Plan that are payable solely in common shares. RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price.

The other information called for by Item 12 of Form 10-K is incorporated by reference to our 2018 Proxy Statement under the caption "Share Ownership Information."

Exhibits, Financial Statement Schedules

(a)(1) The following financial statements are included in the "Financial Statements" section of this report:

(a)(2) The following Supplemental Schedule is included in this report:

All other schedules not listed above have been omitted as not applicable or because the required information is included in the Consolidated Financial Statements or in the Notes thereto.

Exhibit Number	Exhibit Description
2.1.1	Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
2.1.2	Amendment No. 1, dated as of July 28, 2017, to Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.2.2 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2017, File No. 1-11373)
2.1.3	Letter Agreement, dated November 21, 2017, by and between Cardinal Health, Inc. and Medtronic, plc (incorporated by reference to Exhibit 2.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017, File No. 1-11373)
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on June 30, 2016, File No. 1-11373)
4.1	Specimen Certificate for Common Shares of Cardinal Health, Inc. (incorporated by reference to Exhibit 4.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, File No. 1-11373)
4.2.1	Indenture, dated as of June 2, 2008, between Cardinal Health, Inc. and The Bank of New York Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 2, 2008, File No. 1-11373)
4.2.2	Form of 4.625% Notes due 2020 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on December 14, 2010, File No. 1-11373)
4.2.3	Form of 3.200% Notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on May 21, 2012, File No. 1-11373)
4.2.4	Form of 1.700% Notes due 2018 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.5	Form of 3.200% Notes due 2023 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.6	Form of 4.600% Notes due 2043 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.7	Form of 2.400% Notes due 2019 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.8	Form of 3.500% Notes due 2024 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.9	Form of 4.500% Notes due 2044 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.10	Form of 1.950% Notes due 2018 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.11	Form of 3.750% Notes due 2025 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)

Exhibits

4.2.12	Form of 4.900% Notes due 2045 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.13	Form of 1.948% notes due 2019 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.14	Form of 2.616% notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.15	Form of Floating rate notes due 2022 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.16	Form of 3.079% notes due 2024 (incorporated by reference to Exhibit 4.4 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.17	Form of 3.410% notes due 2027 (incorporated by reference to Exhibit 4.5 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.18	Form of 4.368% notes due 2047 (incorporated by reference to Exhibit 4.6 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.3	Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of Cardinal Health, Inc. and consolidated subsidiaries (incorporated by reference to Exhibit 4.07 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, File No. 1-11373)
10.1.1	Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.2	First Amendment to Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.3	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.4	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.1.5	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.7 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.1.6	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.8 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.7	Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.8	Form of Amendment to Stock Option and Restricted Share Units Agreements under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan, the Cardinal Health, Inc. 2005 Long-Term Incentive Plan and the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1.9 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.2.1	Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 7, 2016, File No. 1-11373)*
10.2.2	First Amendment to Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.3	Form of Nonqualified Stock Option Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.4	Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.5	Form of Performance Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.5 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.6	Form of Directors Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017, File No. 1-11373)
10.3.1	Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)*
10.3.2	First Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.3	Second Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.4	Third Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.4.1	Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007, File No. 1-11373)*
10.4.2	First Amendment to Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.4.3	Second Amendment to the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011, File No. 1-11373)*
10.5.1	Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, File No. 1-11373)*
10.5.2	First Amendment to the Cardinal Health Deferred Compensation Plan, as amended and restated effective as of January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)*
10.5.3	Second Amendment, effective as of January 1, 2018, to the Cardinal Health Deferred Compensation Plan, as amended and restated effective as of January 1, 2016 (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017, File No. 1-11373)

Exhibits

10.6	Cardinal Health, Inc. Policy Regarding Shareholder Approval of Severance Agreements (incorporated by reference to Exhibit 10.09 to Cardinal Health's Current Report on Form 8-K filed on August 7, 2006, File No. 1-11373)*
10.7.1	Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on September 6, 2012, File No. 1-11373)*
10.7.2	Amendment, dated August 5, 2015, to Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.7.3	Aircraft Time Sharing Agreement, effective August 5, 2015, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.7.4	Letter Agreement, dated November 5, 2017, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 6, 2017, File No. 1-11373)
10.8.1	Confidentiality and Business Protection Agreement, effective as of February 15, 2010, between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.15 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.8.2	Aircraft Time Sharing Agreement, effective as of February 8, 2018, by and between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11373)
10.9	Confidentiality and Business Protection Agreement, effective as of April 9, 2012, between Cardinal Health, Inc. and Donald M. Casey Jr. (incorporated by reference to Exhibit 10.14.1 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.10	Confidentiality and Business Protection Agreement, effective as of September 9, 2014, between Cardinal Health, Inc. and Jon L. Giacomin (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)*
10.11	Confidentiality and Business Protection Agreement, effective as of November 6, 2017, between Cardinal Health, Inc. and Jorge M. Gomez (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 , File No. 1-11373)
10.12.1	Confidentiality and Business Protection Agreement, effective as of June 28, 2018, between Cardinal Health, Inc. and Patricia B. Morrison
10.12.2	Letter Agreement, dated July 17, 2018, between Cardinal Health, Inc. and Patricia B. Morrison
10.13.1	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual directors (incorporated by reference to Exhibit 10.38 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.13.2	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual executive officers (incorporated by reference to Exhibit 10.39 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.14.1	Issuing and Paying Agency Agreement, dated August 9, 2006, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.14.2	First Amendment to Issuing and Paying Agency Agreement, dated February 28, 2007, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.14.3	Second Amendment to Issuing and Paying Agency Agreement, effective as of December 1, 2016, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.4	Third Amendment to Issuing and Paying Agency Agreement, dated September 15, 2017, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.14.5	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.14.6	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.14.7	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and J.P. Morgan Securities LLC (formerly known as J.P. Morgan Securities Inc.) (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.14.8	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and J.P. Morgan Securities LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.9	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.14.10	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.14.11	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, f/k/a Banc of America Securities LLC (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.14.12	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.13	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.14.14	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.14.15	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Wells Fargo Securities, LLC, as successor in interest to Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.14.16	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Wells Fargo Securities, LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.17	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)

Exhibits

10.14.18	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.14.19	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.14.20	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Goldman Sachs & Co., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.14.21	Form of Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on April 21, 2009, File No. 1-11373)
10.14.22	Form of First Amendment to Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.8 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.14.23	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.15.1	Amended and Restated Five-Year Credit Agreement, dated as of June 16, 2016, among Cardinal Health, Inc., JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, HSBC Bank USA, National Association, Morgan Stanley Senior Funding, Inc. and Wells Fargo Bank, National Association, as Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 21, 2016, File No. 1-11373)
10.15.2	Amendment No. 1, dated as of May 1, 2017, to Amended and Restated Five-Year Credit Agreement as of June 16, 2016 (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11373)
10.15.3	Amendment No. 2 to Amended and Restated Five-Year Credit Agreement, dated as of August 26, 2017, by and between Cardinal Health, Inc. and JPMorgan Chase Bank, N.A., individually and as administrative agent (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.16.1	Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013, among Cardinal Health Funding, LLC, as Seller, Griffin Capital, LLC, as Servicer, the Conduits party thereto, the Financial Institutions Party thereto, the Managing Agents party thereto, and LC Banks party thereto and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Agent (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, File No. 1-11373)
10.16.2	First Amendment and Joinder, dated as of November 3, 2014, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)
10.16.3	Second Amendment, dated as of November 14, 2016, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.4.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.16.4	Third Amendment, dated as of August 30, 2017, to the Fourth Amended and Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 31, 2017, File No. 1-11373)
10.17.1	Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016, executed by Cardinal Health, Inc. in favor of Cardinal Health Funding, LLC (incorporated by reference to Exhibit 10.5.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.17.2	Amendment No. 1 to Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016 (incorporated by reference to Exhibit 10.5.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373
10.18.1	Tax Matters Agreement, dated as of August 31, 2009, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.3 to Cardinal Health's Current Report on Form 8-K filed on September 4, 2009, File No. 1-11373)
10.18.2	First Amendment to Tax Matters Agreement, dated as of May 28, 2012, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.20.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)
12.1	Computation of Ratio of Earnings to Fixed Charges
21.1	List of Subsidiaries of Cardinal Health, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

Form 10-K Cross Reference Index

N/A Not applicable

(a) The information called for by Item 11 of Form 10-K is incorporated by reference to our 2018 Proxy Statement under the captions "Corporate Governance" and "Executive Compensation."

(b) The information called for by Item 13 of Form 10-K is incorporated by reference to our 2018 Proxy Statement under the caption "Corporate Governance."

(c) The information called for by Item 14 of Form 10-K is incorporated by reference to our 2018 Proxy Statement under the caption "Audit Committee Matters."

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 22, 2018 .

Cardinal Health, Inc.

By: /s/ MICHAEL C. KAUFMANN

MICHAEL C. KAUFMANN

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities indicated on August 22, 2018 .

Name	Title
/s/ MICHAEL C. KAUFMANN **Michael C. Kaufmann**	Chief Executive Officer and Director (principal executive officer)
/s/ JORGE M. GOMEZ **Jorge M. Gomez**	Chief Financial Officer (principal financial officer)
/s/ STUART G. LAWS **Stuart G. Laws**	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ GEORGE S. BARRETT **George S. Barrett**	Executive Chairman of the Board
/s/ DAVID J. ANDERSON **David J. Anderson**	Director
/s/ COLLEEN F. ARNOLD **Colleen F. Arnold**	Director
/s/ CARRIE S. COX **Carrie S. Cox**	Director
/s/ CALVIN DARDEN **Calvin Darden**	Director
/s/ BRUCE L. DOWNEY **Bruce L. Downey**	Director
/s/ PATRICIA A. HEMINGWAY HALL **Patricia A. Hemingway Hall**	Director
/s/ AKHIL JOHRI **Akhil Johri**	Director
/s/ CLAYTON M. JONES **Clayton M. Jones**	Director
/s/ GREGORY B. KENNY **Gregory B. Kenny**	Director
/s/ NANCY KILLEFER **Nancy Killefer**	Director
/s/ DAVID P. KING **David P. King**	Director

Exhibit 10.12.1

Confidentiality and Business Protection Agreement

This Confidentiality and Business Protection Agreement ("Agreement") is hereby entered into by and between Patrice B. Morrison ("Executive") and Cardinal Health, Inc., an Ohio Corporation (the "Company"), effective as of June 28, 2018.

It is hereby agreed as follows:

1. Consideration and Acknowledgements . The parties acknowledge that the provisions and covenants contained in this Agreement are ancillary and material to, and in consideration of, retirements benefits being negotiated between the parties and that the limitations contained herein are reasonable in geographic and temporal scope and do not impose a greater restriction or restraint than is necessary to protect the goodwill and other legitimate business interests of the Company. The parties also acknowledge and agree that the provisions of this Agreement do not adversely affect Executive's ability to earn a living in any capacity that does not violate the covenants contained herein. The parties further acknowledge and agree that the provisions of Section 9(a) below are accurate and necessary because (i) this Agreement is entered into in the State of Ohio, (ii) Ohio has a substantial relationship to the parties and to this transaction, (iii) Ohio is the headquarters state of the Company, which has operations worldwide and has a compelling interest in having its employees treated uniformly, (iv) the use of Ohio law provides certainty to the parties in any covenant litigation in the United States, and (v) enforcement of the provisions of this Agreement would not violate any fundamental public policy of Ohio or any other jurisdiction.

2. Confidential Information . Executive shall hold in a fiduciary capacity for the benefit of the Company and all of its subsidiaries, partnerships, joint ventures, limited liability companies and other affiliates (collectively, the "Cardinal Group"), all secret or confidential information, knowledge or data relating to the Cardinal Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research, secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs or methods of promotion and sale) that Executive has obtained or obtains during Executive's employment by the Cardinal Group and that is not public knowledge (other than as a result of Executive's violation of this Agreement) ("Confidential Information"). For the purposes of this Agreement, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after Executive's employment with the Cardinal Group, except with prior written consent of the applicable Cardinal Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents and the like that Executive uses, prepares or comes into contact with during the course of Executive's employment shall remain the sole property of the Company or the Cardinal Group company, as applicable, and shall be turned over to the applicable Cardinal Group company upon termination of Executive's employment.

3. Non-Recruitment of Cardinal Group Employees, etc . Executive shall not, at any time during the Restricted Period (as defined below), without the prior written consent of the Company, engage in the following conduct (a "Solicitation"): (i) directly or indirectly, including via social media or professional networking services, solicit, recruit or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who is or was at any time during the previous twelve months an employee, representative, officer or director of the Cardinal Group; or (ii) take any action to encourage or induce any employee, representative,

officer or director of the Cardinal Group to cease his or her relationship with the Cardinal Group for any reason. A "Solicitation" does not include any recruitment of employees within or for the Cardinal Group. The "Restricted Period" means the period from the date of this Agreement until twenty-four months after Executive's retirement date. The Restricted Period shall be extended and its expiration tolled by the time period in which Executive is in breach of any covenant in this Agreement to ensure that Executive does not benefit from any breach and that the Company receives the full benefit of two years protection from unfair competition on which it has relied in entering into this Agreement.

4. No Competition -- Solicitation of Business . During the Restricted Period, Executive shall not (either directly or indirectly or as an officer, agent, employee, partner, consultant or director of any other company, partnership or entity) solicit, service or accept on behalf of any competitor of the Cardinal Group the business of (i) any customer of the Cardinal Group during the time of Executive's employment or at date of termination of employment, or (ii) any potential customer of the Cardinal Group which Executive knew to be an identified, prospective purchaser of products or services of the Cardinal Group.

5. No Competition -- Employment by Competitor . During the Restricted Period, Executive shall not invest in (other than in a publicly traded company with a maximum investment of no more than 1% of outstanding shares), counsel, advise or be otherwise engaged or employed by any entity or enterprise that is in competition with the business conducted by any member of the Cardinal Group (other than a business that is not a significant business to the Cardinal Group as a whole or to the entity or enterprise as a whole).

6. No Disparagement .

(a) Executive and the Company shall at all times refrain from taking actions or making statements, written or oral, that (i) denigrate, disparage or defame the goodwill or reputation of Executive or the Cardinal Group, as the case may be, or any of its trustees, officers, security holders, partners, agents or former or current employees and directors, or (ii) are intended to, or may be reasonably expected to, adversely affect the morale of the employees of the Cardinal Group. Executive further agrees not to make any negative statements to third parties relating to Executive's employment or any aspect of the businesses of the Cardinal Group and not to make any statements to third parties about the circumstances of the termination of Executive's employment or about the Cardinal Group or its trustees, directors, officers, security holders, partners, agents or former or current employees and directors, except as may be required by a court or governmental body.

(b) Executive further agrees that, following termination of employment for any reason, Executive shall assist and cooperate with the Company with regard to any matter or project in which Executive was involved during Executive's employment with the Company, including but not limited to any litigation that may be pending or may arise after such termination of employment. Further, Executive agrees to notify the Company at the earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of Executive and shall cooperate with Executive in scheduling any assistance by Executive, taking into account Executive's business and personal affairs, and shall compensate Executive for any lost wages or expenses associated with such cooperation and assistance.

7. Inventions . All plans, discoveries and improvements, whether patentable or unpatentable, made or devised by Executive, whether alone or jointly with others, from the date of Executive's initial employment by the Company and continuing until the end of any period during which Executive is employed by the Cardinal Group, relating or pertaining in any way to

Executive's employment with or the business of the Cardinal Group, shall be promptly disclosed in writing to the Company's Chief Legal and Compliance Officer and are hereby transferred to and shall redound to the benefit of the Company, and shall become and remain its sole and exclusive property. Executive agrees to execute any assignment to the Company or its nominee, of Executive's entire right, title and interest in and to any such discoveries and improvements and to execute any other instruments and documents requisite or desirable in applying for and obtaining patents, trademarks or copyrights, at the expense of the Company, with respect thereto in the United States and in all foreign countries, that may be required by the Company. Executive further agrees at all times to cooperate to the extent and in the manner required by the Company in the prosecution or defense of any patent or copyright claims or any litigation or other proceeding involving any trade secrets, processes, discoveries or improvements covered by this Agreement, but all necessary expenses thereof shall be paid by the Company.

8. Acknowledgement and Enforcement . Executive acknowledges and agrees that: (a) the purpose of the foregoing covenants, including without limitation the noncompetition covenants of Sections 4 and 5, is to protect the goodwill, trade secrets and other Confidential Information of the Company; (b) because of the nature of the business in which the Cardinal Group is engaged and because of the nature of the Confidential Information to which Executive has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Cardinal Group in the event Executive breached any of the covenants of this Agreement; and (c) remedies at law (such as monetary damages) for any breach of Executive's obligations under this Agreement would be inadequate. Executive therefore agrees and consents that if Executive commits any breach of a covenant under this Agreement or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Agreement are finally held by a court to be invalid, illegal or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining covenants shall not be affected thereby; provided , however , that if any of such covenants is finally held by a court to be invalid, illegal or unenforceable because it exceeds the maximum scope or duration determined to be acceptable to permit such provision to be enforceable, such covenant will be deemed to be modified to the minimum extent necessary to modify such scope or duration in order to make such provision enforceable hereunder.

9. Miscellaneous .

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. If, under any such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto. The parties hereto irrevocably agree to submit to the jurisdiction and venue of the courts of the State of Ohio in any action or proceeding brought with respect to or in connection with this Agreement. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement is the product of negotiation and shall not be construed strictly for or against any party.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:	At the most recent address on file for Executive at the Company
If to the Company:	Cardinal Health, Inc. 7000 Cardinal Place Dublin, OH Attn: Chief Legal and Compliance Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with the law.

(d) Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

IN WITNESS WHEREOF, Executive has hereunto set Executive's hand and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

/s/ Patricia B. Morrison
Patricia B. Morrison
Execution Date: 6-28-18

CARDINAL HEALTH, INC.

/s/ Pamela O. Kimmet
By: Pamela O. Kimmet
Its: Chief Human Resources Officer
Execution Date: 6-28-18

Exhibit 10.12.2

[Cardinal Health Letterhead]

July 17, 2018

Ms. Patricia B. Morrison
#####
####### ######## #####

Dear Patty:

The purpose of this letter (referred to as this "Agreement") is to confirm the agreement between Cardinal Health, Inc. and its subsidiaries ("the Company") and you concerning your retirement from the Company and the retirement benefits to be provided to you in consideration of your many years of service and significant contributions to the Company.

Retirement Date
You will retire and cease to be an officer and employee of the Company on August 31, 2018 ("Retirement Date"). You agree to provide a letter of resignation to this effect for our corporate records.

Long-term incentive awards
You will be deemed to have "retired" for purposes of your long-term incentive awards. As a result, subject to the terms of the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan and the applicable award agreements, (i) a ratable portion of each unvested installment of your outstanding stock options will immediately vest and become exercisable upon your Retirement Date, and options, to the extent vested, may be exercised until their grant expiration term, (ii) a ratable portion of each unvested installment of your outstanding restricted share units will immediately vest upon your Retirement Date, and (ii) following the end of the applicable performance period, a ratable portion of your unvested performance share units, which would have vested if you had remained employed through the payment date, will vest.

In accordance with the Company's standard procedures, for receipt of this retirement treatment, you hereby release the Company and all of its affiliates and related entities, predecessors, successors and assigns (whether to all or any part of such entities' businesses), and all of such entities' officers, directors, agents, representatives, attorneys, and employees (current and former) and their employee benefit plans and programs and their administrators and fiduciaries from any and all claims and causes of action that may exist, whether known or unknown, as of the date of your execution of this Agreement, with the exception of any other claims that cannot be waived by law.

Successors
You, and anyone who succeeds to your rights and responsibilities, are bound by this Agreement, and this Agreement will accrue to the benefit of and may be enforced by the Company and its successors and assigns.

Severability
You agree that the validity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any remaining provisions.

Governing Law
You agree that all questions concerning the intention, validity or meaning of this Agreement shall be construed and resolved according to the laws of the State of Ohio. You also designate the federal and state courts in

Franklin County, Ohio as the courts of competent jurisdiction and venue for any actions or proceedings related to this Agreement, and hereby irrevocably consent to such designation, jurisdiction and venue.

By signing below, you agree to and accept all of the terms in this Agreement.

Sincerely,

CARDINAL HEALTH, INC.

/s/ Pamela O. Kimmet

Pamela O. Kimmet
Chief Human Resources Officer

Agreed to:

/s/ Patricia B. Morrison July 20, 2018
Patricia B. Morrison Date

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	2014	2015	2016	2017	**2018**
Earnings/(loss) from continuing operations before income taxes	$ 1,798	$ 1,967	$ 2,276	$ 1,924	**$ (228)**
Plus fixed charges:					
Interest expense	129	137	178	187	**328**
Capitalized interest	1	2	6	9	**4**
Amortization of debt offering costs	4	8	6	6	**11**
Interest portion of rent expense	10	10	12	14	**16**
Fixed charges (1)	144	156	201	217	**359**
Plus: amortization of capitalized interest	3	2	3	4	**4**
Less: capitalized interest	(1)	(2)	(6)	(9)	**(4)**
Earnings (1)	$ 1,944	$ 2,124	$ 2,473	$ 2,135	**$ 131**
Ratio of earnings to fixed charges (1) (2)	13.5	13.6	12.3	9.9	**0.4**

(1) The sum of the components may not equal the total due to rounding.

(2) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings/(loss) from continuing operations before income taxes plus fixed charges and amortization of capitalized interest less capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense that is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

Exhibit 21.1

Subsidiaries of the Registrant

Listed below are majority-owned subsidiaries of Cardinal Health, Inc. as of June 30, 2018 . Subsidiaries excluded from the list below would not, considered in the aggregate as a single subsidiary, constitute a "significant subsidiary" of Cardinal Health, Inc. as that term is defined in Rule 1-02(w) of SEC Regulation S-X.

Subsidiary Name	State/Jurisdiction of Incorporation
A+ Secure Packaging, LLC	Tennessee
Access Closure, Inc.	California
Aero-Med, Ltd.	Connecticut
Allegiance Corporation	Delaware
AssuraMed, Inc.	Delaware
Bellwether Oncology Alliance, Inc.	Tennessee
Cardinal Health 2, LLC	Nevada
Cardinal Health 3, LLC	Delaware
Cardinal Health 5, LLC	Delaware
Cardinal Health 6, Inc.	Nevada
Cardinal Health 7, LLC	Delaware
Cardinal Health 100, Inc.	Indiana
Cardinal Health 104 LP	Ohio
Cardinal Health 105, Inc.	Ohio
Cardinal Health 107, LLC	Ohio
Cardinal Health 108, LLC	Delaware
Cardinal Health 110, LLC	Delaware
Cardinal Health 112, LLC	Delaware
Cardinal Health 113, LLC	Wisconsin
Cardinal Health 114, Inc.	Delaware
Cardinal Health 115, LLC	Ohio
Cardinal Health 116, LLC	Delaware
Cardinal Health 118, LLC	Delaware
Cardinal Health 119, LLC	Delaware
Cardinal Health 121, LLC	Delaware
Cardinal Health 122, LLC	Delaware
Cardinal Health 123, LLC	Delaware
Cardinal Health 124, LLC	Delaware
Cardinal Health 126, LLC	Delaware
Cardinal Health 127, Inc.	Kansas
Cardinal Health 200, LLC	Delaware
Cardinal Health 201, Inc.	Delaware
Cardinal Health 222 (Thailand) Ltd.	Thailand
Cardinal Health 247, Inc.	Colorado
Cardinal Health 249, LLC	Delaware
Cardinal Health 414, LLC	Delaware
Cardinal Health Australia 503 Pty. Ltd.	Australia
Cardinal Health Austria 504 GmbH	Austria
Cardinal Health Belgium 505 BVBA	Belgium
Cardinal Health Canada Inc.	Canada
Cardinal Health Canada Holdings Cooperative U.A.	Netherlands
Cardinal Health Colombia S.A.S.	Colombia
Cardinal Health do Brasil Ltd.	Brazil
Cardinal Health D.R. 203 II Ltd.	Bermuda
Cardinal Health Denmark ApS	Denmark
Cardinal Health Finland Oy	Finland
Cardinal Health Foundation	Ohio

Subsidiary Name	State/Jurisdiction of Incorporation
Cardinal Health France 506 SAS	France
Cardinal Health Funding, LLC	Nevada
Cardinal Health Germany 507 GmbH	Germany
Cardinal Health Germany Manufacturing GmbH	Germany
Cardinal Health International Philippines, Inc.	Philippines
Cardinal Health IPS, LLC	Delaware
Cardinal Health Ireland 419 Designated Activity Company	Ireland
Cardinal Health Ireland 508 Limited	Ireland
Cardinal Health Ireland Unlimited Company	Ireland
Cardinal Health Italy 509 Srl	Italy
Cardinal Health Japan G.K.	Japan
Cardinal Health Korea Limited	Korea
Cardinal Health Malaysia 211 Sdn. Bhd.	Malaysia
Cardinal Health Malta 212 Limited	Malta
Cardinal Health Managed Care Services, LLC	Delaware
Cardinal Health Medical Products India Private Limited	India
Cardinal Health Mexico 244 S. de R.L. de C.V.	Mexico
Cardinal Health Mexico 514 S. de R.L. de C.V.	Mexico
Cardinal Health Middle East FZ-LLC	United Arab Emirates
Cardinal Health Netherlands 502 B.V.	Netherlands
Cardinal Health Norway AS	Norway
Cardinal Health Pharmaceutical Contracting, LLC	Delaware
Cardinal Health Pharmacy Services, LLC	Delaware
Cardinal Health Poland Spółlka z ograniczonąa odpowiedzialnośściąa	Poland
Cardinal Health Portugal 513 Unipessoal Lda.	Portugal
Cardinal Health P.R. 120, Inc.	Puerto Rico
Cardinal Health P.R. 218, Inc.	Puerto Rico
Cardinal Health P.R. 220, LLC	Puerto Rico
Cardinal Health Singapore 225 Pte. Ltd.	Singapore
Cardinal Health Spain 511 S.L.	Spain
Cardinal Health Specialty Pharmacy, LLC	Delaware
Cardinal Health Sweden 512 A.B.	Sweden
Cardinal Health Switzerland 515 GmbH	Switzerland
Cardinal Health Systems, Inc.	Ohio
Cardinal Health Technologies, LLC	Nevada
Cardinal Health Technologies Switzerland GmbH	Switzerland
Cardinal Health U.K. 432 Limited	United Kingdom
Cardinal Health Medical Equipment Consulting (Shanghai) Co., Ltd.	China
Cirpro de Delicias S.A. de C.V.	Mexico
Convertors de Mexico S.A. de C.V.	Mexico
Cordis Cashel Company Unlimited	Ireland
Cordis Corporation	Florida
Cordis (Shanghai) Medical Devices Co., Ltd.	China
Cornerstone Partners G.P.O., L.P.	Tennessee

Subsidiary Name	State/Jurisdiction of Incorporation
Covidien Ireland Limited	Ireland
Covidien Manufacturing Solutions, S.A.	Costa Rica
Curaspan Health Group, Inc.	Delaware
EPIC Insurance Company	Vermont
Especialidades Medicas Kenmex S.A. de C.V.	Mexico
Griffin Capital, LLC	Nevada
Innovative Therapies, Inc.	Delaware
Instant Diagnostic Systems, Inc.	Alabama
Kendall Patient Recovery BVBA	Belgiuum
Kendall-Gammatron Limited	Thailand
KPR Australia Pty. Ltd.	Australia
KPR Italia S.r.l.	Italy
KPR Switzerland Sales Gmbh	Switzerland
KPR U.S., LLC	Delaware
Leader Drugstores, Inc.	Delaware
Limited Liability Company "Cardinal Health Russia"	Russian Federation
Marin Apothecaries	California
Medicine Shoppe International, Inc.	Delaware
Mediquip Sdn. Bhd.	Malaysia
NaviHealth, Inc.	Delaware
Nippon Covidien Ltd.	Japan
One Cloverleaf, LLC	Delaware
Outcomes Incorporated	Iowa
Pinnacle Intellectual Property Services, Inc.	Nevada
Pinnacle Intellectual Property Services-International, Inc.	Nevada
Post-Acute Care Center for Research, LLC	Delaware
Quiroproductos de Cuauhtemoc S. de R.L. de C.V.	Mexico
R Cubed, Inc.	Tennessee
RainTree GPO, LLC	Delaware
Renal Purchasing Group, LLC	Tennessee
RGH Enterprises, Inc.	Ohio
RightCare Solutions, Inc.	Delaware
Rxealtime, Inc.	Nevada
Sonexus Health, LLC	Texas
TelePharm, LLC	Iowa
The Harvard Drug Group, L.L.C.	Michigan
Tradex International, Inc.	Ohio
UroMed, Inc.	Georgia
WaveMark, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-3 No. 333-215935 of Cardinal Health, Inc.,

(2) Registration Statements on Form S-4 No. 333-62938 and No. 333-74761 of Cardinal Health, Inc., and

(3) Registration Statements on Form S-8 No. 33-42357, No. 333-90423, No. 333-38192, No. 333-38198, No. 333-56010, No. 333-129725, No. 333-149107, No. 333-155156, No. 333-163128, No. 333-164736, No. 333-177728, No. 333-183471, No. 333-206339, No. 333-206340, No. 333-214412 and No. 333-219892 of Cardinal Health, Inc.;

of our reports dated August 22, 2018 , with respect to the consolidated financial statements and schedule of Cardinal Health, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Cardinal Health, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Cardinal Health, Inc. and subsidiaries for the year ended June 30, 2018 .

/s/ Ernst & Young LLP

Grandview Heights, Ohio

August 22, 2018

Exhibit 31.1

I, Michael C. Kaufmann , certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2018

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

Exhibit 31.2

I, Jorge M. Gomez , certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2018

/s/ J ORGE M. G OMEZ

Jorge M. Gomez

Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of Michael C. Kaufmann, Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Jorge M. Gomez, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K for the fiscal year ended June 30, 2018 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 22, 2018

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann
Chief Executive Officer

/s/ JORGE M. GOMEZ

Jorge M. Gomez
Chief Financial Officer

Exhibit 99.1

Statement Regarding Forward-Looking Information

As used in this exhibit, "we," "our," "us" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the "2018 Form 10-K"), our quarterly reports on Form 10-Q and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, including materials posted on our website, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution services agreements with branded pharmaceutical manufacturers, changes in the amount of service fees we receive or, in cases where part of our compensation under these agreements is based on branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in manufacturer approaches to pricing branded pharmaceutical products and risks related to our compensation under contractual arrangements with manufacturers being set as a percentage of the wholesale acquisition cost of branded pharmaceuticals;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- our high sales concentration with certain key customers, including CVS Health Corporation and OptumRx;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of company or customer information, and ancillary risks associated with our ability to effectively manage any issues arising from any such compromise;
- possible losses that may arise or expenses that we may incur from the resolution and defense of the lawsuits and investigations in which we have been named relating to the distribution of prescription opioid pain medication;
- potential damage to our reputation, adverse operational impacts or other effects that may result from the national opioid epidemic and the allegations that have been made about our role in such epidemic;
- potential adverse impact to our financial results resulting from enacted and proposed state taxes or other assessments on the sale and distribution of opioid medications;
- risks and uncertainties relating to the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses from Medtronic plc (the "Patient Recovery Business"), including the ability to retain the acquired business' customers and employees; the ability to successfully integrate the acquired business into our operations; the ability to achieve the expected synergies and accretion in earnings; unforeseen internal control, regulatory or compliance issues; and additional risks relating to regulatory matters, legal proceedings, tax laws or positions or foreign exchange rate volatility;
- uncertainties related to our ability to manage inventory and cost challenges within the Cordis business and to stop the decline in Cordis' performance;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- manufacturing disruptions, whether due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks arising from possible violations of healthcare fraud and abuse laws;
- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls and related product liability claims and lawsuits, including class action lawsuits;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;

- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, pricing changes, non-renewal, early termination, or delinquencies or defaults under contracts with key customers;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- risks arising from changes in U.S. or foreign tax laws, including our ability to effectively implement and account for the recently enacted Tax Cuts and Jobs Act and unfavorable challenges to our tax positions and payments to settle these challenges;
- uncertainties due to government healthcare reform, including possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;
- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- the risks of counterfeit products in the supply chain;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- risks to our business and information and controls systems in the event that business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions, government investigations or other legal proceedings;
- possible losses relating to product liability lawsuits and claims regarding products for which we cannot obtain product liability insurance or for which such insurance may not be adequate to cover our losses, including the product liability lawsuits we are currently defending relating to alleged personal injuries associated with the use of Cordis inferior vena cava filter products;
- our ability to maintain adequate intellectual property protections;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- our ability to manage and complete divestitures or other strategic business combination transactions, including our ability to find buyers or other strategic exit opportunities and risks associated with the possibility that we could experience greater dis-synergies than anticipated or otherwise fail to achieve our strategic objectives;
- increased costs for commodities and other materials used in the Medical segment manufacturing, including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;

- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations including currently proposed tariffs;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the "Risk Factors" section of the 2018 Form 10-K.

The words "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions generally identify "forward-looking statements," which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

Ohio	**31-0958666**
(State or other jurisdiction of incorporation or organization)	***(IRS Employer Identification No.)***
7000 Cardinal Place, Dublin, Ohio	**43017**
(Address of principal executive offices)	***(Zip Code)***

(614) 757-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Trading Symbol(s)*	*Name of each exchange on which registered*
Common shares (without par value)	**CAH**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of voting stock held by non-affiliates or registrant on December 31, 2018 , was the following: $13,267,580,148 .

The number of the registrant's common shares, without par value, outstanding as of July 31, 2019 , was the following: 298,133,678 .

Documents Incorporated by Reference:

Portions of the registrant's Definitive Proxy Statement to be filed for its 2019 Annual Meeting of Shareholders are incorporated by reference into the sections of this Form 10-K addressing the requirements of Part III of Form 10-K.

Cardinal Health

Fiscal 2019 Form 10-K

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Introduction

References to Cardinal Health and Fiscal Years

As used in this report, "we," "our," "us," "Cardinal Health" and similar pronouns refer to Cardinal Health, Inc. and its majority-owned subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2020 , 2019 , 2018 , 2017 , 2016 and 2015 are to the fiscal years ended June 30, 2020 , 2019 , 2018 , 2017 , 2016 and 2015 , respectively. Except as otherwise specified, information in this report is provided as of June 30, 2019 .

Non-GAAP Financial Measures

In this report, including in the "Fiscal 2019 Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we use financial measures that are derived from consolidated financial data but are not presented in our financial statements that are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Explanation and Reconciliation of Non-GAAP Financial Measures" section following MD&A in this report.

Important Information Regarding Forward-Looking Statements

This report (including information incorporated by reference) includes forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in MD&A, but there are others throughout this report, which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these risks and uncertainties are described in "Risk Factors" in this report and in Exhibit 99.1 to the Form 10-K included in this report. Forward-looking statements in this report speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.cardinalhealth.com), under the "Investor Relations — Financial Reporting — SEC Filings" caption, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The SEC also maintains a website (www.sec.gov) where you can search for annual, quarterly and current reports, proxy and information statements, and other information regarding us and other public companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

About Cardinal Health

Cardinal Health, Inc. is an Ohio corporation formed in 1979 and is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical.

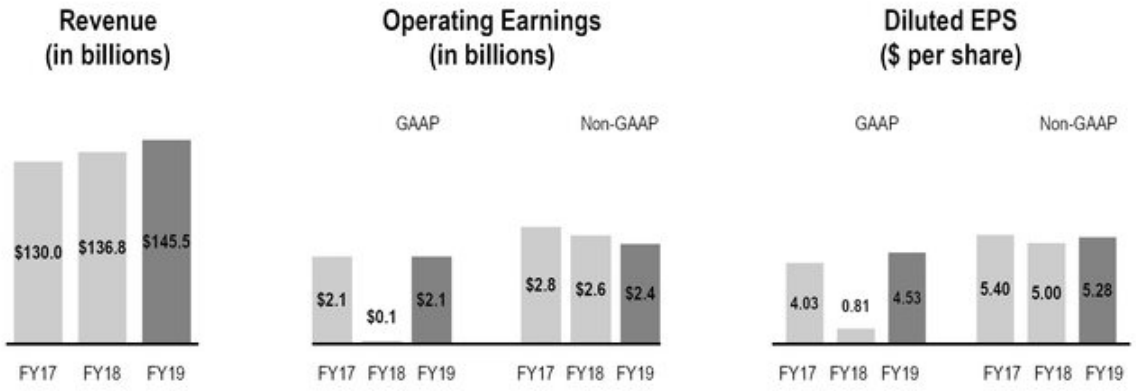
Pharmaceutical Segment

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers for specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals, as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Medical Segment

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

Consolidated Results



Fiscal 2019 Overview

Revenue
Revenue for fiscal 2019 was $145.5 billion , a 6 percent increase from the prior year, primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, partially offset by the February 2018 divestiture of our China distribution business.

GAAP and Non-GAAP Operating Earnings

(in millions)	2019	2018	Change
GAAP	**$ 2,060**	$ 126	**N.M.**
Restructuring and employee severance	**125**	176	
Amortization and other acquisition-related costs	**621**	707	
Impairments and (gain)/loss on disposal of assets	**(488)**	1,417	
Litigation (recoveries)/charges, net	**36**	159	
Non-GAAP	**$ 2,353**	$ 2,585	**(9)%**

The sum of the components may not equal the total due to rounding.

During fiscal 2019 , GAAP operating earnings increased to $2.1 billion from $126 million during fiscal 2018. Non-GAAP operating earnings decreased 9 percent to $2.4 billion . The increase in GAAP operating earnings was primarily due to the goodwill impairment charge related to our Medical segment in the prior year and the current year gain from the divestiture of our naviHealth Holdings, LLC ("naviHealth") business.

The decrease in non-GAAP operating earnings was primarily due to the negative impact of our Pharmaceutical segment generics program, performance of Medical segment Cardinal Health Brand products and the adverse impact of Pharmaceutical segment customer contract renewals. These factors were partially offset by growth from our specialty pharmaceutical products and services business within our Pharmaceutical segment, the beneficial impact of enterprise-wide cost-savings measures and higher contribution from branded pharmaceutical sales and mix.

GAAP and Non-GAAP Diluted EPS

($ per share)	2019	2018	Change
GAAP	**$ 4.53**	$ 0.81	**N.M.**
Restructuring and employee severance	**0.31**	0.48	
Amortization and other acquisition-related costs	**1.57**	1.69	
Impairments and (gain)/loss on disposal of assets	**(1.25)**	4.64	
Litigation (recoveries)/charges, net	**0.09**	0.35	
Transitional tax benefit, net	**0.03**	(2.97)	
Non-GAAP	**$ 5.28**	$ 5.00	**6%**

The sum of the components may not equal the total due to rounding.

During fiscal 2019 , GAAP diluted earnings per share attributable to Cardinal Health, Inc. ("diluted EPS") increased to $4.53 from $0.81 during fiscal 2018 . Non-GAAP diluted EPS increased 6 percent to $5.28 .

Fiscal 2019 GAAP diluted EPS increased primarily due to the increase in GAAP operating earnings and the benefits from applying a lower federal statutory tax rate to our U.S. pre-tax earnings as a result of the U.S. Tax Cuts and Jobs Act ("Tax Act"). This increase was partially offset by a $2.97 per share favorable impact in the prior year from the estimated net transitional benefit from the remeasurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries.

Fiscal 2019 non-GAAP diluted EPS increased primarily due to a $0.49 per share impact from a lower non-GAAP effective tax rate in the current period compared to the higher prior year non-GAAP effective tax rate. Also contributing to the increase in non-GAAP diluted EPS was a lower share count as a result of share repurchases. These factors were partially offset by the decrease in non-GAAP operating earnings. The non-GAAP effective tax rate is lower in the current year primarily because of the benefits from applying a lower federal statutory tax rate to our U.S. pre-tax earnings as a result of the Tax Act.

Cash and Equivalents

Our cash and equivalents balance was $2.5 billion at June 30, 2019 compared to $1.8 billion at June 30, 2018 . The increase in cash and equivalents during fiscal 2019 was due to $2.7 billion of net cash provided by operating activities and $737 million of net cash proceeds from the sale of our naviHealth business, offset by $1.1 billion of debt repayments, $600 million of share repurchases, $577 million of dividends, and $328 million of capital expenditures.

Significant Developments in Fiscal 2019 and Trends

Divestitures

naviHealth Divestiture
In August 2018, we sold our 98 percent ownership interest in naviHealth in exchange for cash proceeds of $737 million and a 44 percent equity interest in a partnership that owns 100 percent of naviHealth. We also have certain call rights to reacquire naviHealth. We recognized a pre-tax gain of $508 million related to this divestiture during fiscal 2019.

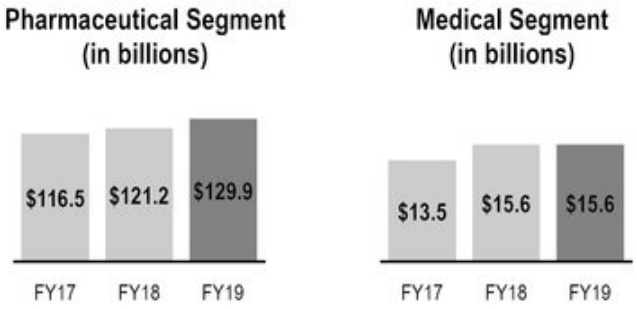
Trends

Within our Pharmaceutical segment, we expect fiscal 2020 segment profit to be less than our fiscal 2019 segment profit due to the adverse impact of recent customer contract renewals and generics program performance, which includes the negative impact of generic pharmaceutical customer pricing changes partially offset by the benefits of Red Oak Sourcing. As is generally the case, the frequency, timing, magnitude and profit impact of generic pharmaceutical customer pricing changes, customer renewals, and branded and generic pharmaceutical manufacturer pricing changes remain uncertain and their impact on Pharmaceutical segment profit and consolidated operating earnings in fiscal 2020 could be more or less than we expect.

On August 7, 2019, we were authorized to incur restructuring costs in connection with certain cost-savings initiatives intended to optimize and simplify our operating model and cost structure. We expect these cost-savings initiatives, which will affect various functional and commercial areas across the Company, to be substantially implemented during fiscal year 2020. As a result of these initiatives, we expect to record restructuring charges of approximately $120 million to $145 million, the majority of which are expected to be expensed during fiscal year 2020. We may incur additional restructuring charges in connection with other projects.

Results of Operations

Revenue



	Revenue			Change	
(in millions)	**2019**	2018	2017	**2019**	2018
Pharmaceutical	**$ 129,917**	$ 121,241	$ 116,463	**7%**	4%
Medical	**15,633**	15,581	13,524	**—%**	15%
Total segment revenue	**145,550**	136,822	129,987	**6%**	5%
Corporate	**(16)**	(13)	(11)	**N.M.**	N.M.
Total revenue	**$ 145,534**	$ 136,809	$ 129,976	**6%**	5%

Fiscal 2019 Compared to Fiscal 2018

Pharmaceutical Segment
Fiscal 2019 Pharmaceutical segment revenue grew primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which together increased revenue by $10.7 billion. The increases were partially offset by the February 2018 divestiture of our China distribution business.

Medical Segment
Fiscal 2019 Medical segment revenue was flat compared to fiscal 2018 . Sales growth from existing customers and the benefit from one additional month of contribution from the Patient Recovery acquisition were offset by the divestitures of our China distribution and naviHealth businesses.

Fiscal 2018 Compared to Fiscal 2017

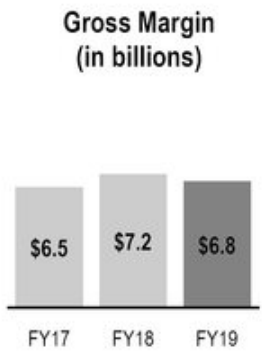
Pharmaceutical Segment
Fiscal 2018 Pharmaceutical segment revenue grew primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which together increased revenue by $9.4 billion. The increases were partially offset by the previously announced May 2017 expiration of a large pharmaceutical distribution mail order customer contract and the February 2018 divestiture of our China distribution business.

Medical Segment
Fiscal 2018 Medical segment revenue grew mainly due to $1.9 billion of contributions from acquisitions, primarily the Patient Recovery Business acquisition.

Cost of Products Sold

Cost of products sold f or fiscal 2019 and 2018 increased $9.1 billion (7 percent) and $6.2 billion (5 percent) compared to the prior-year periods, respectively, as a result of the same factors affecting the changes in revenue and gross margin.

Gross Margin



	Consolidated Gross Margin			Change	
(in millions)	**2019**	2018	2017	**2019**	2018
Gross margin	**$ 6,834**	$ 7,181	$ 6,544	**(5)%**	10%

Fiscal 2019 Compared to Fiscal 2018

Fiscal 2019 consolidated gross margin decreased $347 million (5 percent) due to lower contribution from our Pharmaceutical segment generics program, performance of Medical segment's Cardinal Health Brand products, the net impact of acquisitions and divestitures and the adverse impact of Pharmaceutical segment customer contract renewals. These factors were partially offset by sales growth from our specialty pharmaceutical products and services business and higher contribution from branded pharmaceutical sales and mix.

Gross margin rate declined during fiscal 2019 mainly due to changes in product mix, lower contribution from our Pharmaceutical segment generics program, performance of Medical segment's Cardinal Health Brand products, and the adverse impact of Pharmaceutical segment customer contract renewals.

Fiscal 2018 Compared to Fiscal 2017

Fiscal 2018 consolidated gross margin increased $637 million (10 percent) and was favorably impacted by acquisitions ($809 million), primarily the Patient Recovery Business acquisition.

Gross margin rate grew during fiscal 2018 mainly due to acquisitions, primarily the Patient Recovery Business acquisition. Gross margin rate growth was partially offset by the negative impact of changes in pharmaceutical distribution product mix and performance in our Cordis business due to inventory challenges and increased manufacturing costs.

Distribution, Selling, General and Administrative ("SG&A") Expenses

	SG&A Expenses			Change	
(in millions)	**2019**	2018	2017	**2019**	2018
SG&A expenses	**$ 4,480**	$ 4,596	$ 3,775	**(3)%**	22%

Fiscal 2019 Compared to Fiscal 2018

Fiscal 2019 SG&A expenses decreased due to the beneficial impact of divestitures and enterprise-wide cost-savings measures, largely offset by certain costs to exit transition service agreements for our Patient Recovery Business and legal expenses for opioid-related matters.

Fiscal 2018 Compared to Fiscal 2017

Fiscal 2018 SG&A expenses increased mainly due to acquisitions ($524 million), which primarily consists of the Patient Recovery Business acquisition, and enterprise-wide compensation related items.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 15 of the "Notes to Consolidated Financial Statements" for additional information on segment profit.

	Segment Profit and Operating Earnings			Change	
(in millions)	**2019**	2018	2017	**2019**	2018
Pharmaceutical	**$ 1,834**	$ 1,992	$ 2,187	**(8)%**	(9)%
Medical	**576**	662	572	**(13)%**	16 %
Total segment profit	**2,410**	2,654	2,759	**(9)%**	(4)%
Corporate	**(350)**	(2,528)	(639)	**N.M.**	296 %
Total consolidated operating earnings	**$ 2,060**	$ 126	$ 2,120	**N.M.**	(94)%

Fiscal 2019 Compared to Fiscal 2018

Pharmaceutical Segment Profit
Fiscal 2019 Pharmaceutical segment profit decreased largely due to our generics program performance, the adverse impact of customer contract renewals and legal expenses for opioid-related matters . Our generics program performance includes the negative impact of generic pharmaceutical customer pricing changes partially offset by the benefits of Red Oak Sourcing. The decreases were partially offset by growth from our specialty pharmaceutical products and services business, higher contribution from our branded pharmaceutical sales and mix and the beneficial impact of enterprise-wide cost-savings measures.

Medical Segment Profit
Fiscal 2019 Medical segment profit decreased largely due to the performance of Cardinal Health Brand products, including incremental supply chain costs, charges related to an exclusive distribution agreement with a Cordis supplier, and increased commodities prices. This decrease was partially offset by the benefits from enterprise-wide and segment cost-savings measures and the prior-year impact of Cordis inventory challenges and increased operating costs specific to Cordis. Medical segment profit comparison to the prior year also benefitted from acquisitions and divestitures, net, which includes the beneficial comparison to the impact in fiscal 2018 from the fair value step-up of inventory acquired with the Patient Recovery Business.

Corporate
The changes in Corporate during fiscal 2019 are due to the factors discussed in the Other Components of Consolidated Operating Earnings section that follows.

Fiscal 2018 Compared to Fiscal 2017

Pharmaceutical Segment Profit
Fiscal 2018 Pharmaceutical segment profit decreased largely due to our generics program performance and the adverse impact of customer contract renewals. Performance from our specialty pharmaceutical products distribution and services business positively impacted Pharmaceutical segment profit.

Medical Segment Profit
Fiscal 2018 Medical segment profit increased largely due to acquisitions, inclusive of the unfavorable cost of products sold impact from the fair value step up of inventory acquired with the Patient Recovery Business acquisition. The increase was partially offset by performance from the Cordis business, and to a lesser extent, performance from other Cardinal Health Brand products. The performance from the Cordis business primarily reflected inventory challenges and increased operating costs.

Corporate
The changes in Corporate during fiscal 2018 were due to the factors discussed in the Other Components of Consolidated Operating Earnings section that follows.

Other Components of Consolidated Operating Earnings

In addition to revenue, gross margin, and SG&A expenses discussed previously, consolidated operating earnings were impacted by the following:

(in millions)	2019	2018	2017
Restructuring and employee severance	**$ 125**	$ 176	$ 56
Amortization and other acquisition-related costs	**621**	707	527
Impairments and (gain)/loss on disposal of assets, net	**(488)**	1,417	18
Litigation (recoveries)/charges, net	**36**	159	48

Restructuring and Employee Severance
During fiscal 2019, we recognized $92 million of restructuring related costs in connection with enterprise-wide cost-savings measures that began in fiscal 2019.

During fiscal 2018, we incurred $125 million of contract termination costs to transition the distribution of our Medical segment surgeon gloves in certain international markets from a third-party distribution arrangement to a direct distribution model.

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $531 million , $574 million and $395 million for fiscal 2019 , 2018 and 2017 , respectively.

Transaction and integration costs associated with the acquisition of the Patient Recovery Business were $75 million , $109 million and $54 million during fiscal 2019 , 2018 , and 2017 , respectively.

Impairments and (Gain)/Loss on Disposal of Assets, Net
During fiscal 2019 , we recognized a pre-tax gain of $508 million related to the divestiture of our naviHealth business.

During fiscal 2018 , we recognized a $1.4 billion non-cash goodwill impairment charge related to our Medical segment, as discussed further in Note 4 of the "Notes to Consolidated Financial Statements." There was no tax benefit related to this goodwill impairment charge.

Litigation (Recoveries)/Charges, Net
During fiscal 2019 , 2018 and 2017 , we recognized $117 million, $177 million and $24 million, respectively, of estimated losses and legal defense costs associated with inferior vena cava ("IVC") filter product liability claims.

During fiscal 2019 and 2018, we recognized income of $94 million and $22 million, respectively, for recoveries in class action antitrust lawsuits in which we were a class member.

Earnings/(loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes was impacted by the following:

	Earnings/(loss) Before Income Taxes			Change	
(in millions)	**2019**	2018	2017	**2019**	2018
Other (income)/expense, net	**$ 15**	$ 23	$ (5)	**N.M.**	N.M.
Interest expense, net	**294**	329	201	**(11)%**	64%
Loss on extinguishment of debt	**—**	2	—	**N.M.**	N.M.

Interest Expense, Net

Fiscal 2019 interest expense decreased primarily due to lower debt outstanding.

Fiscal 2018 interest expense increased primarily due to new debt issued in June 2017 to fund a portion of the purchase price of the Patient Recovery Business acquisition.

Provision for Income Taxes

Generally, fluctuations in the effective tax rate are due to changes in the distribution of income among taxing jurisdictions with differing income tax rates and other reconciling items.

The fluctuations in the effective tax rate from fiscal 2018 to fiscal 2019 were primarily due to the prior-year impacts of the net benefits from the enactment of the Tax Act, nondeductible goodwill impairment charge, and benefit from a capital loss due to international legal entity reorganization.

A reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations is as follows (see Note 7 of the "Notes to Consolidated Financial Statements" for additional information):

	2019 (1)	2018 (2)	2017 (1)
Provision at Federal statutory rate	**21.0 %**	28.1 %	35.0 %
State and local income taxes, net of federal benefit	**0.9**	(16.0)	1.0
Tax effect of foreign operations	**(0.7)**	(48.4)	(7.3)
Nondeductible/nontaxable items	**2.5**	(10.2)	0.2
Goodwill impairment	**—**	(124.7)	—
Tax Act	**(0.8)**	410.9	—
Change in valuation allowances	**4.5**	(76.9)	7.7
Foreign tax credits	**(1.0)**	27.3	(1.6)
China tax related to divestiture	**—**	(25.8)	—
Legal entity reorganization	**(3.6)**	71.4	—
Other	**(0.7)**	(21.9)	(2.3)
Effective income tax rate	**22.1 %**	213.8 %	32.7 %

(1) The effective income tax rates for fiscal 2019 and 2017 represents income tax expense tax rates.

(2) The effective income tax rate for fiscal 2018 represents an income tax benefit tax rate.

Fiscal 2019

The fiscal 2019 effective income tax rate was impacted by a lower federal statutory tax rate to our U.S. pre-tax earnings as a result of the Tax Act and net discrete benefits of $17 million, primarily related to international legal entity changes offset by increases in valuation allowances.

Ongoing Audits

The IRS is currently conducting audits of fiscal years 2008 through 2014. Years after 2014 remain open.

Fiscal 2018 and Fiscal 2017

The fiscal 2018 effective income tax rate was impacted by various items including benefits from the enactment of the Tax Act, the impact of nondeductible goodwill impairment charges, changes in valuation allowances and a benefit from a capital loss due to an international legal entity reorganization.

The net benefit from the Tax Act for fiscal 2018 includes a provisional net tax benefit of $977 million related to the remeasurement of our deferred tax assets and liabilities to the new federal statutory rate, the benefit from the impact of applying a lower federal tax rate to our year-to-date U.S. pre-tax earnings and a provisional tax expense of $41 million for the one-time repatriation tax applied to our undistributed foreign earnings.

Our effective tax rate for fiscal 2018 also includes $59 million of tax expense recognized in connection with the sale of our China distribution business.

The fiscal 2017 effective income tax rate was favorably impacted by the realignment of foreign subsidiaries in anticipation of closing the acquisition of the Patient Recovery Business and also from deductions related to U.S. production activities. The state and local income tax rate decreased primarily due to resolutions with state taxing authorities.

Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, dividends and share repurchases. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

Cash and Equivalents

Our cash and equivalents balance was $2.5 billion at June 30, 2019 compared to $1.8 billion at June 30, 2018 . The increase in cash and equivalents during fiscal 2019 was due to $2.7 billion of net cash provided by operating activities and $737 million of net cash proceeds from the sale of our naviHealth business, offset by $1.1 billion paid for debt repayments, $600 million paid for share repurchases, $577 million paid in dividends and $328 million paid for capital expenditures. At June 30, 2019 , our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During fiscal 2018 our cash and cash equivalents declined $5.1 billion due to $6.1 billion deployed for acquisitions during the year, $954 million used for debt repayments, $581 million paid in dividends, $550 million paid for share repurchases and $384 million paid for capital expenditures, offset in part by $2.8 billion net cash provided by operating activities and $861 million of proceeds from the divestiture of the China distribution business. Net cash provided by operating activities increased by $1.6 billion from fiscal 2017 primarily due to working capital changes in part as a result of timing of customer and vendor payments related to the new Pharmaceutical segment finance and operating information systems.

The increase in cash and equivalents during fiscal 2017 of $4.5 billion was due to proceeds from a $5.2 billion debt issuance and $1.2 billion provided by operating activities, partially offset by $600 million paid for share repurchases, $577 million paid in dividends and $387 million paid in capital expenditures and $310 million in debt repayments. The $1.8 billion decrease in net cash provided by operating activities in fiscal 2017 was primarily due to an increase in working capital as a result of changes in timing of customer and vendor payments, some of which related to implementation of the new Pharmaceutical segment finance and operating information systems.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases and payments to vendors in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

The cash and equivalents balance at June 30, 2019 included $575 million of cash held by subsidiaries outside of the United States.

In June 2019, we repatriated $318 million of cash held by foreign subsidiaries.

During the year ended June 30, 2019, we completed the final calculation of the U.S. repatriation tax after the issuance of final regulations by the U.S Treasury Department under section 965. After completion of the calculation and an overall review of our cash positions and business needs globally, we changed our assertion on $309 million previously considered indefinitely reinvested as of June 30, 2018, which did not have a material impact on our provision for income taxes . See Note 7 of the "Notes to Consolidated Financial Statements" for additional information on the Tax Act.

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at June 30, 2019 include a $2.0 billion commercial paper program, backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At June 30, 2019 , we had no amounts outstanding under our commercial paper program, revolving credit facility or our committed receivables sales facility. Under our commercial paper program, we had a maximum amount outstanding of $785 million and an average daily amount outstanding of $15 million during fiscal 2019.

In June 2019, we extended our revolving credit facility through June 2024. The revolving credit facility requires us to maintain a maximum consolidated net leverage ratio as of the end of any calendar quarter. On June 30, 2019, the maximum permitted ratio was 4.25-to-1 . The maximum permitted ratio will reduce to 4.00-to-1 in September 2019 and to 3.75- to-1 in March 2021. As of June 30, 2019 , we were in compliance with this financial covenant.

Our committed receivables sales facility provides that, as of the end of any calendar quarter, our maximum consolidated leverage ratio may be no more than 4.25-to-1 . The maximum permitted ratio will reduce to 4.00-to-1 in September 2019, to 3.75- to-1 in March 2020 and to 3.25-to-1 in September 2020. As of June 30, 2019 , we were in compliance with this financial covenant. We intend to renew our committed receivables sales facility program in the first quarter of fiscal 2020.

Long-Term Obligations

At June 30, 2019, we had total long-term obligations, including the current portion and other short-term borrowings of $8.0 billion . In June 2019, we repaid $1.0 billion 1.948% notes at maturity. In the fourth quarter of fiscal 2019, we repurchased a total of $100 million of notes due in 2022 and 2027.

In June 2018, we repaid our $550 million 1.95% Notes due 2018 in full at maturity. In fiscal 2018 we sold our China distribution business, including its debt which was $378 million as of June 30, 2017. See Note 2 of the "Notes to Consolidated Financial Statements" for further discussion of this divestiture.

Risk Management

We use interest rate swaps, foreign currency contracts and commodity contracts to manage our exposure to cash flow variability. We also use interest rate swaps to protect the value of our debt and use foreign currency forward contracts to protect the value of our existing and forecasted foreign currency assets and liabilities. See the "Quantitative and Qualitative Disclosures About Market Risk" section as well as Note 1 and Note 11 of the "Notes to Consolidated Financial Statements" for information regarding the use of financial instruments and derivatives as well as foreign currency, interest rate and commodity exposures.

Capital Deployment

Capital Expenditures

Capital expenditures during fiscal 2019 , 2018 and 2017 were $328 million , $384 million and $387 million , respectively.

We expect capital expenditures in fiscal 2020 to be between $320 million and $360 million primarily for information technology and infrastructure projects.

Dividends

During fiscal 2019 , we paid quarterly dividends totaling $1.91 per share, an increase of 3 percent from fiscal 2018 .

On May 8, 2019, our Board of Directors approved a quarterly dividend of $0.4811 per share, or $1.92 per share on an annualized basis, which was paid on July 15, 2019 to shareholders of record on July 1, 2019.

On August 7, 2019, our Board of Directors approved a quarterly dividend of $0.4811 per share, or $1.92 per share on an annualized basis, payable on October 15, 2019 to shareholders of record on October 1, 2019.

Share Repurchases

During fiscal 2019 and 2018 , we repurchased $600 million and $550 million , respectively, of our common shares. We funded the repurchases with available cash and short-term borrowing. See Note 13 of the "Notes to Consolidated Financial Statements" for additional information. At June 30, 2019 , we had $1.3 billion authorized for share repurchases r emaining under all programs.

Contractual Obligations

At June 30, 2019 , our contractual obligations, including estimated payments due by period, were as follows:

(in millions)	2020	2021 to 2022	2023 to 2024	There-after	Total
Long-term debt and short-term borrowings (1)	$ 450	$ 2,176	$ 1,333	$ 4,065	**$ 8,024**
Interest on long-term debt	318	631	481	1,972	**3,402**
Capital lease obligations (2)	2	3	2	—	**7**
Operating leases (3)	126	176	87	94	**483**
Purchase obligations and other payments (4)	569	456	381	8	**1,414**
Total contractual obligations (5)	**$ 1,465**	**$ 3,442**	**$ 2,284**	**$ 6,139**	**$ 13,330**

(1) Represents maturities of our long-term debt obligations and other short-term borrowings excluding capital lease obligations described below. See Note 6 of the "Notes to Consolidated Financial Statements" for further information.

(2) Represents maturities of our capital lease obligations included within long-term obligations in our consolidated balance sheets.

(3) Represents minimum rental payments for operating leases having initial or remaining non-cancelable lease terms as described in Note 8 of the "Notes to Consolidated Financial Statements."

(4) A purchase obligation is defined as an agreement to purchase goods or services that is legally enforceable and specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally canceled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period. Purchase obligations and other payments also includes quarterly payments of $ 45.6 million that we are required to pay CVS Health Corporation ("CVS") in connection with Red Oak Sourcing and will be in place for the remaining five years of the agreement. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information.

(5) Long-term liabilities, such as unrecognized tax benefits, deferred taxes and other tax liabilities, have been excluded from the above table due to the inherent uncertainty of the underlying tax positions or because of the inability to reasonably estimate the timing of any cash outflows. See Note 7 of the "Notes to Consolidated Financial Statements" for further discussion of income taxes.

Off-Balance Sheet Arrangements

We had no significant "off-balance sheet arrangements" at June 30, 2019 , as that term is defined in the SEC rules.

Recent Financial Accounting Standards

See Note 1 of the "Notes to Consolidated Financial Statements" for a discussion of recent financial accounting standards.

Critical Accounting Policies and Sensitive Accounting Estimates

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ. In this section, we describe the significant policies applied in preparing our consolidated financial statements that management believes are the most dependent on estimates and assumptions. For further discussion of accounting policies for items within this section and of additional accounting policies, see Note 1 of the "Notes to Consolidated Financial Statements."

Allowance for Doubtful Accounts

The allowance for doubtful accounts includes general and specific reserves. We determine our allowance for doubtful accounts by reviewing accounts receivable aging, industry trends, customer financial strength and credit standing, historical write-off trends and payment history. We regularly evaluate how changes in economic conditions may affect credit risks. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Receivables and Allowance for Doubtful Accounts.

A hypothetical 0.1 percent increase or decrease in the reserve as a percentage of trade receivables at June 30, 2019 , would result in an increase or decrease in bad debt expense of $9 million . We believe the reserve maintained and expenses recorded in fiscal 2019 are appropriate.

At this time, we are not aware of any analytical findings or customer issues that are likely to lead to a significant future increase in the allowance for doubtful accounts as a percentage of revenue. The following table presents information regarding the allowance for doubtful accounts over the past three fiscal years:

(in millions, except percentages)	2019	2018	2017
Allowance for doubtful accounts at beginning of period	$ **139**	$ 137	$ 135
Charged to costs and expenses	**141**	114	60
Reduction to allowance for customer deductions and write-offs	**(87)**	(111)	(58)
Allowance for doubtful accounts at end of period	$ **193**	$ 139	$ 137
Allowance as a percentage of customer receivables	**2.3%**	1.8%	1.7%
Allowance as a percentage of revenue	**0.13%**	0.10%	0.11%

The sum of the components may not equal the total due to rounding.

Inventories

A substantial portion of our inventories (56 percent at both June 30, 2019 and 2018) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These are primarily merchandise inventories at the core pharmaceutical distribution facilities within our Pharmaceutical segment ("distribution facilities"). The LIFO impact on the consolidated statements of earnings depends on pharmaceutical manufacturer price appreciation or deflation and our fiscal year-end inventory levels, which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end. Historically, prices for branded pharmaceuticals have generally tended to rise, resulting in an increase in cost of products sold, whereas prices for generic pharmaceuticals generally tend to decline, resulting in a decrease in cost of products sold. See Note 1 of the "Notes to Consolidated Financial Statements" for further information on our policy for Inventories.

Using LIFO, if there is a decrease in inventory levels that have experienced pharmaceutical price appreciation, the result generally will be a decrease in future cost of products sold as our older inventory is held at a lower cost. Conversely, if there is a decrease in inventory levels that have experienced a pharmaceutical price decline, the result generally will be an increase in future cost of products sold as our older inventory is held at a higher cost.

We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation. If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2019 or 2018 because inventories valued at LIFO were $230 million and $92 million higher than the average cost value at June 30, 2019 and 2018 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record a LIFO reserve in fiscal 2019 or 2018 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or market. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $171 million and $147 million at June 30, 2019 and 2018 , respectively. We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies.

If actual conditions are less favorable than our assumptions, additional inventory reserves may be required.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. For further discussion of the Business Combinations accounting policy, see Note 1 of the "Notes to Consolidated Financial Statements."

Critical estimates and assumptions include: expected future cash flows for customer relationships, trademarks, trade names, patents, developed technology, in-process research and development ("IPR&D") and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. See Note 2 of the "Notes to Consolidated Financial Statements" for additional information regarding our acquisitions.

Goodwill and Other Indefinite-Lived Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for the annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (which are components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division. Our Nuclear and Precision Health Solutions division was formerly referred to as our Nuclear Pharmacy Services division and our Cardinal Health at-Home Solutions division was formerly referred to as our Cardinal Health at Home division.

Goodwill impairment testing involves judgment, including the identification of repo rting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Our determination of estimated fair value of our reporting units is based on a combination of the income-based and market-based approaches (using discount rates ranging from 8.5 percent to 11.5 percent) . We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment. If a reporting unit fails to achieve expected earnings or otherwise fails to meet current financial plans, or if there were changes to any other key assumptions used in the tests, the reporting unit could incur a goodwill impairment in a future period.

We performed annual impairment testing in fiscal 2019, 2018 and 2017 and, with the exception of our Medical Unit in fiscal 2018, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. For our annual impairment test in fiscal 2019, the fair value of our Medical Unit exceeded its carrying value of $10.8 billion by approximately 4 percent. For this test, we used a discount rate of 8.5 percent and a terminal growth rate of 2 percent. The goodwill balance for our Medical Unit is $4.2 billion. A decrease in future cash flows, an increase in the discount rate or a decrease in the terminal growth rate, among other things, could result in a goodwill impairment for the Medical Unit. For example, if we were to increase the discount rate by 0.5 percent, the carrying value would have exceeded the fair value for our Medical Unit by approximately 2 percent for fiscal 2019. Similarly, if we were to decrease the terminal growth rate by 0.5

percent, the carrying value would have exceeded the fair value for our Medical Unit by approximately 3 percent for fiscal 2019. For any of our other reporting units, the fair value would not have been less than the carrying amount for fiscal 2019 if we increased the discount rate by 0.5 percent or decreased the terminal growth rate by 0.5 percent. As discussed further in Note 4 of the "Notes to Consolidated Financial Statements," during the fourth quarter of fiscal 2018 we recognized a $1.4 billion goodwill impairment charge related to our Medical Unit, which is included in impairments and (gain)/loss on disposal of assets in our consolidated statements of earnings. There was no tax benefit related to the goodwill impairment charge.

The impairment test for indefinite-lived intangibles other than goodwill (primarily IPR&D) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

See Note 1 of "Notes to Consolidated Financial Statements" for additional information regarding goodwill and other intangible assets.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or outcomes can occur, assessing contingencies is highly subjective and requires judgments about future events.

We also self-insure for employee healthcare, certain product liability matters, auto liability, property and workers' compensation and maintain insurance for individual losses exceeding certain limits when available.

Self-insurance accruals include an estimate for expected settlements on pending claims, defense costs, administrative fees, claims adjustment costs and an estimate for claims incurred but not reported. For certain types of exposures, we develop the estimate of expected ultimate costs to settle each claim based on specific information related to each claim if available. Other estimates are based on an assessment of outstanding claims, historical analysis and current payment trends. For claims incurred but not reported, the liabilities are calculated and derived in accordance with generally accepted actuarial practices or using an estimated lag period.

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

Examples of such contingencies include various lawsuits related to the distribution of prescription opioid pain medications and the Cordis IVC filter lawsuits.

We develop and periodically update reserve estimates for Cordis IVC claims, including those received to date and expected to be received in the future and related costs. To project future Cordis IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, estimated indemnity severity by claim type, sales data and estimated defense costs.

The amount of loss may differ from these estimates. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information regarding loss contingencies and product liability lawsuits.

Provision for Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. Our income tax expense, deferred income tax assets and liabilities, and unrecognized tax benefits reflect management's assessment of estimated future taxes to be paid on items in the consolidated financial statements.

The following table presents information about our tax position at June 30:

(in millions)	2019	2018
Total deferred income tax assets (1)	**$ 864**	$ 848
Valuation allowance for deferred income tax assets (2)	**(542)**	(412)
Net deferred income tax assets	**322**	436
Total deferred income tax liabilities	**(2,035)**	(2,213)
Net deferred income tax liability	**$ (1,713)**	$ (1,777)

(1) Total deferred income tax assets included $621 million and $526 million of loss and tax credit carryforwards at June 30, 2019 and 2018 , respectively.

(2) The valuation allowance primarily relates to federal, state and international loss and credit carryforwards for which the ultimate realization of future benefits is uncertain.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly when it is more likely than not that at least a portion of the respective deferred tax assets will not be realized. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described above. We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. For tax benefits that do not qualify for recognition, we recognize a liability for unrecognized tax benefits.

Our assumptions and estimates around uncertain tax positions require significant judgment; the actual amount of tax benefit related to uncertain tax positions may differ from these estimates. See Note 7 of the "Notes to Consolidated Financial Statements" for additional information regarding unrecognized tax benefits.

We believe that our estimates for the valuation allowances against deferred tax assets and unrecognized tax benefits are appropriate based on current facts and circumstances. The amount we ultimately pay when matters are resolved may differ from the amounts accrued. Changes in our current estimates due to unanticipated market conditions, tax law changes or other factors could have a material effect on our ability to utilize deferred tax assets. For a further discussion on Provision for Income Taxes, see Note 7 of the "Notes to the Consolidated Financial Statements."

The calculation of our tax liabilities includes estimates for uncertainties in the application of broad and complex changes to the U.S. tax code as per the Tax Cuts and Jobs Act ("the Tax Act") as enacted by the United States government on December 22, 2017. We have made reasonable estimates and recorded amounts based on management judgment and our current understanding of the Tax Act which is subject to further interpretation by the Internal Revenue Service ("IRS"). See Note 7 of the "Notes to Consolidated Financial Statements" for additional information regarding the Tax Act.

Explanation and Reconciliation of Non-GAAP Financial Measures

This report, including the "Fiscal 2019 Overview" section within MD&A, contains financial measures that are not calculated in accordance with GAAP.

In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- State opioid assessment related to prior fiscal years is the portion of the New York State assessment under the Opioid Stewardship Act for prescription opioid medications that were sold or distributed in periods prior to fiscal 2019. This portion was excluded from non-GAAP financial measures because it related to sales in prior fiscal years and inclusion would have obscured analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while the New York law would have required us to make payments on an ongoing basis, the portion of the assessment related to sales in periods prior to fiscal 2019 was contemplated to be a one-time, nonrecurring item. In December 2018, this assessment was declared to be unconstitutional, so during the three months ended December 31, 2018, we reversed the accrual we booked in the three months ended September 30, 2018.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs , which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.
- Impairments and gain or loss on disposal of assets are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount.
- Loss on extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and subsequent adjustments for the re-

measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.

The tax effect for each of the items listed above, other than the transitional tax benefit item, is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

Definitions

Growth rate calculation : growth rates in this report are determined by dividing the difference between current period results and prior period results by prior period results.

Non-GAAP operating earnings : operating earnings excluding (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) restructuring and employee severance, (4) amortization and other acquisition-related costs, (5) impairments and (gain)/loss on disposal of assets, and (6) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes : earnings before income taxes excluding (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) restructuring and employee severance, (4) amortization and other acquisition-related costs, (5) impairments and (gain)/loss on disposal of assets, (6) litigation (recoveries)/charges, net, and (7) loss on extinguishment of debt.

Non-GAAP Net Earnings attributable to Cardinal Health, Inc.: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) restructuring and employee severance, (4) amortization and other acquisition-related costs, (5) impairments and (gain)/loss on disposal of assets, (6) litigation (recoveries)/charges, net, (7) loss on extinguishment of debt, each net of tax, and (8) transitional tax benefit, net.

Non-GAAP effective tax rate : provision for income taxes adjusted for (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) restructuring and employee severance, (4) amortization and other acquisition-related costs, (5) impairments and (gain)/loss on disposal of assets, (6) litigation (recoveries)/charges, net, (7) loss on extinguishment of debt, and (8) transitional tax benefit, (net) divided by (earnings before income taxes adjusted for the first seven items).

Non-GAAP diluted EPS attributable to Cardinal Health, Inc. : non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

Explanation and Reconciliation of Non-GAAP Financial Measures

GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings/(Loss) Before Income Taxes	Provision for Income Taxes	Net Earnings [1]	Net Earnings/(Loss) [1] Growth Rate	Effective Tax Rate	Diluted EPS [1]	Diluted EPS [1] Growth Rate
				Fiscal Year 2019					
GAAP	**$ 2,060**	**N.M.**	**$ 1,751**	**$ 386**	**$ 1,363**	**N.M.**	**22.1%**	**$ 4.53**	**N.M.**
Restructuring and employee severance	125		125	32	93			0.31	
Amortization and other acquisition-related costs	621		621	148	473			1.57	
Impairments and (gain)/loss on disposal of assets	(488)		(488)	(113)	(375)			(1.25)	
Litigation (recoveries)/charges, net	36		36	10	26			0.09	
Transitional tax benefit, net [2]	—		—	(9)	9			0.03	
Non-GAAP	**$ 2,353**	**(9)%**	**$ 2,044**	**$ 453**	**$ 1,589**	**1 %**	**22.1%**	**$ 5.28**	**6 %**
				Fiscal Year 2018					
GAAP	$ 126	(94)%	$ (228)	$ (487)	$ 256	(80)%	213.8%	$ 0.81	(80)%
Restructuring and employee severance	176		176	25	151			0.48	
Amortization and other acquisition-related costs	707		707	176	531			1.69	
Impairments and (gain)/loss on disposal of assets [3]	1,417		1,417	(44)	1,461			4.64	
Litigation (recoveries)/charges, net	159		159	48	111			0.35	
Loss on extinguishment of debt	—		2	1	1			—	
Transitional tax benefit, net [2]	—		—	936	(936)			(2.97)	
Non-GAAP	$ 2,585	(7)%	$ 2,233	$ 655	$ 1,575	(9)%	29.3%	$ 5.00	(7)%
				Fiscal Year 2017					
GAAP	$ 2,120	(14)%	$ 1,924	$ 630	$ 1,288	(10)%	32.7%	$ 4.03	(7)%
Restructuring and employee severance	56		56	20	36			0.11	
Amortization and other acquisition-related costs	527		527	165	362			1.13	
Impairments and (gain)/loss on disposal of assets	18		18	6	12			0.04	
Litigation (recoveries)/charges, net	48		48	19	29			0.09	
Non-GAAP	$ 2,769	(4)%	$ 2,572	$ 839	$ 1,727	— %	32.6%	$ 5.40	3 %

1 attributable to Cardinal Health, Inc.

2 Reflects the net transitional benefit from the remeasurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. See Note 7 of the "Notes to Consolidated Financial Statements" for more information on the Tax Act.

3 Fiscal year 2018 includes a goodwill impairment charge of $1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

The sum of the components may not equal the total due to rounding.
We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Selected Financial Data

The consolidated financial data below includes all business combinations as of the date of acquisition that occurred during these periods. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and MD&A.

(in millions, except per common share amounts)	**2019** [1]	2018 [2,3]	2017	2016	2015
Earnings Data:					
Revenue	**$ 145,534**	$ 136,809	$ 129,976	$ 121,546	$ 102,531
Operating earnings	**2,060**	126	2,120	2,459	2,161
Earnings from continuing operations	**1,365**	259	1,294	1,431	1,212
Earnings from discontinued operations, net of tax	**—**	—	—	—	3
Net earnings	**1,365**	259	1,294	1,431	1,215
Less: Net earnings attributable to noncontrolling interests	**(2)**	(3)	(6)	(4)	—
Net earnings attributable to Cardinal Health, Inc.	**$ 1,363**	$ 256	$ 1,288	$ 1,427	$ 1,215
Basic earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 4.55**	$ 0.82	$ 4.06	$ 4.36	$ 3.65
Discontinued operations	**—**	—	—	—	0.01
Net basic earnings per common share attributable to Cardinal Health, Inc.	**$ 4.55**	$ 0.82	$ 4.06	$ 4.36	$ 3.66
Diluted earnings per common share attributable to Cardinal Health, Inc.:					
Continuing operations	**$ 4.53**	$ 0.81	$ 4.03	$ 4.32	$ 3.61
Discontinued operations	**—**	—	—	—	0.01
Net diluted earnings per common share attributable to Cardinal Health, Inc.	**$ 4.53**	$ 0.81	$ 4.03	$ 4.32	$ 3.62
Cash dividends declared per common share	**$ 1.9100**	$ 1.8635	$ 1.8091	$ 1.6099	$ 1.4145
Balance Sheet Data:					
Total assets	**$ 40,963**	$ 39,951	$ 40,112	$ 34,122	$ 30,142
Long-term obligations, less current portion	**7,579**	8,012	9,068	4,952	5,211
Total Cardinal Health, Inc. shareholders' equity	**6,328**	6,059	6,808	6,554	6,256

[1] During the first quarter of fiscal 2019, we sold our 98 percent ownership interest in naviHealth and recognized a pre-tax gain of $508 million ($378 million after-tax).

[2] During the fourth quarter of fiscal 2018, we recognized a non-cash goodwill impairment charge of $1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

[3] During fiscal 2018, the United States enacted the Tax Cuts and Jobs Act. See Note 7 for more information.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to foreign exchange, interest rate, and commodity price-related changes. We maintain a hedging program to manage volatility related to some of these market exposures which employs operational, economic, and derivative financial instruments in order to mitigate risk. See Note 1 and Note 11 of the "Notes to Consolidated Financial Statements" for further discussion regarding our use of derivative instruments.

Foreign Exchange Rate Sensitivity

By the nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. The following foreign currencies represent the principal drivers of our foreign exchange exposure: Canadian dollar, euro, Thai baht, Mexican peso, Chinese renminbi, Australian dollar, British pound and Japanese yen.

We apply a Value-At-Risk ("VAR") methodology to our transactional and translational exposures. The VAR model is a risk estimation tool and is not intended to represent actual losses in fair value that could be incurred.

Transactional Exposure

Transactional exposure arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our subsidiaries. At the end of each fiscal year we perform sensitivity analyses on our forecasted transactional exposure for the upcoming fiscal year. These analyses include the estimated impact of our hedging program, which is designed to mitigate transactional exposure. Applying a VAR methodology to our transactional exposure and including the impact of our hedging program, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $15 million, which is based on a one-year horizon and a 95 percent confidence level. Under the same methodology, at June 30, 2018, our potential maximum loss in earnings for the upcoming fiscal year was estimated to be $26 million.

Translational Exposure

We have exposure related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Applying a VAR methodology to our translational exposure, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $7 million, which is based on a one-year horizon and a 95 percent confidence level. Under the same methodology, at June 30, 2018, our potential maximum loss in earnings for the upcoming fiscal year was estimated to be $9 million.

Interest Rate Sensitivity

We are exposed to changes in interest rates primarily as a result of our borrowing and investing activities to maintain liquidity and fund operations. The nature and amount of our long-term and short-term debt can be expected to fluctuate as a result of business requirements, market conditions and other factors. Our policy is to manage exposures to interest rates using a mix of fixed and floating rate debt as deemed appropriate by management. We utilize interest rate swap instruments to mitigate our exposure to interest rate movements.

As part of our risk management program, we perform an annual sensitivity analysis on our forecasted exposure to interest rates for the upcoming fiscal year. This analysis assumes a hypothetical 50 basis point change in interest rates. At June 30, 2019 and 2018 , the potential increase or decrease in annual interest expense under this analysis as a result of this hypothetical change was $9 million and $15 million, respectively.

We are also exposed to market risk from changes in interest rates related to our cash and cash equivalents, which includes marketable securities that are carried at fair value in the consolidated balance sheets. The fair value of our cash and cash equivalents is subject to change primarily as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. At June 30, 2019 and 2018, a hypothetical increase or decrease of 50 basis points in interest rates would result in no change in the estimated fair value.

Commodity Price Sensitivity

We are directly exposed to market price changes for certain commodities, including oil-based resins, nitrile, cotton, diesel fuel and latex. We typically purchase raw materials at either market prices or prices tied to a commodity index and some finished goods at prices based in part on a commodity price index.

As part of our risk management program, we perform sensitivity analysis on our forecasted direct commodity exposure for the upcoming fiscal year. Our forecasted direct commodity exposure at June 30, 2019 increased approximately $11 million from June 30, 2018. At June 30, 2019 and 2018 , we had hedged a portion of these direct commodity exposures (see Note 11 of the "Notes to Consolidated Financial Statements" for further discussion).

Our forecasted direct commodity exposures for the upcoming fiscal years were $435 million and $424 million at June 30, 2019 and 2018, respectively. The potential gain/loss given a hypothetical 10 percent fluctuation in commodity prices, assuming pricing collectively shifts in the same direction and we are unable to change customer pricing in response to those shifts, for the upcoming fiscal year were $44 million and $42 million at June 30, 2019 and 2018, respectively. The hypothetical offsetting impact of hedges in both periods was minimal.

Business

General

Cardinal Health, Inc. is a global integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency.

Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

- through its Pharmaceutical Distribution division, distributes branded and generic pharmaceutical and over-the-counter healthcare and consumer products to retailers (including chain and independent drug stores and pharmacy departments of supermarkets and mass merchandisers), hospitals and other healthcare providers. This division:
  - maintains prime vendor relationships that streamline the purchasing process resulting in greater efficiency and lower costs for our retail, hospital and other healthcare provider customers;
  - provides services to pharmaceutical manufacturers, including distribution, inventory management, data reporting, new product launch support and chargeback administration;
  - through the connected care service offering, provides medication therapy management, telepharmacy and health messaging services and seeks to develop solutions to improve patient care through improved coordination of manufacturers, payers, pharmacies and patients;
  - provides pharmacy management services to hospitals and operates pharmacies in community health centers; and
  - repackages generic pharmaceuticals and over-the-counter healthcare products;
- through its Specialty Solutions division, distributes specialty pharmaceutical products to hospitals and other healthcare providers and provides consulting, patient support and other services for specialty pharmaceutical products to pharmaceutical manufacturers and healthcare providers; and
- through its Nuclear and Precision Health Solutions division, operates nuclear pharmacies and manufacturing facilities, which manufacture, prepare and deliver radiopharmaceuticals for use in nuclear imaging and other procedures in hospitals and physician offices. This division also contract manufactures a radiopharmaceutical treatment (Xofigo) and holds the North American rights to manufacture and distribute Lymphoseek, a radiopharmaceutical diagnostic imaging agent.

See Note 15 of the "Notes to Consolidated Financial Statements" for Pharmaceutical segment revenue, profit and assets for fiscal 2019 , 2018 and 2017 .

Pharmaceutical Distribution

Our Pharmaceutical Distribution division's gross margin includes margin from our generic pharmaceutical program, from distribution services agreements with branded pharmaceutical manufacturers and from over-the-counter healthcare and consumer products. It also includes manufacturer cash discounts.

Margin from our generic pharmaceutical program includes price discounts and rebates from manufacturers and may in limited instances include price appreciation. Our earnings on generic pharmaceuticals are generally highest during the period immediately following the initial launch of a product, because generic pharmaceutical selling prices are generally highest during that period and tend to decline over time.

Margin from distribution services agreements with branded pharmaceutical manufacturers is derived from compensation we receive for providing a range of distribution and related services to manufacturers. Our compensation typically is a percentage of the wholesale acquisition cost that is set by manufacturers. In addition, under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers, also serves as part of our compensation.

Sourcing Venture with CVS Health Corporation

In July 2014, we established Red Oak Sourcing, a U.S.-based generic pharmaceutical sourcing venture with CVS with an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of both companies.

Specialty Pharmaceutical Products and Services

We refer to products and services offered by our Specialty Solutions division as "specialty pharmaceutical products and services." The Specialty Solutions division distributes oncology, rheumatology, urology, nephrology and other pharmaceutical products ("specialty pharmaceutical products") and human-derived plasma products to hospitals, dialysis clinics, physician offices and other healthcare providers; provides consulting, patient support, logistics, group purchasing and other services to pharmaceutical manufacturers and healthcare providers primarily supporting the development, marketing and distribution of specialty pharmaceutical products; and provides specialty pharmacy services. Our use of the terminology "specialty pharmaceutical products and services" may not be comparable to the terminology used by other industry participants.

Medical Segment

Our Medical segment manufactures and sources Cardinal Health branded general and specialty medical, surgical and laboratory products. These products include exam and surgical gloves; needle, syringe and sharps disposal; compression; incontinence; nutritional delivery; wound care; cardiovascular and endovascular; single-use surgical drapes, gowns and apparel; fluid suction and collection systems; urology; operating room supply; and electrode product lines. Our Cardinal Health Brand products are sold directly or through third-party distributors in the United States, Canada, Europe, Asia and other markets.

The Medical segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada and this segment also assembles and sells sterile and non-sterile procedure kits.

Through Cardinal Health at-Home Solutions, this segment also distributes medical products to patients' homes in the United States.

naviHealth Partnership

In August 2018, we entered into a partnership with Clayton, Dubilier & Rice, LLC ("CD&R"), through which we own 44% of the ownership interests in the naviHealth business. naviHealth partners with health plans, hospital systems, physician groups and other healthcare providers to manage post-acute care through value-based programs.

See Note 15 of the "Notes to Consolidated Financial Statements" for Medical segment revenue, profit and assets for fiscal 2019 , 2018 and 2017 .

Acquisitions and Divestitures

Acquisitions

We have acquired a number of businesses over the years that have enhanced our core strategic areas of Cardinal Health Brand medical products, generic pharmaceutical distribution and services, specialty pharmaceutical products and services, international and post-acute care. We expect to continue to pursue additional acquisitions in the future.

During the last five fiscal years, we completed the following three large acquisitions:

Date	Company	Location	Lines of Business	Acquisition Price (in billions)
07/17	Patient Recovery Business of Medtronic, plc	Mansfield, MA	Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency	$6.1
10/15	Cordis business of Johnson & Johnson	Fremont, CA	Cardiovascular and endovascular products	$1.9
07/15	The Harvard Drug Group	Livonia, MI	Pharmaceutical product distribution	$1.1

We also completed several smaller acquisitions during the last five fiscal years, including: in fiscal 2017, the acquisition of the North American rights to Lymphoseek, a radiopharmaceutical diagnostic imaging agent, from Navidea Biopharmaceuticals, Inc.; and in fiscal 2015, the acquisitions of Tradex International, Inc., a supplier of disposable gloves, and Metro Medical Supply, Inc., a distributor of specialty pharmaceuticals and medical and surgical products.

Divestitures

Over the past two fiscal years, we have also completed several divestitures. In February 2018, we completed the sale of our pharmaceutical and medical products distribution business in China to Shanghai Pharmaceuticals Holding Co., Ltd. for proceeds of $861 million (after adjusting for third party indebtedness and preliminary transaction adjustments).

In August 2018, we completed the sale of our ownership interest in naviHealth, Inc. to investor entities controlled by CD&R for proceeds of $736 million (after adjusting for certain fees and expenses) and a 44% equity interest in a partnership that owns the naviHealth business.

We had acquired our ownership interest in naviHealth through a series of transactions, beginning in fiscal 2016, when we acquired a 71% ownership interest. As of the end of fiscal 2018, we owned 98% of the interests in naviHealth.

Customers

Our largest customers, CVS and OptumRx, accounted for 26 percent and 13 percent of our fiscal 2019 revenue, respectively. In the aggregate, our five largest customers, including CVS and OptumRx, accounted for 51 percent of our fiscal 2019 revenue. In May 2019, we extended our pharmaceutical distribution agreements with CVS through fiscal 2023.

We have agreements with group purchasing organizations ("GPOs") that act as agents to negotiate vendor contracts on behalf of their members. Our two largest GPO relationships in terms of member revenue are with Vizient, Inc. and Premier, Inc. Sales to members of these two GPOs, under numerous contracts across all of our businesses, collectively accounted for 22 percent of our revenue in fiscal 2019 .

Suppliers

We rely on many different suppliers. Products obtained from our five largest suppliers accounted for an aggregate of 42 percent of our revenue during fiscal 2019 , and our largest supplier's products accounted for approximately 10 percent of revenue.

Competition

We operate in a highly competitive environment in the distribution of pharmaceuticals and consumer healthcare products. We also operate in a highly competitive environment in the manufacturing and distribution of medical devices and surgical products. We compete on many levels, including price, service offerings, support services, breadth of product lines and product quality and efficacy.

In the Pharmaceutical segment, we compete with wholesale distributors with national reach, including McKesson Corporation and AmerisourceBergen Corporation, regional wholesale distributors, self-warehousing chains, specialty distributors, third-party logistics companies, companies that provide specialty pharmaceutical services and nuclear pharmacies, among others. In addition, the Pharmaceutical segment has experienced competition from a number of organizations offering generic pharmaceuticals, including telemarketers. We also compete with manufacturers that sell their products directly.

In the Medical segment, we compete with many diversified healthcare companies and national medical product distributors, such as Medline Industries, Inc., Owens & Minor, Inc. and Becton, Dickinson and Company, as well as regional medical product distributors and companies that are focused on specific product categories. We also compete with companies that distribute medical products to patients' homes and third-party logistics companies.

Employees

At June 30, 2019 , we had approximately 31,000 employees in the United States and approximately 18,500 employees outside of the United States.

Intellectual Property

We rely on a combination of trade secret, patent, copyright and trademark laws, nondisclosure and other contractual provisions, and technical measures to protect our products, services and intangible assets. We hold patents, and continue to pursue patent protection throughout the world, relating to the manufacture, operation and use of various medical and surgical products, to certain distribution and logistics systems, to the production and distribution of our nuclear pharmacy products and to other service offerings. We also operate under licenses for certain proprietary technologies, and in certain instances we license our technologies to third parties.

We believe that we have taken all necessary steps to protect our proprietary rights, but no assurance can be given that we will be able to successfully enforce or protect our rights in the event that they are infringed upon by a third party. While all of these proprietary rights are important to our operations, we do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

Our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. Depending upon the specific business, we may be subject to regulation by government entities including:

- the U.S. Drug Enforcement Administration (the "DEA");
- certain agencies within the U.S. Department of Health and Human Services, including the U.S. Food and Drug Administration (the "FDA"), the Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights;
- state health departments, insurance departments, Medicaid departments or other comparable state agencies;
- state boards of pharmacy and other controlled substance authorities;
- the U.S. Nuclear Regulatory Commission (the "NRC");
- the U.S. Federal Trade Commission (the "FTC");
- U.S. Customs and Border Protection; and
- agencies comparable to those listed above in markets outside the United States.

These regulatory agencies have a variety of civil, administrative and criminal sanctions at their disposal for failure to comply with applicable legal or regulatory requirements. They can suspend our ability to manufacture and distribute products, require us to initiate product recalls, seize products or impose criminal, civil and administrative sanctions.

Distribution

State Boards of Pharmacy, FDA, DEA and various other state authorities regulate the marketing, purchase, storage and distribution of pharmaceutical and medical products under various federal and state statutes including the federal Prescription Drug Marketing Act of 1987, Drug Quality and Security Act of 2013 (the "DQSA"), and Controlled Substances Act (the "CSA"). The CSA governs the sale, packaging, storage and distribution of controlled substances. Wholesale distributors of controlled substances must hold valid DEA registrations and state-level licenses, meet various security and operating standards including effective anti-diversion programs, and comply with the CSA. They must also comply with state requirements relating to controlled substances that differ from state to state.

Manufacturing and Marketing

We sell our manufactured products in the United States, Canada, Europe, Asia, Latin America and other markets. The FDA and other governmental agencies in the United States, as well as foreign governmental agencies, administer requirements that cover the design, testing, safety, effectiveness, manufacturing (including good manufacturing practices), quality systems, labeling, promotion and advertising (including restrictions on promoting or advertising a product other than for the product's cleared or approved uses), distribution, importation and post-market surveillance for most of our manufactured products. In addition, we need specific approval or clearance from, and registrations with, regulatory authorities before we can market and sell some products in the United States and certain other countries, including countries in the European Union ("EU").

In the United States, authorization to commercially market a medical device is generally received in one of two ways. The first, known as pre-market notification or the 510(k) process, requires us to demonstrate that a medical device is substantially equivalent to a legally marketed medical device. The second more rigorous process, known as pre-market approval ("PMA"), requires us to independently demonstrate that a medical device is safe and effective. Many of our Medical segment products are cleared through the 510(k) process and certain products must be approved through the PMA process.

In the EU, we are required to comply with the Medical Device Directive ("MDD") and obtain CE Mark Certification in order to market medical devices. The EU regulatory bodies finalized a new Medical Device Regulation ("MDR") in 2017, which will replace the existing MDD after a three-year transition period. Under the MDR, medical devices marketed in the EU will require certification under its requirements, except that devices with valid CE Mark issued before May 2020 can be marketed until May 2024.

It can be costly and time-consuming to obtain regulatory approvals, clearances and registrations of medical devices, and they might not be granted on a timely basis, if at all. Even after we obtain approval or clearance to market a product or obtain product registrations, the product and our manufacturing processes are subject to continued regulatory oversight, including periodic inspection of manufacturing facilities by FDA and other regulatory authorities both in the United States and internationally.

From time to time, we may determine that products we manufacture or market do not meet our specifications, regulatory requirements or published standards. When we or a regulatory agency identify a quality or regulatory issue, we investigate and take appropriate corrective action, which may include recalling the product, correcting the product at the customer location, revising product labeling and notifying customers.

Health and Personal Information Practices and Privacy

We collect, handle and maintain patient-identifiable health information. The U.S. Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as augmented by the Health Information Technology for Economic and Clinical Health Act, and state laws regulate the use and disclosure of patient-identifiable health information, including requiring specified privacy and security measures. We also collect, handle and maintain other sensitive personal and financial information that is subject to U.S. federal and state laws protecting such information.

Additionally, the new California Consumer Privacy Act ("CCPA"), effective in January 2020, grants additional rights for consumers over the use of their personal information that we hold, including increased transparency. Other U.S. states are considering adopting similar or different privacy laws.

The processing and disclosure of personal information is also highly regulated in many other countries in which we operate. In Europe, for example, we are subject to the EU data protection regulations, including the current EU Directive on Data Protection, which requires member states to impose minimum restrictions on the collection, use and transfer of personal data. The EU General Data Protection Regulation ("GDPR") includes, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. The GDPR also requires companies processing personal data of individuals residing in the EU to comply with EU privacy and data protection rules.

Nuclear Pharmacies and Related Businesses

Our nuclear pharmacies and radiopharmaceutical manufacturing facilities (including for Xofigo) require licenses or permits and must abide by regulations issued by the NRC, applicable state boards of pharmacy and the radiologic health agency or department of health of each state in which we operate, including pharmacy sterile compounding standards and practices. In addition, our radiopharmaceutical manufacturing facilities also must comply with FDA regulations, including good manufacturing practices.

Product Tracing and Supply Chain Integrity

Title II of the DQSA, known as the Drug Supply Chain Security Act or "Track and Trace," establishes a phased-in national system for tracing pharmaceutical products through the pharmaceutical distribution supply chain to prevent the introduction of counterfeit, adulterated or mislabeled drugs. The first phase of implementation began in 2015, and upon full implementation in 2023, we and other supply chain stakeholders will participate in an electronic, interoperable, prescription drug tracing system. In addition, the FDA also has issued regulations requiring most medical device labeling to bear a unique device identifier. These regulations are being phased in through 2020. The MDR finalized in the EU in 2017 also introduces a new unique device identifier requirement with a three-year transition period.

Government Healthcare Programs

We are subject to U.S. federal healthcare fraud and abuse laws. These laws generally prohibit persons from soliciting, offering, receiving or paying any compensation in order to induce someone to order, recommend or purchase products or services that are in any way paid for by Medicare, Medicaid or other federally-funded healthcare programs. They also prohibit submitting any fraudulent claim for payment by the federal government. There are similar state healthcare fraud and abuse laws that apply to Medicaid and other state-funded healthcare programs. Violations of these laws may result in criminal or civil penalties, as well as breach of contract claims and *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments).

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program. These businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements. Other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our U.S. federal and state government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Environmental, Health and Safety Laws

In the United States and other countries, we are subject to various federal, state and local environmental laws, including laws regulating the production or use of hazardous substances, as well as laws relating to safe working conditions and laboratory practices.

Antitrust Laws

The U.S. federal government, most U.S. states and many foreign countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Laws Relating to Foreign Trade and Operations

U.S. and foreign laws require us to abide by standards relating to the import and export of finished goods, raw materials and supplies and the handling of information. We also must comply with various export control and trade embargo laws, which may require licenses or other authorizations for transactions within some countries or with some counterparties.

Similarly, we are subject to U.S. and foreign laws concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other foreign anti-bribery laws. Among other things, these laws generally prohibit companies and their intermediaries from offering, promising or making payments to officials of foreign governments for the purpose of obtaining or retaining business.

Other Information

Although our agreements with manufacturers sometimes require us to maintain inventory levels within specified ranges, our distribution businesses are generally not required by our customers to maintain particular inventory levels other than as needed to meet service level requirements. Certain supply contracts with U.S. government entities require us to maintain sufficient inventory to meet emergency demands, but we do not believe those requirements materially affect inventory levels.

Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return product for credit that can be added back to inventory and resold at full value, or that can be returned to vendors for credit.

We offer market payment terms to our customers.

Risk Factors

The risks described below could materially and adversely affect our results of operations, financial condition, liquidity or cash flows. These are not the only risks we face. Our businesses also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

We could continue to suffer the adverse effects of competitive pressures.

As described in greater detail in the "Business" section, we operate in markets that are highly competitive and dynamic. In addition, competitive pressures in our pharmaceutical and medical segments may be increased by new business models, new entrants, new regulations, changes in consumer demand or general competitive dynamics. Our businesses face continued pricing pressure from these factors, which adversely affects our margins. If we are unable to offset margin reductions caused by these pricing pressures through steps such as sourcing or cost control measures, additional service offerings and sales of higher margin products, our results of operations could continue to be adversely affected.

Our Pharmaceutical segment's generic pharmaceutical program may continue to be adversely affected by pricing changes and fewer product launches.

The performance of our Pharmaceutical segment's generic pharmaceutical program declined in fiscal 2019, 2018 and 2017 and is expected to decline again in fiscal 2020. These declines have been due, in large part, to generic pharmaceutical customer pricing deflation and less incremental benefit from new generic pharmaceutical launches, which have more than offset the benefits from sourcing generic pharmaceuticals through our Red Oak Sourcing venture with CVS. If performance of the generic pharmaceutical program continues to decline and we continue to be unable to offset the decline, our Pharmaceutical segment profit and consolidated operating earnings will continue to be adversely affected.

The extent and magnitude of generic pharmaceutical pricing changes is uncertain in future fiscal years and may vary from what we anticipate. Similarly, the number of new generic pharmaceutical launches also varies from year to year, and the margin impact of these launches varies from product to product. Finally, the benefit from Red Oak Sourcing could be less than we anticipate.

Changes in manufacturer approaches to pricing branded pharmaceutical products could have an adverse effect on our Pharmaceutical segment's margins.

Compensation under our contractual arrangements with manufacturers for the purchase of branded pharmaceutical products is generally based on the wholesale acquisition cost set by the manufacturer. Sales prices of branded pharmaceutical products to our customers generally are a percentage discount from wholesale acquisition cost.

Historically, pharmaceutical manufacturers have generally increased the wholesale acquisition cost of their branded pharmaceuticals each year. However, the U.S. government has announced plans to, among other things, adopt policies to encourage manufacturers to limit increases in (or reduce) wholesale acquisition cost. In fiscal 2019, manufacturers, in the aggregate, increased prices less than in prior years. If manufacturers change their historical approach to setting and increasing wholesale acquisition cost and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our Pharmaceutical segment profit and consolidated operating earnings could be adversely affected.

Also, almost all of our distribution services agreements with branded pharmaceutical manufacturers generally provide that we receive fees from the manufacturers to compensate us for services we provide them. However, under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers also serves as a part of our compensation. If manufacturers decide to reduce prices, not to increase prices or to implement only small increases and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our margins could be adversely affected.

The public health crisis involving the abuse of prescription opioid pain medication could have a material negative effect on our business.

Our Pharmaceutical segment distributes prescription opioid pain medications. In recent years, the abuse of prescription opioid pain medication has become a public health crisis.

A significant number of counties, municipalities and other plaintiffs, including a number of state attorneys general, have filed lawsuits against pharmaceutical manufacturers, pharmaceutical wholesale distributors (including us), retail chains and others relating to the manufacturing, marketing or distribution of prescription opioid pain medications. In addition, we are currently being investigated or sued by most other states for the same activities and expect to be named as a defendant in additional lawsuits. We are vigorously defending ourselves in these lawsuits. The defense and resolution of current and future lawsuits and events relating to these lawsuits could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity or have adverse reputational or operational effects on our business. See Note 8 of the "Notes to the Consolidated Financial Statements" for more information regarding these matters.

Other legislative, regulatory or industry measures related to the public health crisis involving the abuse of prescription opioid pain medication and the distribution of these medications could affect our business in ways that we may not be able to predict. For example, several states have now adopted taxes or other fees on the sale of opioids, and several other states have proposed similar legislative initiatives. These laws and proposals vary in the tax amounts imposed and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted.

Ongoing unfavorable publicity regarding the abuse or misuse of prescription opioid pain medications and the role of wholesale distributors in the supply chain of such prescription medications, as well as the continued proliferation of the opioid lawsuits, investigations, regulations and legislative actions, and unfavorable publicity in relation to those lawsuits could have a material adverse effect on our reputation or results of operations.

Our business is subject to rigorous regulatory and licensing requirements.

As described in greater detail in the "Business" section, our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. If we fail to comply with regulatory requirements, or if allegations are made that we fail to comply, our results of operations and financial condition could be adversely affected.

To lawfully operate our businesses, we are required to obtain and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. For example, as a wholesale distributor of controlled substances, we must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the CSA. Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on our results of operations and financial condition.

Products that we manufacture, source, distribute or market must comply with regulatory requirements. Noncompliance or concerns over noncompliance may result in suspension of our ability to distribute, import or manufacture products, product bans, recalls or seizures, or criminal or civil sanctions, which, in turn, could result in product liability claims and lawsuits, including class actions. In addition, it can be costly and time-consuming to obtain regulatory approvals or product registrations to market a medical device, and such approvals or registrations might not be granted on a timely basis, if at all.

We collect, handle and maintain patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information. Regulations currently in place continue to evolve, and new laws in this area could further restrict our ability to collect, handle and maintain personal or patient information, or could require us to incur additional compliance costs, either of which could have an adverse impact on our results of operations. Violations of federal, state or foreign laws concerning privacy and data protection could subject us to civil or criminal penalties, breach of contract claims, costs for remediation and harm to our reputation.

We are required to comply with laws relating to healthcare fraud and abuse. The requirements of these laws are complex and subject to varying interpretations. From time to time, regulatory authorities investigate our policies or practices, and may challenge them. If we fail to comply with these laws, we could be subject to federal or state government investigations or *qui tam* actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments), which could result in civil or criminal sanctions, including the loss of licenses or the ability to participate in Medicare, Medicaid and other federal and state healthcare programs. Such sanctions and damages could adversely affect our results of operations and financial condition.

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid program and the federal 340B drug pricing program. In addition, some businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Our global operations are required to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws. If we fail to comply with any of these laws, we could suffer civil or criminal sanctions.

We could be subject to adverse changes in the tax laws or challenges to our tax positions.

We are a large multinational corporation with operations in the United States and many foreign countries. As a result, we are subject to the tax laws of many jurisdictions.

From time to time, initiatives are proposed in the United States and other jurisdictions in which we operate that could adversely affect our tax positions, effective tax rate or tax payments. Specific initiatives that may impact us include the repeal of the LIFO (last-in, first-out) method of inventory accounting for income tax purposes, the establishment or increase in taxation at the U.S. state level on the basis of gross revenues, recommendations of the recently completed base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid.

Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

Changes to the U.S. healthcare environment may not be favorable to us.

Over a number of years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include adoption of the Patient Protection and Affordable Care Act, a general decline in Medicare

and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models, and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

We expect the U.S. healthcare industry to continue to change significantly in the future. Possible changes include repeal and replacement of major parts of the Patient Protection and Affordable Care Act, further reduction or limitations on governmental funding at the state or federal level, efforts by healthcare insurance companies to further limit payments for products and services or changes in legislation or regulations governing prescription pharmaceutical pricing, healthcare services or mandated benefits. These possible changes, and the uncertainty surrounding these possible changes, may cause healthcare industry participants to reduce the amount of products and services they purchase from us or the price they are willing to pay for our products and services, which could adversely affect us.

Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks.

We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

- facilitate the purchase and distribution of inventory items from numerous distribution centers;
- receive, process and ship orders on a timely basis;
- manage accurate billing and collections for thousands of customers;
- process payments to suppliers;
- facilitate manufacturing and assembly of medical products; and
- generate financial information.

Our business also depends on the proper functioning of our critical facilities, including our national logistics center, and our distribution networks. Our results of operations could be adversely affected if our or a service provider's information systems, critical facilities or distribution networks are disrupted (including disruption of access), are damaged or fail, whether due to physical disruptions, such as fire, natural disaster, pandemic or power outage, or due to cyber-security incidents, ransomware or other actions of third parties, including labor strikes, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product or component is manufactured at a single manufacturing facility with limited alternate facilities.

From time to time, our businesses perform business process improvements or infrastructure modernizations or use service providers for key systems and processes, such as receiving and processing customer orders, customer service and accounts payable. If any of these initiatives are not successfully or efficiently implemented or maintained, they could adversely affect our business and our internal control over financial reporting.

Our business and results of operations could be adversely affected if we experience a cyber-attack or other systems breach.

Our business relies on the secure transmission, storage and hosting of patient-identifiable health information, financial information and other sensitive information relating to our customers, company and workforce. We have programs in place to detect, contain and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, hardware, software or applications developed internally or procured from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Unauthorized parties have gained access and will continue to attempt to gain access to our or a service provider's systems or facilities through fraud, trickery or other forms of deception. We have been the target of cyber attacks, including incidents where certain customer account information was accessed. Although we do not believe these incidents had a material impact on us, similar incidents or events in the future may negatively impact our business, reputation or financial results.

Any compromise of our or a service provider's information systems, including unauthorized access to or use or disclosure of sensitive information, could adversely impact our operations, results of operations or our ability to satisfy legal or regulatory requirements, including the new EU general data protection regulation (GDPR) and those related to patient-identifiable health information as further described in the Risk Factor titled "Our business is subject to rigorous regulatory and licensing requirements," above.

CVS is a large customer that generates a significant amount of our revenue.

Our sales and credit concentration is significant. CVS accounted for 26 percent of our fiscal 2019 revenue and 24 percent of our gross trade receivable balance at June 30, 2019. In May 2019, we extended our pharmaceutical distribution agreements with CVS through fiscal 2023. If CVS does not renew our agreements, terminates the agreements due to an alleged default by us, defaults in payment or significantly reduces its purchases from us, our results of operations and financial condition could be adversely affected.

Consolidation in the U.S. healthcare industry may negatively impact our results of operations.

In recent years, U.S. healthcare industry participants, including distributors, manufacturers, suppliers, healthcare providers, insurers and pharmacy chains, have consolidated or formed strategic alliances. Consolidations create larger enterprises with greater negotiating power, and also could result in the possible loss of a customer where the combined enterprise selects one distributor from

two incumbents. If this consolidation trend continues, it could adversely affect our results of operations.

We may become involved in legal proceedings that could adversely impact our cash flows or results of operations.

Due to the nature of our business, which includes the distribution of controlled substances and the manufacture of medical products, we regularly become involved in disputes, litigation and regulatory matters. Litigation is inherently unpredictable and the unfavorable outcome of one or more of these legal proceedings could adversely affect our results of operations or financial condition.

For example, we are subject to a number of lawsuits and investigations related to the national health crisis involving the abuse of opioid pain medication as described above in the Risk Factor titled "The public health crisis involving the abuse of prescription opioid pain medication could negatively affect our business" and in Note 8 to the "Notes to Consolidated Financial Statements."

Additionally, some of the products that we distribute or manufacture have been and may in the future be alleged to cause personal injury, subjecting us to product liability claims. For example, we are a defendant in product liability lawsuits that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. We have accrued an amount for losses and legal defense costs related to these lawsuits, which are discussed in Note 8 of the "Notes to Consolidated Financial Statements." Any settlement of or judgment for a product liability claim that is not covered by insurance and is in excess of any prior accruals could adversely affect our results of operations and financial condition.

We also operate in an industry characterized by extensive intellectual property litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or force us to make royalty payments in order to continue selling the affected products.

Our ability to manage and complete acquisitions could impact our strategic objectives and financial condition.

An important element of our growth strategy has been to acquire other businesses that expand or complement our existing businesses. Completion of acquisitions and the integration of acquired businesses involve a number of risks, including the following: we may overpay for a business or fail to realize the synergies and other benefits we expect from the acquisition; our management's attention may be diverted to integration efforts; we may fail to retain key personnel of the acquired business; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems, including manufacturing facilities; we may assume liabilities related to legal proceedings involving the acquired business; we may face challenges retaining the customers of the acquired business; or we may encounter unforeseen internal control, regulatory or compliance issues.

Our results of operations could be adversely impacted if we fail to manage and complete divestitures.

We regularly evaluate our portfolio of businesses to determine whether an asset or business may no longer help us meet our objectives or whether there may be a more advantaged owner for that business. For example, over the past two fiscal years, we divested our pharmaceutical and medical products distribution business in China and our ownership interest in naviHealth, Inc. When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our strategic objectives. We could also experience greater dis-synergies than expected and the impact of the divestiture on our results of operations could be greater than anticipated.

We depend on certain suppliers to make their raw materials and products available to us and are subject to fluctuations in costs of raw materials and products.

We depend on the availability of various components, compounds, raw materials and energy supplied by others for our operations. In some instances, for reasons of quality assurance, cost effectiveness, or availability, we procure certain components and raw materials from a sole supplier. Any of our supplier relationships could be interrupted or become less favorable due to events beyond our control, including natural disasters, U.S. or international foreign policy, including tariffs, or could be terminated. In addition, due to the stringent regulations and requirements of the FDA regarding the manufacture of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. A sustained supply reduction or interruption, and an inability to develop alternative sources for such supply, could have an adverse effect on our business.

Our manufacturing businesses use oil-based resins, pulp, cotton, latex and other commodities as raw materials in many products. Prices of oil and gas also affect our distribution and transportation costs. Prices of these commodities are volatile and can fluctuate significantly, causing our costs to produce and distribute our products to fluctuate. Due to competitive dynamics and contractual limitations, we may be unable to pass along cost increases through higher prices. If we cannot fully offset cost increases through other cost reductions, or recover these costs through price increases or surcharges, our results of operations could be adversely affected.

We may not realize the expected benefits from our restructuring and cost-savings initiatives.

We recently announced that we will be undertaking certain cost-savings initiatives intended to simplify our operating model and cost structure, and we expect to identify and enter into similar initiatives in the future. These initiatives could result in unexpected charges and expenses that negatively impact our financial results or we could fail to achieve the desired efficiencies and estimated cost savings.

Additionally, these types of initiatives could yield unintended consequences such as distraction of management and employees, business disruption, an inability to attract or retain key personnel,

which could negatively affect our business or financial condition and results of operations.

If we are not able to effectively develop, implement and manage our outsourcing or similar third-party relationships, we may experience operational difficulties and increased costs, which may adversely affect our results of operations.

As a result of our international operations, we have exposure to economic, political and currency risks.

We conduct our operations in various regions of the world outside of the United States, including Europe, Asia and Latin America. Global developments can affect our business in many ways. Our global operations are affected by local economic environments, including inflation, recession and competition. Additionally, divergent or unfamiliar regulatory systems and labor markets also can increase the risks and burdens of operating in numerous countries.

In addition, we conduct our business in U.S. dollars and various functional currencies of our foreign subsidiaries. Changes in foreign currency exchange rates could adversely affect our financial results, which are reported in U.S. dollars. We may not be able to hedge to protect us against these exposures, and any hedges may not successfully mitigate these exposures.

Changes or uncertainty in U.S. or international trade policies or tariffs could disrupt our global operations or negatively impact our financial results.

Our foreign operations expose us to a number of risks related to trade protection laws, tariffs, excise or other border taxes on goods sourced from certain countries or on the importation or exportation of products or raw materials. Changes or uncertainty in U.S. or international trade policies or tariffs could impact our global operations, as well as our customers and suppliers. We may be required to spend more money to source certain products or materials that we need or to manufacture certain of our products. This could adversely impact our business and results of operations.

Our goodwill may be further impaired, which would require us to record a significant charge to earnings in accordance with generally accepted accounting principles.

U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. In the fourth quarter of fiscal year 2018, we recorded a $1.4 billion impairment to goodwill within our Medical segment. The testing required by GAAP involves estimates and significant judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions, including a failure to meet business plans or other unanticipated events and circumstances such as a rise in interest rates, may affect the accuracy or validity of such estimates. It is possible that we may record significant charges related to other reporting units or we may record additional charges in our Medical segment, which charge or charges could adversely affect our results of operations. See "Critical Accounting Policies and Sensitive Accounting Estimates" in MD&A above for more information regarding goodwill impairment testing.

Properties

In the United States, at June 30, 2019 , the Pharmaceutical segment operated one national logistics center; a number of primary pharmaceutical and specialty distribution facilities as well as nuclear pharmacy and radiopharmaceutical manufacturing facilities. The Medical segment operated medical-surgical distribution, assembly, manufacturing and other operating facilities in the United States.

Outside the United States and Puerto Rico, at June 30, 2019 , our Medical segment operated manufacturing facilities in Canada, Costa Rica, the Dominican Republic, Germany, Ireland, Japan, Malaysia, Malta, Mexico and Thailand.

Our principal executive offices are headquartered in an owned building located at 7000 Cardinal Place in Dublin, Ohio.

We consider our operating properties to be in satisfactory condition and adequate to meet our present needs. However, we regularly evaluate operating properties and may make further additions and improvements or consolidate locations as we seek opportunities to expand or enhance the efficiency of our business.

Legal Proceedings

In addition to the proceedings described below, the legal proceedings described in Note 8 of the "Notes to Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

In June 2019, Melissa Cohen, a purported shareholder, filed an action on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances. The derivative complaint seeks, among other things, unspecified money damages against the defendants and an award of attorney's fees.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the New York Stock Exchange under the symbol "CAH."

At July 31, 2019 there were approximately 7,460 shareholders of record of our common shares.

We anticipate that we will continue to pay quarterly cash dividends in the future. The payment and amount of future dividends remain, however, within the discretion of our Board of Directors and will depend upon our future earnings, financial condition, capital requirements and other factors.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2) (in millions)
April 2019	263	$ 46.41	—	$ 1,293
May 2019	395	45.58	—	1,293
June 2019	132	45.27	—	1,293
Total	**790**	**$ 45.80**	**—**	**$ 1,293**

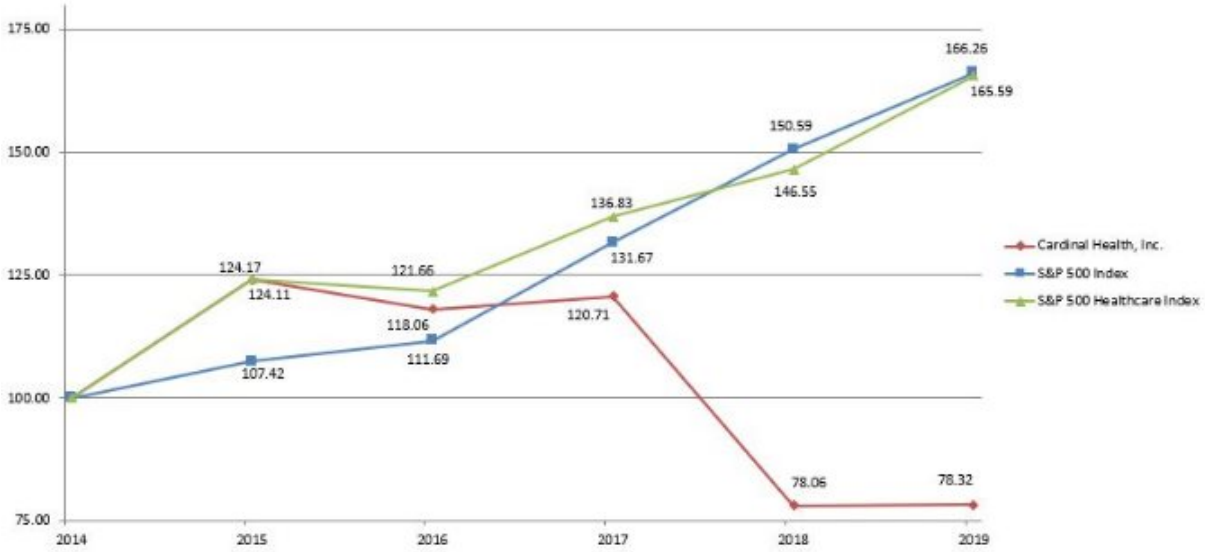
(1) Reflects 263 , 395 and 132 common shares purchased in April, May and June 2019 , respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On February 7, 2018 our Board of Directors approved a $1.0 billion share repurchase program that expires on December 31, 2020. On November 7, 2018, our Board of Directors approved an additional $1.0 billion share repurchase program that expires on December 31, 2021. As of June 30, 2019, we have $1.3 billion authorized for share repurchases remaining under these programs.

Market for Registrant's Common Equity

Five Year Performance Graph

The following line graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor's Composite—500 Stock Index (the "S&P 500 Index") and the Standard & Poor's Composite—500 Healthcare Index (the "S&P 500 Healthcare Index"). The line graph assumes, in each case, an initial investment of $100 on June 30, 2014, based on the market prices at the end of each fiscal year through and including June 30, 2019 , and reinvestment of dividends. The S&P 500 Index and S&P 500 Healthcare Index investments are weighted on the basis of market capitalization at the beginning of each period.



	June 30					
	2014	2015	2016	2017	2018	**2019**
Cardinal Health, Inc.	$ 100.00	$ 124.11	$ 118.06	$ 120.71	$ 78.06	**$ 78.32**
S&P 500 Index	100.00	107.42	111.69	131.67	150.59	**166.26**
S&P 500 Healthcare Index	100.00	124.17	121.66	136.83	146.55	**165.59**

Management Reports

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2019 . Based on this evaluation, our principal executive officer and principal financial officer has concluded that our disclosure controls and procedures were effective as of June 30, 2019 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls deemed effective now may become inadequate in the future because of changes in conditions, or because compliance with policies or procedures has deteriorated or been circumvented.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2019 . In making this assessment, management used the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). Based on management's assessment and the COSO criteria, management believes that our internal control over financial reporting was effective as of June 30, 2019 .

Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on our internal control over financial reporting. Ernst & Young LLP's report appears following this "Management Reports" section and expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Shareholders and the Board of Directors of Cardinal Health, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cardinal Health, Inc. and subsidiaries' (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) and our report dated August 20, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

August 20, 2019

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries (the Company) as of June 30, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 20, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Medical Unit Goodwill

Description of the Matter

At June 30, 2019, goodwill related to the Company's Medical segment, including the Medical Unit was $5.7 billion. As discussed in Note 4 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level.

Auditing management's annual goodwill impairment test for the Medical Unit was challenging because this reporting unit's fair value had an impairment in the previous year and there is significant judgement required in determining the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant judgmental assumptions including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company specific risk premium, which are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process. For example, we tested controls over management's review of significant judgmental assumptions, including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company specific risk premium, among other assumptions.

To test the estimated fair value of the Company's reporting unit, we performed audit procedures that included, among others, evaluating methodologies used, involving our valuation specialists in testing the significant assumptions described above and testing the underlying data used by the Company in its analysis for completeness and accuracy. We compared the significant assumptions used by management to current industry and economic trends, recent historical performance, changes to the reporting unit's business model, customer base or product mix and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We evaluated the incorporation of the applicable assumptions into the model and tested the model's computational accuracy. In addition, we inspected the Company's reconciliation of the fair value of all reporting units to the market capitalization of the Company and assessed the results.

Product Liability Lawsuits

Description of the Matter

As described in Note 8 to the consolidated financial statements, the Company is a defendant in various product liability claims in which individuals seek damages associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. The Company accrues for losses and defense costs related to product liability at the time a loss is probable and the amount of loss can be reasonably estimated. The methodology used by the Company to project future Cordis IVC claim costs is based largely on recent experience, including claim filing rates, indemnity severity by claim type, sales data and defense costs. The Company periodically reviews such estimates and records adjustments for changes in reserves in the period in which the change in estimate occurs. At June 30, 2019, the Company's product liability reserve balance related to the Cordis IVC lawsuits totaled $368 million, net. The Company believes there is a range of estimated losses with respect to these matters. Because no amount within the range is a better estimate than any other amount within the range, the Company has accrued the minimum amount in the range. The Company estimates the high end of the range to be approximately $762 million, net of estimated insurance recoveries.

Auditing management's accounting for and disclosure of loss contingencies related to the Cordis IVC product liability lawsuits was challenging due to the significant judgment required to develop the key assumptions utilized in the model and the nature of information available given the early stages of these lawsuits and the limited claims history.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's evaluation of the product liability litigation reserve. For example, we tested controls over management's review of the model used to estimate the product liability reserve amount and the significant assumptions as described above used within the model. We also tested management's controls over the completeness and accuracy of the data used in the model.

To test management's assessment of the probability of occurrence of a loss and whether the loss was reasonably estimable, we evaluated, for example, claims data of the Company, we evaluated the legal letters obtained from internal and external legal counsel, and we discussed with internal and external legal counsel of the plaintiffs' claims. Among other procedures we performed to test the measurement of the product liability litigation reserve, we evaluated the method of measuring the reserve for claims including analyses to determine the range of possible losses, obtained and performed audit procedures relative to the analysis, tested the accuracy and completeness of the data, and evaluated new or contrary information affecting the estimate. In addition, we involved internal actuarial specialists to assist with our procedures related to the measurement of the product liability reserve. We have also assessed the adequacy of the Company's disclosures included in Note 8 in relation to these matters.

Uncertain Tax Positions

Description of the Matter

As described in Note 7 to the consolidated financial statements, the Company's unrecognized tax benefits related to its uncertain tax positions were approximately $456 million at June 30, 2019. The Company operates in a multinational tax environment and is subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that have pricing subjectivity.

For those tax positions that qualify for recognition, the Company uses significant judgment to measure the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. For tax benefits that do not qualify for recognition, the Company recognizes a liability for unrecognized tax benefits. Auditing the measurement of tax positions related to transfer pricing used in intercompany transactions was challenging because the pricing of the intercompany transactions is based on pricing analyses that may produce a number of different outcomes or ranges of outcomes (e.g., the price that would be charged in an arm's-length transaction).

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to measure tax positions related to transfer pricing from intercompany transactions. For example, we tested management's review of inputs and calculations of these tax positions, which included evaluation of the ranges of outcomes and pricing conclusions reached within management's transfer pricing studies.

To test the Company's measurement of tax positions related to transfer pricing used in intercompany transactions, we involved our tax professionals to assess the appropriateness of the ranges of outcomes utilized and the pricing conclusions reached within the transfer pricing studies conducted by the Company. For example, we compared the transfer pricing methodology utilized by management to alternative methodologies and industry benchmarks. We also verified our understanding of the relevant facts by reading the Company's correspondence with the relevant tax authorities and any third-party advice obtained by the Company. In addition, we used our knowledge of international and local income tax laws, as well as historical settlement activity from income tax authorities, to evaluate the appropriateness of the Company's measurement of uncertain tax positions related to transfer pricing used in these intercompany transactions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Grandview Heights, Ohio

August 20, 2019

Financial Statements and Supplementary Data

Consolidated Statements of Earnings

(in millions, except per common share amounts)	2019	2018	2017
Revenue	$ 145,534	$ 136,809	$ 129,976
Cost of products sold	138,700	129,628	123,432
Gross margin	6,834	7,181	6,544
Operating expenses:			
Distribution, selling, general and administrative expenses	4,480	4,596	3,775
Restructuring and employee severance	125	176	56
Amortization and other acquisition-related costs	621	707	527
Impairments and (gain)/loss on disposal of assets, net	(488)	1,417	18
Litigation (recoveries)/charges, net	36	159	48
Operating earnings	2,060	126	2,120
Other (income)/expense, net	15	23	(5)
Interest expense, net	294	329	201
Loss on extinguishment of debt	—	2	—
Earnings/(loss) before income taxes	1,751	(228)	1,924
Provision for/(benefit from) income taxes	386	(487)	630
Net earnings	1,365	259	1,294
Less: Net earnings attributable to noncontrolling interests	(2)	(3)	(6)
Net earnings attributable to Cardinal Health, Inc.	$ 1,363	$ 256	$ 1,288
Earnings per common share attributable to Cardinal Health, Inc.			
Basic	$ 4.55	$ 0.82	$ 4.06
Diluted	4.53	0.81	4.03
Weighted-average number of common shares outstanding:			
Basic	300	313	317
Diluted	301	315	320

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Comprehensive Income

(in millions)	2019	2018	2017
Net earnings	**$ 1,365**	$ 259	$ 1,294
Other comprehensive income/(loss):			
Foreign currency translation adjustments and other	**18**	58	(25)
Amounts reclassified to earnings	**—**	(23)	—
Net unrealized gain/(loss) on derivative instruments, net of tax	**(5)**	(2)	16
Total other comprehensive income/(loss), net of tax	**13**	33	(9)
Total comprehensive income	**1,378**	292	1,285
Less: comprehensive income attributable to noncontrolling interests	**(2)**	(3)	(6)
Total comprehensive income attributable to Cardinal Health, Inc.	**$ 1,376**	$ 289	$ 1,279

The accompanying notes are an integral part of these consolidated statements.

Consolidated Balance Sheets

(in millions)	June 30 2019	2018
Assets		
Current assets:		
Cash and equivalents	**$ 2,531**	$ 1,763
Trade receivables, net	**8,448**	7,800
Inventories, net	**12,822**	12,308
Prepaid expenses and other	**1,946**	1,926
Assets held for sale	**—**	756
Total current assets	**25,747**	24,553
Property and equipment, net	**2,356**	2,487
Goodwill and other intangibles, net	**11,808**	12,229
Other assets	**1,052**	682
Total assets	**$ 40,963**	$ 39,951
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 21,535**	$ 19,677
Current portion of long-term obligations and other short-term borrowings	**452**	1,001
Other accrued liabilities	**2,122**	2,002
Liabilities related to assets held for sale	**—**	213
Total current liabilities	**24,109**	22,893
Long-term obligations, less current portion	**7,579**	8,012
Deferred income taxes and other liabilities	**2,945**	2,975
Redeemable noncontrolling interests	**—**	12
Shareholders' equity:		
Preferred shares, without par value:		
Authorized— **500 thousand** shares, Issued— **none**	**—**	—
Common shares, without par value:		
Authorized— **755 million** shares, Issued— **327 million** shares at **June 30, 2019** and 2018, respectively	**2,763**	2,730
Retained earnings	**5,434**	4,645
Common shares in treasury, at cost: **28 million** shares and 18 million shares at **June 30, 2019** and 2018, respectively	**(1,790)**	(1,224)
Accumulated other comprehensive loss	**(79)**	(92)
Total Cardinal Health, Inc. shareholders' equity	**6,328**	6,059
Noncontrolling interests	**2**	—
Total shareholders' equity	**6,330**	6,059
Total liabilities, redeemable noncontrolling interests and shareholders' equity	**$ 40,963**	$ 39,951

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Shareholders' Equity

(in millions)	Common Shares Shares Issued	Common Shares Amount	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	**Total Shareholders' Equity**
Balance at June 30, 2016	364	$ 3,010	$ 6,419	(42)	$ (2,759)	$ (116)	$ 17	**$ 6,571**
Net earnings			1,288				2	**1,290**
Other comprehensive income/(loss), net of tax						(9)		**(9)**
Purchase of noncontrolling interests							(1)	**(1)**
Employee stock plans activity, including tax benefit of $34 million	—	(11)		2	167			**156**
Treasury shares acquired				(8)	(600)			**(600)**
Dividends declared			(580)					**(580)**
Other			(1)				2	**1**
Retirement of Treasury Shares	(37)	(302)	(2,159)	37	2,461			**—**
Balance at June 30, 2017	327	2,697	4,967	(11)	(731)	(125)	20	**6,828**
Net earnings			256				(1)	**255**
Other comprehensive income/(loss), net of tax						33		**33**
Purchase and divestiture of noncontrolling interests							(19)	**(19)**
Employee stock plans activity, including tax benefit of $10 million	—	33		1	57			**90**
Treasury shares acquired				(8)	(550)			**(550)**
Dividends declared			(584)					**(584)**
Other			6					**6**
Balance at June 30, 2018	327	2,730	4,645	(18)	(1,224)	(92)	—	**6,059**
Net earnings			**1,363**				**2**	**1,365**
Other comprehensive income/(loss), net of tax						**13**		**13**
Employee stock plans activity, net of shares withheld for employee taxes	**—**	**33**		**1**	**34**			**67**
Treasury shares acquired				**(11)**	**(600)**			**(600)**
Dividends declared			**(575)**					**(575)**
Other			**1**				—	**1**
Balance at June 30, 2019	**327**	**$ 2,763**	**$ 5,434**	**(28)**	**$ (1,790)**	**$ (79)**	**$ 2**	**$ 6,330**

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

(in millions)	2019	2018	2017
Cash flows from operating activities:			
Net earnings	**$ 1,365**	$ 259	$ 1,294
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**1,000**	1,032	717
Impairments and loss on sale of other investments	**3**	6	4
Impairments and loss/(gain) on disposal of assets, net	**(488)**	1,417	18
Share-based compensation	**82**	85	96
Provision for/(benefit from) deferred income taxes	**(83)**	(1,012)	291
Provision for bad debts	**88**	74	36
Change in fair value of contingent consideration obligation	**—**	(2)	(5)
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:			
Increase in trade receivables	**(751)**	(871)	(665)
Increase in inventories	**(551)**	(1,211)	(673)
Increase in accounts payable	**1,864**	2,574	564
Other accrued liabilities and operating items, net	**193**	417	(493)
Net cash provided by operating activities	**2,722**	2,768	1,184
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	**(82)**	(6,142)	(132)
Additions to property and equipment	**(328)**	(384)	(387)
Purchase of available-for-sale securities and other investments	**(18)**	(9)	(194)
Proceeds from sale of available-for-sale securities and other investments	**3**	65	228
Proceeds from maturities of available-for-sale securities	**—**	—	77
Proceeds from divestitures, net of cash sold, and disposal of property and equipment	**763**	862	3
Net cash provided by/(used in) investing activities	**338**	(5,608)	(405)
Cash flows from financing activities:			
Payment of contingent consideration obligation	**—**	(35)	(3)
Net change in short-term borrowings	**—**	(50)	3
Purchase of noncontrolling interests	**—**	(106)	(12)
Proceeds from interest rate swap terminations	**—**	—	14
Proceeds from long-term obligations, net of issuance costs	**—**	3	5,171
Reduction of long-term obligations	**(1,102)**	(954)	(310)
Net tax proceeds/(withholding) from share-based compensation	**(14)**	(3)	26
Excess tax benefits from share-based compensation	**—**	—	34
Dividends on common shares	**(577)**	(581)	(577)
Purchase of treasury shares	**(600)**	(550)	(600)
Net cash provided by/(used in) financing activities	**(2,293)**	(2,276)	3,746
Effect of exchange rates changes on cash and equivalents	**1**	4	(2)
Cash reclassified to assets held for sale	**—**	(4)	—
Net increase/(decrease) in cash and equivalents	**768**	(5,116)	4,523
Cash and equivalents at beginning of period	**1,763**	6,879	2,356
Cash and equivalents at end of period	**$ 2,531**	$ 1,763	$ 6,879
Supplemental Information:			
Cash payments for interest	**$ 285**	$ 320	$ 200
Cash payments for income taxes	**311**	425	686

The accompanying notes are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cardinal Health, Inc. is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. The company provides medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. References to "we", "our" and similar pronouns in these consolidated financial statements are to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context otherwise requires.

Our fiscal year ends on June 30. References to fiscal 2019 , 2018 and 2017 in these consolidated financial statements are to the fiscal years ended June 30, 2019 , 2018 and 2017 , respectively.

Basis of Presentation

Our consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. To conform to the current year presentation, certain prior year amounts have been reclassified. The results of businesses acquired or disposed of are included in the consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively.

Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in accordance with GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates, judgments and assumptions are used in the accounting and disclosure related to, among other items, allowance for doubtful accounts, inventory valuation and reserves, business combinations, goodwill and other intangible asset impairment, vendor reserves, loss contingencies, self-insurance accruals, income taxes and share-based compensation. Actual amounts could ultimately differ from these estimated amounts.

Cash Equivalents

We consider liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Receivables and Allowance for Doubtful Accounts

Trade receivables are presented net of an allowance for doubtful accounts of $193 million and $139 million at June 30, 2019 and 2018 , respectively. An account is considered past due on the first day after its due date. In accordance with contract terms, we generally have the ability to charge customers service fees or higher prices if an account is considered past due. We regularly monitor past due accounts and establish appropriate reserves to cover potential losses, which are based primarily on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

We provide financing to various customers. Such financing arrangements range from 1 year to 5 years at interest rates that are generally subject to fluctuation. Interest income on these arrangements is recognized as it is earned. The financings may be collateralized, guaranteed by third parties or unsecured. Finance notes, net and related accrued interest were $103 million (current portion $12 million) and $136 million (current portion $26 million) at June 30, 2019 and 2018 , respectively, and are included in other assets (current portion is included in prepaid expenses and other) in the consolidated balance sheets. Finance notes receivable allowance for doubtful accounts were $14 million and $7 million at June 30, 2019 and 2018 , respectively. We estimate an allowance for these financing receivables based on historical collection rates and the credit worthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

Concentrations of Credit Risk

We maintain cash depository accounts with major banks, and we invest in high quality, short-term liquid instruments, and in marketable securities. Our short-term liquid instruments mature within three months and we have not historically incurred any related losses.

Our trade receivables and finance notes and related accrued interest are exposed to a concentration of credit risk with certain large customers and with customers in the retail and healthcare sectors. Credit risk can be affected by changes in reimbursement and other economic pressures impacting the healthcare industry. With respect to customers in the retail and healthcare sectors, such credit risk is limited due to supporting collateral and the diversity of the customer base, including its wide geographic dispersion. We perform regular credit evaluations of our customers' financial conditions and maintain reserves for losses through the established allowance for doubtful accounts. Historically, such losses have been within our expectations. Refer to the "Receivables and Allowance for Doubtful Accounts" section within this Note for additional information on the accounting treatment of reserves for allowance for doubtful accounts.

Major Customers

CVS Health Corporation ("CVS") and OptumRx, are our only customers that individually account for at least 10 percent of revenue and gross trade receivables. These customers are primarily serviced through our Pharmaceutical segment.

The following table summarizes historical percent of revenue and gross trade receivables from CVS and OptumRx:

	Percent of Revenue			Percent of Gross Trade Receivables at June 30	
	2019	2018	2017	**2019**	2018
CVS	**26%**	25%	23%	**24%**	22%
OptumRx	**13%**	11%	11%	**4%**	4%

We have entered into agreements with group purchasing organizations ("GPOs") which act as purchasing agents that negotiate vendor contracts on behalf of their members. Vizient, Inc. and Premier, Inc. are our two largest GPO member relationships in terms of revenue. Sales to members of these two GPOs collectively accounted for 22 percent , 22 percent and 21 percent of revenue for fiscal 2019 , 2018 and 2017 , respectively. Our trade receivable balances are with individual members of the GPO, and therefore no significant concentration of credit risk exists with these types of arrangements.

Inventories

A substantial portion of our inventories (56 percent at both June 30, 2019 and 2018) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These inventories are included within the core pharmaceutical distribution facilities of our Pharmaceutical segment ("distribution facilities") and are primarily merchandise inventories. The LIFO method presumes that the most recent inventory purchases are the first items sold, so LIFO helps us better match current costs and revenue. We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within the distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation.

If we had used the average cost method of inventory valuation for all inventory within the distribution facilities, the value of our inventories would not have changed in fiscal 2019 or 2018 because inventories valued at LIFO were $230 million and $92 million higher than the average cost value at June 30, 2019 and 2018 , respectively. We do not record inventories in excess of replacement cost. As such, we did not record a LIFO reserve in fiscal 2019 or 2018 .

Our remaining inventory that is not valued at the lower of LIFO or market is stated at the lower of cost, using the first-in, first-out method, or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $171 million and $147 million at June 30, 2019 and 2018 , respectively. We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies.

Cash Discounts

Manufacturer cash discounts are recorded as a component of inventory cost and recognized as a reduction of cost of products sold as inventory is sold.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Property and equipment held for sale are recorded at the lower of cost or fair value less cost to sell. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including capital lease assets which are depreciated over the terms of their respective leases. We generally use the following range of useful lives for our property and equipment categories: buildings and improvements— 3 to 39 years ; machinery and equipment— 3 to 20 years ; and furniture and fixtures— 3 to 7 years . We recorded depreciation and amortization expense of $455 million , $446 million and $314 million for fiscal 2019 , 2018 and 2017 , respectively.

The following table presents the components of property and equipment, net at June 30:

(in millions)	**2019**	2018
Land, building and improvements	**$ 1,992**	$ 2,115
Machinery and equipment	**3,038**	3,006
Furniture and fixtures	**138**	139
Total property and equipment, at cost	**5,168**	5,260
Accumulated depreciation and amortization	**(2,812)**	(2,773)
Property and equipment, net	**$ 2,356**	$ 2,487

Repairs and maintenance expenditures are expensed as incurred. Interest on long-term projects is capitalized using a rate that approximates the weighted-average interest rate on long-term obligations, which was 5 percent at June 30, 2019 . The amount of capitalized interest was immaterial for all periods presented.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. We base the fair values of identifiable intangible assets on detailed valuations that require management to make significant judgments, estimates and assumptions. Critical estimates and assumptions include: expected future cash flows for customer relationships, trade names and other identifiable intangible assets; discount rates that reflect the risk factors associated with future cash flows; and estimates of useful lives. When an acquisition involves contingent consideration, we recognize a liability equal to the fair value of the contingent consideration obligation at the acquisition date. The estimate of fair value of a contingent consideration obligation requires subjective assumptions to be made regarding future business results, discount rates, discount periods and probabilities assigned to various potential business result scenarios. See Note 2 for additional information regarding our acquisitions.

Goodwill and Other Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually or when indicators of impairment exist.

Purchased goodwill is tested for impairment at least annually. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for our annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division. Our Nuclear and Precision Health Solutions division was formerly referred to as our Nuclear Pharmacy Services division and our Cardinal Health at-Home Solutions division was formerly referred to as our Cardinal Health at Home division.

Fair value can be determined using market, income or cost-based approaches. Our determination of estimated fair value of the reporting units is based on a combination of the income-based and market-based approaches. Under the income-based approach, we use a discounted cash flow model in which cash flows anticipated over several future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate risk-adjusted rate of return. We use our internal forecasts to estimate future cash flows, which we believe are consistent with those of a market participant, and include an estimate of long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ materially from those used in our forecasts. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our internally-developed forecasts. Discount rates used in our reporting unit valuations ranged from 8.5 percent to 11.5 percent .

Under the market-based approach, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units. To further confirm fair value, we compare the aggregate fair value of our reporting units to our total market capitalization. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including forecasted operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment.

We performed annual impairment testing in fiscal 2019 , 2018 and 2017 and with the exception of our Medical Unit in fiscal 2018, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. As discussed further in Note 4 of the "Notes to Consolidated Financial Statements," during the fourth quarter of fiscal 2018 we recognized a $1.4 billion goodwill impairment charge related to our Medical Unit, which is included in impairments and loss on disposal of assets in our consolidated statements of earnings. There was no tax benefit related to this goodwill impairment charge.

The impairment test for indefinite-lived intangibles other than goodwill (primarily IPR&D) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

Intangible assets with finite lives, primarily customer relationships; trademarks, trade names and patents; and developed technology, are amortized using a combination of straight-line and accelerated methods based on the expected cash flows from the asset over their estimated useful lives. We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of the future forecasted undiscounted cash flows expected to be generated by the asset group. Actual results may differ materially from those used in our forecasts.

Assets Held for Sale

We classify assets and liabilities (the "disposal group") as held for sale when management commits to a plan to sell the disposal group in its present condition and at a price that is reasonable in relation to its current fair value. We also consider whether an active program to locate a buyer has been initiated and if it is probable that the sale will

occur within one year without significant changes to the plan to sell. Upon classification of the disposal group as held for sale, we test the assets for impairment and cease related depreciation and amortization.

Investments

Investments in non-marketable equity securities are accounted for under the fair value, equity or net asset value method of accounting and are included in other assets in the consolidated balance sheets. For equity securities without a readily determinable fair value, we use the fair value measurement alternative and measure the securities at cost less impairment, if any, including adjustments for observable price changes in orderly transactions for an identical or similar investment of the same issuer. For investments in which we can exercise significant influence but do not control, we use the equity method of accounting. Our share of the earnings and losses are recorded in other income, net in the consolidated statements of earnings. We monitor our investments for impairment by considering factors such as the operating performance of the investment and current economic and market conditions.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputes are researched and resolved based upon the findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. Though the claim types are relatively consistent, we periodically refine our methodology by updating the reserve estimate percentages to reflect actual historical experience. The ultimate outcome of certain claims may be different than our original estimate and may require an adjustment. Adjustments to vendor reserves are included in cost of products sold. In addition, the reserve balance will fluctuate due to variations of outstanding claims from period-to-period, timing of settlements and specific vendor issues, such as bankruptcies. Vendor reserves were $53 million and $45 million at June 30, 2019 and 2018 , respectively, excluding third-party returns. See Third-Party Returns section within this Note for a description of third-party returns.

Distribution Services Agreement and Other Vendor Fees

Our Pharmaceutical segment recognizes fees received from distribution services agreements and other fees received from vendors related to the purchase or distribution of the vendors' inventory when those fees have been earned and we are entitled to payment. Since the benefit provided to a vendor is related to the purchase and distribution of the vendor's inventory, we recognize the fees as a reduction in the carrying value of the inventory that generated the fees, and as such, a reduction of cost of products sold in our consolidated statements of earnings when the inventory is sold.

Loss Contingencies and Self-Insurance

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

We develop and periodically update reserve estimates for Cordis IVC claims, including those received to date and expected to be received in the future and related costs. To project future Cordis IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, estimated indemnity severity by claim type, sales data and estimated defense costs.

We also self-insure for employee healthcare, general liability, certain product liability matters, auto liability, property and workers' compensation. Self-insurance accruals include an estimate for expected settlements or pending claims, defense costs, administrative fees, claim adjustment costs and an estimate for claims incurred but not reported.

Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies and other liabilities is highly subjective and requires judgments about future events. We regularly review contingencies and our self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

The amount of ultimate loss may differ from these estimates. We recognize these estimated loss contingencies, income from favorable resolution of litigation and certain defense costs in litigation (recoveries)/charges in our consolidated statements of earnings. See Note 8 for additional information regarding loss contingencies and product liability lawsuits.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate . We assess the realizability of deferred tax assets on a quarterly basis and provide a valuation allowance for deferred tax assets when it is more likely than not that at least a portion of the deferred tax assets will not be realized. The realizability of deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction and also considers all available positive and negative evidence.

Deferred taxes for non-U.S. liabilities are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are indefinitely reinvested.

We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation processes. The amount

recognized is measured as the largest amoun t of tax benefit that is greater than 50 percent likely of being realized upon settlement. For tax benefits that do not qualify for recognition, we recognize a liability for unrecognized tax benefits.

See Note 7 for additional information regarding income taxes.

Other Accrued Liabilities

Other accrued liabilities represent various current obligations, including certain accrued operating expenses and taxes payable.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests represent the portion of net earnings, comprehensive income and net assets that is not attributable to Cardinal Health, Inc.

The redeemable noncontrolling interests relate to our prior ownership interest in naviHealth Holdings, LLC ("naviHealth"), which we acquired during fiscal 2016. The redeemable noncontrolling interests were redeemable at the option of the third-party noncontrolling interest holders at any time after the two-year anniversary of the closing, or earlier if a trigger event occurred. As such, the noncontrolling interests were presented as redeemable noncontrolling interests in our June 30, 2018 consolidated balance sheets. The noncontrolling interests were adjusted each period for net earnings and dividends attributable to the noncontrolling interests and changes in the noncontrolling ownership interests, if any. Changes in the carrying value of the noncontrolling interests related to a change in the redemption value were recorded through retained earnings and did not affect net earnings attributable to Cardinal Health, Inc. See Note 12 for additional information regarding redeemable noncontrolling interests.

In August 2018, we sold our 98 percent ownership interest in naviHealth. For more information on this divestiture see Note 2 .

Share-Based Compensation

Share-based compensation provided to employees is recognized in the consolidated statements of earnings based on the grant date fair value of the awards. The fair value of stock options is determined on the grant date using a lattice valuation model. The fair value of restricted share units and performance share units is determined by the grant date market price of our common shares. The compensation expense associated with nonvested performance share units is dependent on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. The compensation expense recognized for share-based awards is net of estimated forfeitures and is recognized ratably over the service period of the awards. All income tax effects of share-based awards are recognized in the statement of earnings as awards vest or are settled. We classify share-based compensation expense in distribution, selling, general and administrative ("SG&A") expenses to correspond with the same line item as the majority of the cash compensation paid to employees. If awards are modified in connection with a restructuring activity, the incremental share-based compensation expense is classified in restructuring and employee severance. See Note 16 for additional information regarding share-based compensation.

Dividends

We paid cash dividends per common share of $1.91 , $1.85 and $1.80 in fiscal 2019 , 2018 and 2017 , respectively.

Revenue Recognition

We recognize revenue in an amount that reflects the consideration to which we expect to be entitled in exchange for the transfer of goods or services to customers.

Revenue in both segments is primarily related to the distribution of pharmaceutical and medical products, which we recognize at a point in time when title transfers to customers and we have no further obligation to provide services related to such merchandise. Service revenues are recognized over the period that services are provided to the customer. Revenues derived from services are not material for either segment for all periods presented.

We are generally the principal in a transaction, therefore our revenue is primarily recorded on a gross basis. When we are a principal in a transaction, we have determined that we control the ability to direct the use of the product or service prior to transfer to a customer, are primarily responsible for fulfilling the promise to provide the product or service to our customer, have discretion in establishing prices, and ultimately control the transfer of the product or services provided to the customer.

Sales Returns and Allowances

Revenue is recorded net of sales returns and allowances. Revenues are measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances, discounts, rebates and other variable consideration. Sales returns are recorded based on estimates using historical data. Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return products for credit in a condition suitable to be added back to inventory and resold at full value, or returned to vendors for credit ("merchantable product"). Product returns are generally consistent throughout the year and typically are not specific to any particular product or customer.

We accrue for estimated sales returns and allowances at the time of sale based upon historical customer return trends, margin rates and processing costs. Our accrual for sales returns is reflected as a reduction of revenue and cost of products sold for the sales price and cost, respectively. At both June 30, 2019 and 2018 , the accrual for estimated sales returns and allowances was $479 million , the impact of which is reflected in trade receivables, net and inventories, net in the consolidated balance sheets. Sales returns and allowances were $2.2 billion , $2.4 billion and $2.3 billion , for fiscal 2019 , 2018 and 2017 , respectively.

Third-Party Returns

We generally do not accept non-merchantable pharmaceutical product returns from our customers, so many of our customers return non-merchantable pharmaceutical products to the manufacturer through third parties. Since our customers generally do not have a direct relationship with manufacturers, our vendors pass the value of such returns to us (usually in the form of an accounts payable deduction). We, in turn, pass the value received, less an

administrative fee, to our customer. In certain instances, we pass the estimated value of the return to our customer prior to our receipt of the value from the vendor. Although we believe we have satisfactory protections, we could be subject to claims from customers or vendors if our administration of this overall process was deficient in some respect or our contractual terms with vendors are in conflict with our contractual terms with our customers. We have maintained reserves for some of these situations based on their nature and our historical experience with their resolution.

Shipping and Handling

Shipping and handling costs are primarily included in SG&A expenses in our consolidated statements of earnings and include all delivery expenses as well as all costs to prepare the product for shipment to the end customer. Shipping and handling costs were $622 million , $543 million and $496 million , for fiscal 2019 , 2018 and 2017 , respectively.

Restructuring and Employee Severance

Restructuring activities are programs that are not part of the ongoing operations of our underlying business, such as closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including realignment of the management structure in response to changing market conditions). Also included within restructuring and employee severance are employee severance costs that are not incurred in connection with a restructuring activity. See Note 3 for additional information regarding our restructuring activities.

Amortization and Other Acquisition-Related Costs

We classify certain costs incurred in connection with acquisitions as amortization and other acquisition-related costs in our consolidated statements of earnings. These costs consist of amortization of acquisition-related intangible assets, transaction costs, integration costs and changes in the fair value of contingent consideration obligations. Transaction costs are incurred during the initial evaluation of a potential acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as due diligence activities. Integration costs relate to activities required to combine the operations of an acquired enterprise into our operations and, in the case of the Cordis and Patient Recovery businesses, to stand-up the systems and processes needed to support an expanded geographic footprint. We record changes in the fair value of contingent consideration obligations relating to acquisitions as income or expense in amortization and other acquisition-related costs. See Note 4 for additional information regarding amortization of acquisition-related intangible assets.

Translation of Foreign Currencies

Financial statements of our subsidiaries outside the United States are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign subsidiaries into U.S. dollars are accumulated in shareholders' equity through AOCI utilizing period-end exchange rates. Revenues and expenses of these foreign subsidiaries are translated using average exchange rates during the year.

The foreign currency translation gains/(losses) included in AOCI at June 30, 2019 and 2018 are presented in Note 13 . Foreign currency transaction gains and losses for the period are included in the consolidated statements of earnings in the respective financial statement line item.

Interest Rate, Currency and Commodity Risk

All derivative instruments are recognized at fair value on the consolidated balance sheets and all changes in fair value are recognized in net earnings or shareholders' equity through AOCI, net of tax.

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. Any contract not designated as a hedge, or so designated but ineffective, is adjusted to fair value and recognized immediately in net earnings. If a fair value or cash flow hedge ceases to qualify for hedge accounting treatment, the contract continues to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value are recognized immediately in net earnings. If a forecasted transaction is probable not to occur, amounts previously deferred in AOCI are recognized immediately in net earnings. See Note 11 for additional information regarding our derivative instruments, including the accounting treatment for instruments designated as fair value, cash flow and economic hedges.

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are:

Level 1 - Observable prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

See Note 10 for additional information regarding fair value measurements.

Recent Financial Accounting Standards

In October 2018, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance related to derivatives and hedging which permits the use of the Secured Overnight Financing

Rate ("SOFR") Overnight Index Swap ("OIS") as a Benchmark Interest Rate for Hedge Accounting Purposes. This guidance will be effective for us in the first quarter of fiscal 2020 and must be applied on a prospective basis. The impact of adoption on our consolidated financial statements is contingent upon future events. We do not expect the adoption to have a material impact on our consolidated financial statements.

In March 2018, the FASB issued amended accounting guidance to codify SEC staff accounting bulletin 118 ("SAB 118"), which was issued in connection with the Tax Cuts and Jobs Act (the "Tax Act") of December 2017. The guidance allows companies to use provisional estimates to record the effects of the Tax Act and also provides a measurement period (not to exceed one year from the date of enactment) to complete the accounting for the impacts of the Tax Act. We adopted this guidance in the second quarter of fiscal 2018 when it was initially issued as SAB 118. We completed our accounting for the impacts from enactment of the Tax Act during the second quarter of fiscal 2019. Future adjustments to the financial statements may be necessary as final tax regulations, including issued and pending regulatory changes, are issued. We will assess any impact as additional guidance is issued. See Note 7 for additional information regarding income taxes.

In June 2016, the FASB issued amended accounting guidance that will require entities to measure credit losses on trade and other receivables, held-to-maturity debt securities, loans and other instruments using an "expected credit loss" model that considers historical experience, current conditions and reasonable supportable forecasts. This guidance also requires that credit losses on available-for-sale debt securities with unrealized losses be recognized as allowances rather than as deductions in the amortized cost of the securities. This guidance will be effective for us in the first quarter of fiscal 2021. We are currently evaluating the impact of adoption on our consolidated financial statements.

Leases

In February 2016, the FASB issued amended accounting guidance that requires lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. The guidance also requires disclosures that meet the objective of enabling financial statement users to assess the amount, timing and uncertainty of cash flows arising from leases. We will adopt this guidance when it is effective for us in the first quarter of fiscal 2020 and we will elect the transition option which will allow us to apply the guidance prospectively.

While we are finalizing the evaluation of the impact of this standard on our consolidated financial statements, we expect the adoption of this guidance will result in recognition of operating lease liabilities in excess of $400 million based on the present value of the remaining minimum lease commitments. We anticipate recognizing a corresponding right-of-use asset based on the operating lease liabilities adjusted for prepaid and deferred rent and unamortized initial direct costs. We do not currently believe that the guidance will have a material impact on our results of operations, liquidity or debt covenant compliance under our current debt agreements. The majority of our lease spend relates to certain real estate with the remaining lease spend primarily related to equipment. We generally anticipate that the adoption of the amended lease guidance will require certain changes to our systems and processes.

Revenue Recognition

In May 2014, the FASB issued amended accounting guidance related to revenue recognition which we adopted in the first quarter of fiscal 2019 using the modified retrospective method and that we applied to customer contracts that were not completed as of June 30, 2018.

The adoption of the amended accounting guidance did not have a material impact on our consolidated financial statements. We did not record any material contract assets, contract liabilities, or deferred contract costs in our consolidated balance sheets upon adopting the amended accounting guidance. As a result of adoption, assets recorded for the right to recover products from customers and the associated refund liabilities for return allowances were not material.

We elected the practical expedient to expense costs to obtain a contract when incurred when the amortization period would have been one year or less. Additionally, we elected the practical expedients to not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less, contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed and for contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. See Note 15 for additional information regarding our disaggregation of revenue.

Other Recently Adopted Financial Accounting Standards

In the first quarter of fiscal 2019, we adopted the following Accounting Standards Updates ("ASU"). ASU 2016-01 Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities; ASU 2018-03 Technical Corrections and Improvements to Financial Instruments; ASU 2016-15 Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments; ASU 2016-16 Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory; and ASU 2017-12 Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The adoption of these ASU's did not have a material impact on our consolidated financial statements.

2. Acquisitions and Divestitures

Acquisitions

While we have completed several acquisitions d uring fiscal 2019 , the pro forma results of operations and the results of operations for acquired businesses since the acquisition dates have not been separately disclosed because the effects were not significant compared to the consolidated financial statements, individually or in the aggregate. The cash paid for these acquisitions, net of cash acquired was $ 82 million .

Patient Recovery Business

On July 29, 2017, we acquired the Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses (the "Patient Recovery Business") from Medtronic plc for $6.1 billion in cash. The

acquisition further expanded the Medical segment's portfolio of self-manufactured products.

Transaction and integration costs associated with the acquisition of the Patient Recovery Business were $75 million and $109 million for the fiscal year ended June 30, 2019 and 2018, respectively. These costs are included in amortization and other acquisition-related costs in the consolidated statement of earnings.

Fair Value of Assets Acquired and Liabilities Assumed

The allocation of the fair value of assets acquired and liabilities assumed for the acquisition of the Patient Recovery Business was finalized during the three months ended September 30, 2018, resulting in goodwill of $3.3 billion . There were no significant adjustments to the allocation of the fair value of assets acquired and liabilities assumed for the Patient Recovery Business acquisition from those disclosed in our fiscal 2018 Form 10-K.

The valuation of identifiable intangible assets utilizes significant unobservable inputs and thus represents a Level 3 nonrecurring fair value measurement. The estimated fair value of the identifiable intangible assets was determined using income-based approaches, which includes market participant expectations of the cash flows that an asset could generate over its economic life, discounted back to present value using an appropriate rate of return. The weighted- average discount rate used to arrive at the present value of the identifiable intangible assets was 8.0 percent, and considers the inherent risk of each intangible asset relative to the internal rate of return and weighted-average cost of capital.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date for the Patient Recovery Business:

(in millions)	Patient Recovery Business
Identifiable intangible assets:	
Customer relationships (1)	$ 1,733
Trade names (2)	187
Developed technology and other (3)	732
Total identifiable intangible assets acquired	2,652
Cash and equivalents	22
Inventories	420
Prepaid expenses and other	252
Property and equipment, net	739
Other accrued liabilities	(322)
Deferred income taxes and other liabilities	(982)
Total identifiable net assets acquired	2,781
Goodwill	3,299
Total net assets acquired	**$ 6,080**

(1) The range of useful lives for customer relationships is 10 to 18 years.

(2) The useful life of trade names is 15 years.

(3) The useful life of developed technology is 15 years.

Divestitures

China Divestiture

In February 2018, we sold our pharmaceutical and medical products distribution business in China ("China distribution business") for proceeds of $861 million (after adjusting for third party indebtedness and preliminary transaction adjustments) to Shanghai Pharmaceuticals Holding Co., Ltd. The proceeds are not reflective of tax obligations due in connection with the sale, for which we have recorded a liability of $59 million . The purchase price was subject to adjustment based on working capital requirements as set forth in the definitive agreement, for which there were no significant changes in fiscal 2019.

We determined that the sale of the China distribution business did not meet the criteria to be classified as discontinued operations. The China distribution business primarily operated within our Pharmaceutical segment, and a smaller portion operated within our Medical segment.

During the fiscal year ended 2018, we recognized a pre-tax loss of $41 million related to this divestiture.

naviHealth

In August 2018, we sold our 98 percent ownership interest in naviHealth to investor entities controlled by Clayton, Dubilier & Rice in exchange for cash proceeds of $737 million (after adjusting for certain fees and expenses) and a 44 percent equity interest in a partnership that owns 100 percent of the equity interest of naviHealth. We also have certain call rights to reacquire naviHealth. Refer to Note 5 for further discussion regarding this investment.

For the fiscal year ended June 30, 2019 , we recognized a pre-tax gain of $508 million related to this divestiture in impairments and (gain)/loss on disposal of assets in our consolidated statement of earnings. This gain includes our initial recognition of an equity method investment for $358 million and the derecognition of redeemable noncontrolling interests of $12 million . The fiscal 2019 tax expense as a result of this transaction was $130 million . We determined that the sale of the naviHealth business did not meet the criteria to be classified as discontinued operations. The naviHealth business operated within our Medical segment.

3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

(in millions)	2019	2018	2017
Employee-related costs (1)	**$ 95**	$ 34	$ 51
Facility exit and other costs (2)	**30**	142	5
Total restructuring and employee severance	**$ 125**	$ 176	$ 56

(1) Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated, duplicate payroll costs and retention bonuses incurred during transition periods.

(2) Facility exit and other costs primarily consist of product distribution and lease contract termination costs, lease costs associated with vacant facilities, accelerated depreciation, equipment relocation costs, project consulting fees, costs associated with restructuring our delivery of information technology infrastructure services and certain other divestiture-related costs.

In early fiscal 2019, we began implementing certain enterprise-wide cost-savings measures, which we expect will reduce our future operating expenses. As a result of these measures, we incurred pre-tax restructuring related costs of $92 million during the fiscal year ended June 30, 2019, which are reflected in restructuring and employee severance in the consolidated statements of earnings.

In fiscal 2018, we entered into an agreement to transition the distribution of our Medical segment's surgeon gloves in certain international markets from a third-party distribution arrangement to a direct distribution model. The costs associated with this restructuring included $125 million , on a pre-tax basis, in contract termination costs that were paid during fiscal 2018. These costs are reflected in restructuring and employee severance in the consolidated statements of earnings during the fiscal year ended 2018.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2017	$ 41	$ —	**$ 41**
Additions	19	131	**150**
Payments and other adjustments	(36)	(127)	**(163)**
Balance at June 30, 2018	24	4	**28**
Additions	84	8	**92**
Payments and other adjustments	(44)	(4)	**(48)**
Balance at June 30, 2019	**$ 64**	**$ 8**	**$ 72**

4. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

(in millions)	Pharmaceutical (1)	Medical (2)	Total
Balance at June 30, 2017	$ 2,939	$ 4,282	**$ 7,221**
Goodwill acquired, net of purchase price adjustments	1	3,342	**3,343**
Foreign currency translation adjustments and other	28	6	**34**
Goodwill divested with the sale of our China distribution business	(347)	(54)	**(401)**
naviHealth goodwill reclassified to assets held for sale	—	(509)	**(509)**
Impairment	—	(1,372)	**(1,372)**
Balance at June 30, 2018	2,621	5,695	**8,316**
Goodwill acquired, net of purchase price adjustments	45	7	**52**
Foreign currency translation adjustments and other	(3)	13	**10**
Balance at June 30, 2019	**$ 2,663**	**$ 5,715**	**$ 8,378**

(1) At June 30, 2019 and 2018, the Pharmaceutical segment accumulated goodwill impairment loss was $829 million .

(2) At June 30, 2019 and 2018, the Medical segment accumulated goodwill impairment loss was $1.4 billion .

Fiscal 2018

The increase in the Medical segment goodwill during fiscal 2018 is primarily due to the Patient Recovery Business acquisition. Goodwill recognized in connection with the Patient Recovery Business acquisition primarily represents the expected benefits from certain synergies of integrating the business, the existing workforce of the acquired entity, and the expected growth from new customers. See Note 2 for further discussion of this acquisition.

In conjunction with the preparation of our consolidated financial statements for fiscal 2018, we completed our annual quantitative goodwill impairment test, which we perform annually in the fourth quarter. Using a combination of income and market-based approaches (using a discount rate of 8.5 percent), the carrying value exceeded the fair value and resulted in an impairment charge of $1.4 billion related to our Medical Unit, which is included in impairments and loss on disposal of assets in our consolidated statements of earnings. Our fair value estimates utilize significant unobservable inputs and thus represent Level 3 fair value measurements.

The impairment was primarily driven by inventory and cost challenges within our Cordis business which furthered in the fourth quarter of fiscal 2018. This impairment charge did not impact our liquidity, cash flows from operations, or compliance with debt covenants. There was no tax benefit related to the goodwill impairment charge. The goodwill balance for our Medical Unit, after recognizing the impairment, was $4.3 billion at June 30, 2018.

During fiscal 2018, goodwill was also reduced by $401 million and $509 million in connection with the sale of our China distribution business and reclassification of naviHealth's assets and liabilities to held for sale, respectively.

See Note 2 for further discussion of this divestiture and assets held for sale.

Other Intangible Assets

The following tables summarize other intangible assets by class at June 30:

	2019			
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
Indefinite-life intangibles:				
IPR&D, trademarks and other	$ 22	$ —	$ 22	N/A
Total indefinite-life intangibles	22	—	22	N/A
Definite-life intangibles:				
Customer relationships	3,562	1,517	2,045	14
Trademarks, trade names and patents	672	295	377	14
Developed technology and other	1,602	616	986	12
Total definite-life intangibles	5,836	2,428	3,408	13
Total other intangible assets	$ 5,858	$ 2,428	$ 3,430	N/A

	2018		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 62	$ —	$ 62
Total indefinite-life intangibles	62	—	62
Definite-life intangibles:			
Customer relationships	3,513	1,191	2,322
Trademarks, trade names and patents	667	246	421
Developed technology and other	1,562	454	1,108
Total definite-life intangibles	5,742	1,891	3,851
Total other intangible assets	$ 5,804	$ 1,891	$ 3,913

Total amortization of intangible assets was $531 million , $574 million and $395 million for fiscal 2019 , 2018 and 2017 , respectively. The estimated annual amortization for intangible assets for fiscal 2020 through 2024 is as follows: $509 million , $442 million , $408 million , $358 million and $329 million .

During fiscal 2018, other intangible assets were reduced by $62 million and $133 million in connection with the sale of our China distribution business and reclassification of naviHealth's assets and liabilities to held for sale, respectively.

5. Investments

In connection with the naviHealth divestiture discussed in Note 2 , we obtained a 44 percent equity interest in a partnership that owns 100 percent of the equity interest of naviHealth. We accounted for this investment initially at its fair value using Level 3 unobservable inputs based on expected sales proceeds following a competitive bidding process. We initially recognized a $358 million equity method investment.

We are accounting for our equity interest in naviHealth using the equity method of accounting on a one-month reporting lag. The impact of our proportionate share of naviHealth's results was a loss of $9 million for fiscal 2019. Upon the divestiture closing, we received a non-cash distribution of $14 million in the form of the partnership's payment for certain of our divestiture transaction costs directly to the applicable third-party. At June 30, 2019 the carrying value of this investment was $334 million .

6. Long-Term Obligations and Other Short-Term Borrowings

The following table summarizes long-term obligations and other short-term borrowings at June 30:

(in millions) (1)	2019	2018
1.948% Notes due 2019	$ —	$ 998
2.4% Notes due 2019	450	448
4.625% Notes due 2020	508	514
2.616% Notes due 2022	1,079	1,143
3.2% Notes due 2022	247	243
Floating Rate Notes due 2022	340	348
3.2% Notes due 2023	551	525
3.079% Notes due 2024	781	742
3.5% Notes due 2024	402	390
3.75% Notes due 2025	494	460
3.41% Notes due 2027	1,318	1,340
4.6% Notes due 2043	346	346
4.5% Notes due 2044	342	342
4.9% Notes due 2045	445	445
4.368% Notes due 2047	594	594
7.0% Debentures due 2026	124	124
Other obligations	10	11
Total	8,031	9,013
Less: current portion of long-term obligations and other short-term borrowings	452	1,001
Long-term obligations, less current portion	$ 7,579	$ 8,012

(1) Maturities are presented on a calendar year basis.

Maturities of existing long-term obligations and other short-term borrowings for fiscal 2020 through 2024 and thereafter are as follows: $452 million , $512 million , $1.7 billion , $552 million , $782 million and $4.1 billion .

Long-Term Debt

All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 7.0% Debentures represent unsecured obligations of Allegiance Corporation (a wholly-owned subsidiary), which Cardinal Health, Inc. has guaranteed. None of these obligations are subject to a sinking fund and the Allegiance obligations are not redeemable prior to maturity. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $21.5 billion .

In the fourth quarter of fiscal 2019, we repurchased $67 million of the 2.616% Notes due 2022, $1 million of the 3.2% Notes due 2022, $8 million of the Floating Rate Notes due 2022, and $24 million of the 3.41% Notes due 2027 for a total of $100 million . The repurchases were paid for with available cash. We also paid off the 1.948% Notes due 2019 as they became due with available cash.

In June 2018, we repaid the full principal of the 1.95% Notes due 2018 at maturity for $550 million . In July 2017, we redeemed the 1.7% Notes due 2018 early in full with a portion of the proceeds from the June 2017 issuance for $400 million .

If we undergo a change of control, as defined in the notes, and if the notes receive specified ratings below investment grade by each of Standard & Poors Ratings Services, Moody's Investors Services and Fitch Ratings, any holder of the notes, excluding the debentures, can require with respect to the notes owned by such holder, or we can offer, to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest.

Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $2.0 billion commercial paper program backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility.

In June 2019, we renewed our $2.0 billion revolving credit facility. As part of the renewal of our revolving credit facility, as of the end of any calendar quarter, our maximum consolidated net leverage ratio may be no more than 4.25-to-1. The maximum permitted ratio will reduce to 4.00-to-1 in September 2019, and to 3.75-to-1 in March 2021 and thereafter. As of June 30, 2019 , we were in compliance with this financial covenant.

In November 2018, we increased the maximum consolidated leverage ratio permitted under our committed receivables facilities to provide that, as of the end of any calendar quarter, our maximum consolidated leverage ratio may be no more than 4.25-to-1. The maximum permitted ratio will reduce to 4.00-to-1 in September 2019, to 3.75-to-1 in March 2020 and to 3.25-to-1 in September 2020. As of June 30, 2019 , we were in compliance with this financial covenant.

In November 2016, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through November 1, 2019. CHF was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells receivables to CHF. CHF is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors. We intend to renew our committed receivables sales facility program in the first quarter of fiscal 2020.

At June 30, 2019 , we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of $24 million at both June 30, 2019 and 2018 . We also had no amounts outstanding under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of $30 million and $34 million at June 30, 2019 and 2018 , respectively. Under our commercial paper program we had a maximum amount outstanding of $785 million and an average daily amount outstanding of $15 million during fiscal 2019 . We had no amounts outstanding under the commercial paper program as of June 30, 2019 .

We also maintain other short-term credit facilities and an unsecured line of credit that allowed for borrowings up to $9 million and $8 million at June 30, 2019 and 2018 , respectively. The $10 million and $11 million balance of other obligations at June 30, 2019 and 2018 , respectively, consisted of short-term borrowings and capital leases.

In fiscal 2018 we sold our China distribution business, including its debt which was $378 million as of June 30, 2017. See Note 2 for further discussion of this divestiture.

7. Income Taxes

Earnings/(loss) before Income Taxes and Provision for Income Taxes

The following table summarizes earnings/(loss) before income taxes:

(in millions)	2019	2018	2017
U.S. operations	**$ 1,478**	$ 391	$ 1,772
Non-U.S. operations	**273**	(619)	152
Earnings/(loss) before income taxes	**$ 1,751**	$ (228)	$ 1,924

The following table summarizes the components of provision for/(benefit from) income taxes:

(in millions)	2019	2018	2017
Current:			
Federal	**$ 295**	$ 341	$ 273
State and local	**89**	41	10
Non-U.S.	**85**	143	56
Total current	**$ 469**	$ 525	$ 339
Deferred:			
Federal	**$ (28)**	$ (1,003)	$ 258
State and local	**(37)**	16	37
Non-U.S.	**(18)**	(25)	(4)
Total deferred	**(83)**	(1,012)	291
Provision for/(benefit from) income taxes	**$ 386**	$ (487)	$ 630

Effective Tax Rate

The following table presents a reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate:

	2019 (1)	2018 (2)	2017 (1)
Provision at Federal statutory rate	**21.0 %**	28.1 %	35.0 %
State and local income taxes, net of federal benefit	**0.9**	(16.0)	1.0
Tax effect of foreign operations	**(0.7)**	(48.4)	(7.3)
Nondeductible/nontaxable items	**2.5**	(10.2)	0.2
Goodwill impairment	**—**	(124.7)	—
Tax Act	**(0.8)**	410.9	—
Change in valuation allowances	**4.5**	(76.9)	7.7
Foreign tax credits	**(1.0)**	27.3	(1.6)
China tax related to divestiture	**—**	(25.8)	—
Legal entity reorganization	**(3.6)**	71.4	—
Other	**(0.7)**	(21.9)	(2.3)
Effective income tax rate	**22.1 %**	213.8 %	32.7 %

(1) The effective income tax rate for fiscal 2019 and 2017 represents an income tax expense tax rate.

(2) The effective income tax rate for fiscal 2018 represents an income tax benefit tax rate.

The income tax expense rate in fiscal 2019 was 22.1% compared to an income tax benefit rate of 213.8% in fiscal 2018 and an income tax expense rate of 32.7% in fiscal 2017. Fluctuations in the effective tax rates are primarily due to fiscal 2018 net benefits from the enactment of the Tax Act, the impact of nondeductible goodwill impairment charge, and a benefit from a capital loss due to international legal entity reorganization. There were also changes in valuation allowances related to capital losses, credit carryforwards and net operating loss carryforwards in U.S. federal, U.S. state and international jurisdictions.

Our effective tax rate has benefits from negotiated lower than statutory tax rates in select foreign jurisdictions which individually are not material to our effective tax rate but in aggregate have a favorable tax impact of approximately $40 million .

On December 22, 2017, the United States enacted the Tax Act. The Tax Act made broad and comp lex changes to the U.S. tax code that affected fiscal 2018 and will incrementally affect our fiscal year 2019 financial results in several ways. First, the U.S. statutory tax rate in fiscal 2019 is reduced to 21.0% . Second, the Tax Act established new tax provisions that affected us beginning July 1, 2018 including, (1) eliminating the U.S. manufacturing deduction; (2) establishing new limitations on deductible interest expense and certain executive compensation; (3) eliminating the corporate alternative minimum tax; (4) creating the base erosion anti-abuse tax; (5) creating a new provision designed to tax global intangible low-tax income ("GILTI") and allow for a deduction related to foreign derived intangible income ("FDII"); (6) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; and (7) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

Regarding the new GILTI tax rules, we elected to treat taxes due on future GILTI inclusions in U.S. taxable income as a current period expense when incurred.

In accordance with SAB 118, we finalized our provisional estimates related to transitional tax benefits (i.e., remeasurement of deferred tax assets and liabilities and the repatriation tax on undistributed foreign earnings) which did not have a significant impact on tax expense during fiscal 2019. Future adjustments to the financial statements may be necessary as final tax regulations, including issued and pending regulatory changes are issued. We will assess any impact as additional guidance is issued.

During the fiscal year ended June 30, 2019, the Company completed the final calculation of the U.S. repatriation tax after the issuance of final regulations by the U.S Treasury Department under section 965. After completion of the calculation and an overall review of the cash positions post-tax reform and business needs globally, the Company is changing its assertion on $309 million previously considered indefinitely reinvested as of June 30, 2018, which did not have a material impact on our provision for income taxes.

As of June 30, 3019, foreign earnings of approximately $780 million are considered indefinitely reinvested for working capital and other offshore investment needs. The computation of tax required if those earnings are repatriated is not practicable.

Deferred Income Taxes

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 following table presents the components of the deferred income tax assets and liabilities at June 30:

(in millions)	2019	2018
Deferred income tax assets:		
Receivable basis difference	$ 35	$ 41
Accrued liabilities	133	110
Share-based compensation	39	40
Loss and tax credit carryforwards	621	526
Deferred tax assets related to uncertain tax positions	30	30
Other	6	101
Total deferred income tax assets	864	848
Valuation allowance for deferred income tax assets	(542)	(412)
Net deferred income tax assets	$ 322	$ 436
Deferred income tax liabilities:		
Inventory basis differences	$ (1,056)	$ (1,103)
Property-related	(171)	(176)
Goodwill and other intangibles	(808)	(934)
Total deferred income tax liabilities	$ (2,035)	$ (2,213)
Net deferred income tax liability	$ (1,713)	$ (1,777)

Deferred income tax assets and liabilities in the preceding table, after netting by taxing jurisdiction, are in the following captions in the consolidated balance sheets at June 30:

(in millions)	2019	2018
Noncurrent deferred income tax asset (1)	$ 36	$ 37
Noncurrent deferred income tax liability (2)	(1,749)	(1,814)
Net deferred income tax liability	$ (1,713)	$ (1,777)

(1) Included in other assets in the consolidated balance sheets.

(2) Included in deferred income taxes and other liabilities in the consolidated balance sheets.

At June 30, 2019 we had gross federal, state and international loss and credit carryforwards of $463 million , $2.7 billion and $1.9 billion , respectively, the tax effect of which is an aggregate deferred tax asset of $621 million . Substantially all of these carryforwards are available for at least three years. Approximately $524 million of the valuation allowance at June 30, 2019 applies to certain federal, state and international loss carryforwards that, in our opinion, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance would reduce income tax expense.

Unrecognized Tax Benefits

We had $456 million , $423 million and $417 million of unrecognized tax benefits at June 30, 2019 , 2018 and 2017 , respectively. The June 30, 2019 , 2018 and 2017 balances include $303 million , $262 million and $268 million , respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not affect our effective tax rate. We include the full amount of unrecognized tax benefits in deferred income taxes and other liabilities in the consolidated balance sheets. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

(in millions)	2019	2018	2017
Balance at beginning of fiscal year	$ 423	$ 417	$ 527
Additions for tax positions of the current year	24	15	29
Additions for tax positions of prior years (1)	39	141	23
Reductions for tax positions of prior years	(5)	(40)	(8)
Settlements with tax authorities (1)	(25)	(99)	(154)
Expiration of the statute of limitations (1)	—	(11)	—
Balance at end of fiscal year	$ 456	$ 423	$ 417

(1) Included in fiscal 2018 additions for tax positions of prior years is $110 million related to exposures acquired as part of the Patient Recovery Business for which we are fully indemnified. Also for fiscal 2018 are settlements of $81 million related to the Patient Recovery Business as well as $11 million of statute expirations.

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is a net decrease of $0 million to $15 million , exclusive of penalties and interest.

We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At June 30, 2019 , 2018 and 2017 , we had $122 million , $110 million and $99 million , respectively, accrued for the payment of interest and penalties. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the consolidated balance sheets. During fiscal 2019 , 2018, and 2017 we recognized $8 million , $8 million , and $12 million of expense for interest and penalties in income tax expense, respectively.

Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2008 through the current fiscal year.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), which has been acquired by Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was $165 million and $151 million at June 30, 2019 and 2018 , respectively, and is included in other assets in the consolidated balance sheets.

As a result of the acquisition of the Patient Recovery Business, Medtronic plc is obligated to indemnify us for certain tax exposures and transaction taxes related to periods prior to the acquisition under the purchase agreement. The indemnification receivable was $22

million and $21 million at June 30, 2019 and 2018, respectively, and is included in other assets in the consolidated balance sheets.

8. Commitments, Contingent Liabilities and Litigation

Commitments

Operating Leases

The future minimum rental payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year at June 30, 2019 for fiscal 2020 through 2024 and thereafter are as follows: $126 million , $100 million , $76 million , $54 million , $33 million and $94 million . Rental expense relating to operating leases was $153 million , $172 million and $159 million in fiscal 2019 , 2018 and 2017 , respectively. Sublease rental income was immaterial for all periods presented.

Generic Sourcing Venture with CVS Health Corporation ("CVS Health")

Red Oak Sourcing, LLC ("Red Oak Sourcing") is a U.S.-based generic pharmaceutical sourcing venture with CVS Health for an initial term through June 2024. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. Due to the achievement of predetermined milestones, we are required to make quarterly payments of $ 45.6 million to CVS Health for the initial term.

Contingencies

New York Opioid Stewardship Act

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Under the OSA, each licensed manufacturer and distributor would be required to pay a portion of the assessment based on its ratable share, as determined by the state, of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year, beginning in 2017.

In October 2018, we received notices from the New York Department of Health of our estimated payment amount for calendar year 2017. In December 2018, the U.S. District Court for the Southern District of New York ruled that the OSA is unconstitutional and enjoined its enforcement (the "Ruling"). In January 2019, the State filed notice of its intent to appeal the Ruling. In April 2019, the State, among other things, amended the OSA so that the assessment would only cover opioid sales in 2017 and 2018, subject to the State's pending appeal of the Ruling.

We accrue contingencies if it is probable that a liability has been incurred and the amount can be estimated. At June 30, 2019, we have no amounts accrued for the OSA because we do not believe it is probable that a liability has been incurred.

Legal Proceedings

We become involved from time to time in disputes, litigation and regulatory matters.

We may be named from time to time in *qui tam* actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a *qui tam* action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government .

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. In addition, from time to time, we receive subpoenas or requests for information from various federal or state agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

From time to time, we determine that products we manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a potential quality or regulatory issue, we investigate and take appropriate corrective action. Such actions can lead to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, action by regulators and product liability claims and lawsuits, including class actions. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for certain litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges in our consolidated statements of earnings.

Opioid Lawsuits

Pharmaceutical wholesale distributors, including us, have been named as defendants in approximately 2,500 lawsuits relating to the distribution of prescription opioid pain medications. These lawsuits have been filed in various federal, state, and other courts by a variety

of plaintiffs, primarily counties, municipalities and political subdivisions. Plaintiffs also include unions and other health and welfare funds, hospital systems and other healthcare providers, as well as individuals. Of these lawsuits, 95 are purported class actions. The lawsuits seek equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as negligence, public nuisance and unjust enrichment as well as violations of controlled substance laws, the Racketeer Influenced and Corrupt Organizations Act and various other statutes. These lawsuits also name pharmaceutical manufacturers, retail pharmacy chains and other entities as defendants.

The vast majority of these lawsuits were filed in U.S. federal court and have been transferred for consolidated pre-trial proceedings in a Multi-District Litigation proceeding in the U.S. District Court for the Northern District of Ohio. The court, among other things, has ordered that a bellwether trial involving two county plaintiffs begin in October 2019. Motions for summary judgment have been filed by plaintiffs and defendants.

In addition, 18 state attorneys general have filed lawsuits against distributors, including us, in various state courts. Several of these lawsuits, including lawsuits filed by the New York, Ohio and Washington Attorneys General, as well as other cases pending in state court, are currently scheduled to go to trial in the second half of fiscal year 2020 or early fiscal 2021.

In addition to the 18 state attorneys general that have filed suit, 43 state attorneys general have formed a multi-state task force to investigate the manufacturing, distribution, dispensing and prescribing practices of opioid medications. We have received requests related to the multi-state investigation, as well as separate civil investigative demands, subpoenas or requests for information from these and other state attorneys general offices. We are cooperating with the offices conducting these investigations.

In connection with these proceedings, distributors continue to discuss possible resolution with various parties, including state attorneys general and representatives of the MDL plaintiffs.

We are vigorously defending ourselves in all of these opioid-related matters. Given the uncertainty surrounding these lawsuits and investigations, we are unable to predict their outcome or estimate a range of reasonably possible losses, but the defense and resolution of these lawsuits could have a material adverse effect on our results of operations, financial condition, cash flows and liquidity or have adverse reputational or operational effects on our business.

Product Liability Lawsuits

As of August 13, 2019, we are named as a defendant in 261 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 3,160 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. Another 22 lawsuits involving similar claims by approximately 26 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. We are vigorously defending ourselves in these lawsuits.

At June 30, 2019, we had a total of $368 million , net of estimated insurance recoveries, accrued for losses and legal defense costs related to the Cordis IVC filter lawsuits which are presented on a gross basis in the consolidated balance sheets. We believe there is a range of estimated losses with respect to these matters. Because no amount within the range is a better estimate than any other amount within the range, we have accrued the minimum amount in the range. We estimate the high end of the range to be approximately $762 million , net of estimated insurance recoveries.

Shareholder Securities Litigation

In August 2019, the Louisiana Sheriffs' Pension & Relief Fund filed a purported class action complaint against Cardinal Health and certain current and former officers and employees in the United States District Court for the Southern District of Ohio purportedly on behalf of all purchasers of our common shares between March 2015 and May 2018. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by making misrepresentations and omissions related to the integration of the Cordis business and inventory and supply chain problems within the Cordis business, and seeks to recover unspecified damages and equitable relief for the alleged misstatements and omissions. We believe that the claims asserted in this complaint are without merit and intend to vigorously defend against them. Due to the early stage of this proceeding, it is not possible to reasonably estimate the amount of any possible loss or range of loss in this matter.

Antitrust Litigation Proceeds

We received and recognized income resulting from settlements of lawsuits in which we were a class member or plaintiff of $94 million and $22 million during fiscal 2019 and 2018, respectively.

9. Guarantees

In the ordinary course of business, we agree to indemnify certain other parties under acquisition and disposition agreements, customer agreements, intellectual property licensing agreements, and other agreements. Such indemnification obligations vary in scope and, when defined, in duration. In many cases, a maximum obligation is not explicitly stated, and therefore the overall maximum amount of the liability under such indemnification obligations cannot be reasonably estimated. Where appropriate, such indemnification obligations are recorded as a liability. Historically, we have not, individually or in the aggregate, made payments under these indemnification obligations in any material amounts. In certain circumstances, we believe that existing insurance arrangements, subject to the general deduction and exclusion provisions, would cover portions of the liability that may arise from these indemnification obligations. In addition, we believe that the likelihood of a material liability being triggered under these indemnification obligations is not probable.

From time to time we enter into agreements that obligate us to make fixed payments upon the occurrence of certain events. Such obligations primarily relate to obligations arising under acquisition transactions, where we have agreed to make payments based upon the achievement of certain financial performance measures by the

acquired business. Generally, the obligation is capped at an explicit amount. There were no material obligations at June 30, 2019.

10. Fair Value Measurements

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at June 30:

	2019			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Other investments (1)	**$ 118**	**$ —**	**$ —**	**$ 118**
Forward contracts (2)	**—**	**53**	**—**	**53**

	2018			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 200	$ —	$ —	$ 200
Other investments (1)	117	—	—	117
Liabilities:				
Forward contracts (2)	—	(76)	—	(76)

(1) The other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds invest in the equity securities of companies with both large and small market capitalization and high-quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

(2) The fair value of interest rate swaps, foreign currency contracts, net investment hedges and commodity contracts is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in the consolidated balance sheets.

11. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk, and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period. We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into derivative instruments with major financial institutions that are investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

Interest Rate Risk Management

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

The following table summarizes the fair value of our assets and liabilities related to derivatives designated as hedging instruments and the respective line items in which they were recorded in the consolidated balance sheets at June 30:

(in millions)	2019	2018
Assets:		
Pay-floating interest rate swaps (1)	**$ 46**	$ —
Cross-currency swap (1)	**12**	—
Foreign currency contracts (2)	**6**	3
Commodity contracts (2)	**—**	2
Total assets	**$ 64**	$ 5
Liabilities:		
Pay-floating interest rate swaps (3)	**$ 6**	$ 78
Foreign currency contracts (4)	**2**	3
Commodity contracts (4)	**3**	—
Total liabilities	**$ 11**	$ 81

(1) Included in other assets in the consolidated balance sheets.
(2) Included in prepaid expenses and other in the consolidated balance sheets.
(3) Included in deferred income taxes and other liabilities in the consolidated balance sheets.
(4) Included in other accrued liabilities in the consolidated balance sheets.

Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the consolidated statements of earnings. During fiscal 2019 and 2018 ,

there was no gain or loss recorded to interest expense as changes in the market value of our derivative instruments offset changes in the market value of the underlying debt.

During fiscal 2018 we entered into pay-floating interest rate swaps with total notional amounts of $1.1 billion . These swaps have been designated as fair value hedges of our fixed rate debt and are included in deferred income taxes and other liabilities in the consolidated balance sheets.

During fiscal 2019 , we terminated notional amounts of $163 million of pay-floating interest rate swaps in connection with the debt redemption in fourth quarter fiscal 2019 described in Note 6 . These swaps were previously designated as fair value hedges. During fiscal 2018 , $550 million of pay-floating interest rate swaps matured.

The following tables summarize the outstanding interest rate swaps designated as fair value hedges at June 30:

	2019		
(in millions)	**Notional Amount**	**Maturity Date**	
Pay-floating interest rate swaps	**$ 2,150**	**Nov 2019** -	**Sep 2025**

	2018		
(in millions)	Notional Amount	Maturity Date	
Pay-floating interest rate swaps	$ 2,313	Nov 2019 -	Sep 2025

The following table summarizes the gain/(loss) recognized in earnings for interest rate swaps designated as fair value hedges:

(in millions)	2019	2018	2017
Pay-floating interest rate swaps (1)	**$ 9**	$ 11	$ 17
Fixed-rate debt (1)	**(9)**	(11)	(17)

(1) Included in interest expense, net in the consolidated statements of earnings.

There was no ineffectiveness associated with these derivative instruments for any periods presented.

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions.

These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

All gains and losses currently included within accumulated other comprehensive loss associated with our foreign exchange forward contracts that are expected to be reclassified into net earnings within the next 12 months are immaterial.

We enter into foreign currency contracts to protect the value of anticipated foreign currency revenues and expenses. At June 30, 2019 and 2018 , we held contracts to hedge probable, but not firmly committed, revenue and expenses. The principal currencies hedged are the Canadian dollar, Mexican peso, euro, Thai baht, Chinese renminbi, Japanese yen, Australian dollar, and British pound.

We enter into commodity contracts to manage the price risk associated with forecasted purchases of certain commodities used in our Medical segment.

The following tables summarize the outstanding cash flow hedges at June 30:

	2019		
(in millions)	**Notional Amount**	**Maturity Date**	
Foreign currency contracts	**$ 381**	**Jul 2019** -	**Jun 2020**
Commodity contracts	**20**	**Jul 2019** -	**Jun 2020**

	2018		
(in millions)	Notional Amount	Maturity Date	
Foreign currency contracts	$ 124	Jul 2018 -	Jun 2019
Commodity contracts	12	Jul 2018 -	Oct 2020

The following table summarizes the gain/(loss) included in AOCI for derivative instruments designated as cash flow hedges at June 30:

(in millions)	2019	2018
Commodity contracts	**$ (3)**	$ 2
Foreign currency contracts	**4**	(2)

The following table summarizes the gain/(loss) reclassified from AOCI into earnings for derivative instruments designated as cash flow hedges:

(in millions)	2019	2018	2017
Foreign currency contracts (1)	**$ 2**	$ 1	$ (1)
Foreign currency contracts (2)	**—**	—	(1)
Foreign currency contracts (3)	**1**	(2)	2
Commodity contracts (3)	**—**	—	(3)

(1) Included in revenue in the consolidated statements of earnings.

(2) Included in cost of products sold in the consolidated statements of earnings.

(3) Included in SG&A expenses in the consolidated statements of earnings.

The amount of ineffectiveness associated with these derivative instruments was immaterial for all periods presented.

Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment positions in European subsidiaries. To accomplish this, we enter into cross-currency swaps that are designated as hedges of net investments.

In September 2018 , we entered into a €200 million cross-currency swap maturing in 2023 .

Cross-currency swaps designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive loss until the sale or substantial liquidation of the underlying net investments. To the extent the cross-currency swaps designated as

net investment hedges are not highly effective, changes in carrying value attributable to the change in spot rates are recorded in earnings. There was no ineffectiveness in our net investment hedges during fiscal 2019 .

Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to sales transactions, intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/expense, net. The principal currency managed through foreign currency contracts is the euro.

The following tables summarize the outstanding economic (non-designated) derivative instruments at June 30:

	2019	
(in millions)	**Notional Amount**	**Maturity Date**
Foreign currency contracts	**$ 488**	**Jul 2019 - Jun 2020**

	2018	
(in millions)	Notional Amount	Maturity Date
Foreign currency contracts	$ 550	Jul 2018

The following table summarizes the gain/(loss) recognized in earnings for economic (non-designated) derivative instruments:

(in millions)	**2019**	2018	2017
Foreign currency contracts (1)	**$ (13)**	$ (5)	$ (5)

(1) Included in other income, net in the consolidated statements of earnings.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable, and other accrued liabilities at June 30, 2019 and 2018 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at June 30:

(in millions)	**2019**	2018
Estimated fair value	**$ 8,065**	$ 8,852
Carrying amount	**8,031**	9,013

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

The following table is a summary of the fair value gain/(loss) of our derivative instruments based upon the estimated amount that we would receive (or pay), considering counter-party credit risk, to terminate the contracts at June 30:

	2019		2018	
(in millions)	**Notional Amount**	**Fair Value Gain/(Loss)**	Notional Amount	Fair Value Gain/(Loss)
Pay-floating interest rate swaps	**$ 2,150**	**$ 40**	$ 2,313	$ (78)
Foreign currency contracts	**869**	**4**	674	—
Commodity contracts	**20**	**(3)**	12	—

12. Redeemable Noncontrolling Interests

In connection with the acquisition of a 71 percent ownership interest in naviHealth during fiscal 2016 , we recognized redeemable noncontrolling interests with a fair value of $119 million at the acquisition date.

In August 2017 , certain third-party noncontrolling interest holders exercised their put right on the noncontrolling interest representing 16 percent of naviHealth with a redemption value of $ 103 million and a carrying value of $ 109 million . We settled the put in September 2017 and our ownership in naviHealth increased to 98 percent , up from 82 percent at June 30, 2017 and 2016 .

In June 2018 , we entered into a Securities Purchase Agreement and related Contribution and Rollover Agreement to sell our 98 percent ownership interest in naviHealth, which closed on August 1, 2018 . See Note 2 for more information.

The reconciliation of the changes in redeemable noncontrolling interests are as follows:

(in millions)	**Redeemable Noncontrolling Interests**
Balance at June 30, 2016	$ 117
Net earnings attributable to redeemable noncontrolling interests	4
Net purchase of redeemable noncontrolling interests	(3)
Balance at June 30, 2017	118
Net earnings attributable to redeemable noncontrolling interest	2
Net purchase of redeemable noncontrolling interests	(103)
Adjustment of redeemable noncontrolling interests to redemption value	(5)
Balance at June 30, 2018	12
Derecognition of redeemable noncontrolling interests	(12)
Balance at June 30, 2019	**$ —**

13. Shareholders' Equity

At June 30, 2019 and 2018 , authorized capital shares consisted of the following: 750 million Class A common shares, without par value; 5 million Class B common shares, without par value; and 500 thousand non-voting preferred shares, without par value. The Class A common shares and Class B common shares are collectively referred to below as "common shares". Holders of common shares are entitled to share equally in any dividends declared by the Board of Directors and to participate equally in all distributions of assets upon liquidation. Generally, the holders of Class A common shares are entitled to one vote per share, and the holders of Class B common shares are entitled to one-fifth of one vote per share on proposals presented to shareholders for vote. Under certain circumstances, the holders of Class B common shares are entitled to vote as a separate class. Only Class A common shares were outstanding at June 30, 2019 and 2018 .

We repurchased $1.8 billion of our common shares, in the aggregate, through share repurchase programs during fiscal 2019 , 2018 and 2017 , as described below. We funded the repurchases with available cash and short term borrowings. The common shares repurchased are held in treasury to be used for general corporate purposes.

During fiscal 2019 , we repurchased 11.5 million common shares having an aggregate cost of $600 million . The average price paid per common share was $52.32 . These repurchases were made under an accelerated share repurchase ("ASR") program, which began on August 16, 2018 and was completed on October 25, 2018.

During fiscal 2018 , we repurchased 8.4 million common shares having an aggregate cost of $550 million . The average price paid per common share was $65.30 . These repurchases include $300 million purchased under an ASR program, which began on February 14, 2018 and was completed on March 21, 2018. We repurchased 4.3 million shares under the ASR at an average price paid per share of $69.26 .

During fiscal 2017 , we repurchased 8.1 million common shares having an aggregate cost of $600 million . The average price paid per common share was $74.08 .

During fiscal 2017 , we retired 37 million common shares in treasury. The retirement of these shares had no impact on total shareholders' equity; however, it did impact certain individual components of shareholders' equity as follows: $2.5 billion decrease in common shares in treasury, $302 million decrease in common shares, and $2.2 billion decrease in retained earnings.

Accumulated Other Comprehensive Income/(Loss)

The following table summarizes the changes in the balance of accumulated other comprehensive income/(loss) by component and in total:

(in millions)	Foreign Currency Translation Adjustments and other	Unrealized Gain/(Loss) on Derivatives, net of tax	**Accumulated Other Comprehensive Income/(Loss)**
Balance at June 30, 2017	$ (148)	$ 23	**$ (125)**
Other comprehensive income/(loss), net before reclassifications	58	—	**58**
Amounts reclassified to earnings	(23)	(2)	**(25)**
Total other comprehensive loss attributable to Cardinal Health, Inc., net of tax of $1 million	35	(2)	**33**
Balance at June 30, 2018	(113)	21	**(92)**
Other comprehensive income/(loss), before reclassifications	18	—	**18**
Amounts reclassified to earnings	—	(5)	**(5)**
Total comprehensive income/(loss) attributable to Cardinal Health, Inc., net of tax of $4 million	18	(5)	**13**
Balance at June 30, 2019	**$ (95)**	**$ 16**	**$ (79)**

14. Earnings Per Share Attributable to Cardinal Health, Inc.

The following table reconciles the computation of basic and diluted earnings per share attributable to Cardinal Health, Inc.:

(in millions, except per share amounts)	**2019**	2018	2017
Net earnings	**$ 1,365**	$ 259	$ 1,294
Net earnings attributable to noncontrolling interest	**(2)**	(3)	(6)
Net earnings attributable to Cardinal Health, Inc.	**$ 1,363**	$ 256	$ 1,288
Weighted-average common shares–basic	**300**	313	317
Effect of dilutive securities:			
Employee stock options, restricted share units, and performance share units	**1**	2	3
Weighted-average common shares–diluted	**301**	315	320
Basic earnings per common share attributable to Cardinal Health, Inc.:	**$ 4.55**	$ 0.82	$ 4.06
Diluted earnings per common share attributable to Cardinal Health, Inc.:	**4.53**	0.81	4.03

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive for fiscal 2019 , 2018 and 2017 were 7 million , 6 million and 3 million , respectively.

15. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

Revenue

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers for specialty pharmaceutical products; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; provides pharmacy management services to hospitals as well as medication therapy management and patient outcomes services to hospitals, other healthcare providers and payers; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. We further expanded this segment's portfolio of manufactured products through the acquisition of the Patient Recovery Business from Medtronic in July 2017, which includes incontinence, wound care, enteral feeding, urology, operating room supply, electrode and needle, syringe and sharps disposal product lines. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada.

The following table presents revenue for each reportable segment and Corporate:

(in millions)	2019	2018	2017
Pharmaceutical	$ **129,917**	$ 121,241	$ 116,463
Medical	**15,633**	15,581	13,524
Total segment revenue	**145,550**	136,822	129,987
Corporate (1)	**(16)**	(13)	(11)
Total revenue	$ **145,534**	$ 136,809	$ 129,976

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following table presents disaggregated revenue within our two reportable segments:

(in millions)	2019
Pharmaceutical Distribution and Specialty Solutions (1)	$ **129,067**
Nuclear and Precision Health Solutions	**850**
Pharmaceutical segment revenue	**129,917**
Medical distribution and products (2)	**13,833**
Cardinal Health at-Home Solutions	**1,800**
Medical segment revenue	**15,633**
Total segment revenue	**145,550**
Corporate (3)	**(16)**
Total revenue	$ **145,534**

(1) Products and services offered by our Specialty Solutions division are referred to as "specialty pharmaceutical products and services"

(2) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division

(3) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following table presents revenue by geographic area:

(in millions)	2019	2018	2017
United States	$ **141,479**	$ 132,539	$ 125,017
International	**4,071**	4,283	4,970
Total segment revenue	**145,550**	136,822	129,987
Corporate (1)	**(16)**	(13)	(11)
Total revenue	$ **145,534**	$ 136,809	$ 129,976

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment distribution, selling, general, and administrative ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology, legal and compliance, including certain litigation defense costs. Corporate expenses are allocated to the segments based on headcount, level of benefit provided and other ratable allocation methodologies. The results attributable to noncontrolling interests are recorded within segment profit.

We do not allocate the following items to our segments: last-in first-out, or ("LIFO"), inventory charges/(credits); restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; other (income)/expense, net; interest expense, net; loss on extinguishment of debt; and provision for/(benefit from) income taxes.

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not

allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $55 million , $43 million and $17 million for fiscal 2019 , 2018 and 2017 , respectively.

In connection with the naviHealth divestiture discussed in Note 2 , we recognized a pre-tax gain of $508 million during fiscal 2019 which was retained at Corporate.

The following tables present segment profit by reportable segment and Corporate:

(in millions)	2019	2018	2017
Pharmaceutical	**$ 1,834**	$ 1,992	$ 2,187
Medical	**576**	662	572
Total segment profit	**2,410**	2,654	2,759
Corporate	**(350)**	(2,528)	(639)
Total operating earnings	**$ 2,060**	$ 126	$ 2,120

The following tables present depreciation and amortization and additions to property and equipment by reportable segment and Corporate:

(in millions)	2019	2018	2017
Pharmaceutical	**$ 147**	$ 156	$ 122
Medical	**288**	278	156
Corporate	**565**	598	439
Total depreciation and amortization	**$ 1,000**	$ 1,032	$ 717

(in millions)	2019	2018	2017
Pharmaceutical	**$ 35**	$ 58	$ 50
Medical	**74**	127	123
Corporate	**219**	199	214
Total additions to property and equipment	**$ 328**	$ 384	$ 387

The following table presents total assets for each reportable segment and Corporate at June 30:

(in millions)	2019	2018	2017
Pharmaceutical	**$ 22,446**	$ 21,421	$ 21,848
Medical	**15,284**	16,066	10,688
Corporate	**3,233**	2,464	7,576
Total assets	**$ 40,963**	$ 39,951	$ 40,112

The following tables present property and equipment, net by geographic area:

(in millions)	2019	2018	2017
United States	**$ 1,846**	$ 1,950	$ 1,623
International	**510**	537	256
Property and equipment, net	**$ 2,356**	$ 2,487	$ 1,879

16. Share-Based Compensation

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees. At June 30, 2019 , 16 million shares remain available for future grants under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every share issued ; awards other than stock options are counted against the plan as two and one-half shares for every share issued . This means that only 6 million shares could be issued under awards other than stock options while 16 million shares could be issued under stock options. Shares are issued out of treasury shares when stock options are exercised and when restricted share units and performance share units vest.

The following table provides total share-based compensation expense by type of award:

(in millions)	2019	2018	2017
Restricted share unit expense	**$ 63**	$ 73	$ 69
Employee stock option expense	**10**	22	19
Performance share unit expense	**9**	(10)	8
Total share-based compensation expense	**$ 82**	$ 85	$ 96

The total tax benefit related to share-based compensation was $16 million , $23 million and $34 million for fiscal 2019 , 2018 and 2017 , respectively.

Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years . Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2017	2	$ 76.72
Granted	1	65.97
Vested	(1)	78.92
Canceled and forfeited	—	—
Nonvested at June 30, 2018	2	71.58
Granted	2	50.13
Vested	(1)	74.52
Canceled and forfeited	(1)	62.32
Nonvested at June 30, 2019	**2**	**$ 51.65**

The following table provides additional data related to restricted share unit activity:

(in millions)	2019	2018	2017
Total compensation cost, net of estimated forfeitures, related to nonvested restricted share and share unit awards not yet recognized, pre-tax	**$ 75**	$ 78	$ 73
Weighted-average period in years over which restricted share and share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 68**	$ 65	$ 64

Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for a period up to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date.

The following table summarizes all stock option transactions under the Plans:

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2017	6	$ 63.44
Granted	2	66.39
Exercised	(1)	43.12
Canceled and forfeited	—	—
Outstanding at June 30, 2018	7	64.50
Granted	—	—
Exercised	—	—
Canceled and forfeited	(1)	72.54
Outstanding at June 30, 2019	**6**	**$ 63.78**
Exercisable at June 30, 2019	**6**	**$ 62.74**

The following table provides additional detail related to stock options:

(in millions, except per share amounts)	2019	2018	2017
Aggregate intrinsic value of outstanding options at period end	**$ 10**	$ 13	$ 109
Aggregate intrinsic value of exercisable options at period end	**10**	13	106
Aggregate intrinsic value of exercised options	**1**	14	73
Net proceeds/(withholding) from share-based compensation	**3**	(3)	26
Excess tax benefits from share based compensation	**7**	10	34
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	**5**	17	22
Total fair value of shares vested during the year	**20**	19	19
Weighted-average grant date fair value per stock option	**$ 8.34**	$ 13.50	$ 16.67

(in years)	2019	2018	2017
Weighted-average remaining contractual life of outstanding options	**5**	7	7
Weighted-average remaining contractual life of exercisable options	**5**	5	6
Weighted-average period over which stock option compensation cost is expected to be recognized	**1**	2	2

Until the end of fiscal 2018, stock options were granted to our officers and certain employees. The fair values were estimated on the grant date using a lattice valuation model. We believe the lattice model provides reasonable estimates because it has the ability to take into account individual exercise patterns based on changes in our stock price and other variables, and it provides for a range of input assumptions, which are disclosed in the table below. The risk-free rate is based on the U.S. Treasury yield curve at the time of the grant. We analyzed historical data to estimate option exercise behaviors and employee terminations to be used within the lattice model. The expected life of the options granted was calculated from the option valuation model and represents the length of time in years that the options granted are expected to be outstanding. Expected volatilities are based on implied volatility from traded options on our common shares and historical volatility over a period of time commensurate with the contractual term of the option grant (up to ten years).

There were no stock options granted to employees during fiscal year 2019. The following table provides the range of assumptions used to estimate the fair value of stock options:

	2018	2017
Risk-free interest rate	2.1%	1.4% - 2.0%
Expected volatility	25%	24%
Dividend yield	2.7% - 2.8%	2.2% - 2.5%
Expected life in years	7	7

Performance Share Units

Performance share units generally vest over a three -year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 240 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2017	0.6	$ 77.83
Granted	0.2	66.43
Vested (1)	(0.2)	71.57
Canceled and forfeited	(0.2)	—
Nonvested at June 30, 2018	0.4	66.13
Granted	0.6	50.96
Vested	—	—
Canceled and forfeited	(0.1)	52.20
Nonvested at June 30, 2019	**0.9**	**$ 51.45**

(1) Vested at 133 percent of the target performance share units granted.

The following table provides additional data related to performance share unit activity:

(in millions)	2019	2018	2017
Total compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized, pre-tax	**$ 12**	$ 1	$ 13
Weighted-average period over which performance share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ —**	$ 14	$ 19

Employee Retirement Savings Plans

Substantially all of our domestic non-union employees are eligible to be enrolled in our company-sponsored contributory retirement savings plans, which include features under Section 401(k) of the Internal Revenue Code of 1986, and provide for matching and profit sharing contributions by us. Our contributions to the plans are determined by the Board of Directors subject to certain minimum requirements as specified in the plans. The total expense for our employee retirement savings plans was $99 million , $129 million and $49 million for fiscal 2019 , 2018 and 2017 , respectively.

17. Selected Quarterly Financial Data (Unaudited)

The following is selected quarterly financial data for fiscal 2019 and 2018 . The sum of the quarters may not equal year-to-date due to rounding.

(in millions, except per common share amounts)	First Quarter (2)	Second Quarter	Third Quarter	**Fourth Quarter**
Fiscal 2019				
Revenue	$ 35,213	$ 37,740	$ 35,228	**$ 37,353**
Gross margin (1)	1,667	1,730	1,764	**1,674**
Distribution, selling, general and administrative expenses	1,155	1,064	1,097	**1,168**
Net earnings	594	281	296	**194**
Less: Net earnings attributable to noncontrolling interests	(1)	(1)	—	—
Net earnings attributable to Cardinal Health, Inc.	593	280	296	**194**
Net earnings attributable to Cardinal Health, Inc. per common share:				
Basic	$ 1.95	$ 0.94	$ 0.99	**$ 0.65**
Diluted	1.94	0.93	0.99	**0.65**

(1) Gross margin was not impacted by LIFO benefit/(charges) in fiscal 2019.

(2) Includes a $508 million gain ($378 million after-tax) related to the naviHealth divestiture.

(in millions, except per common share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2018				
Revenue	$ 32,641	$ 35,186	$ 33,633	$ 35,349
Gross margin (1)	1,672	1,861	1,913	1,735
Distribution, selling, general and administrative expenses	1,062	1,131	1,132	1,270
Net earnings/(loss) (2)	117	1,053	255	(1,166)
Less: Net earnings attributable to noncontrolling interests	(2)	—	—	—
Net earnings/(loss) attributable to Cardinal Health, Inc.	115	1,053	255	(1,166)
Net earnings/(loss) attributable to Cardinal Health, Inc. per common share:				
Basic	$ 0.36	$ 3.35	$ 0.81	$ (3.76)
Diluted (3)	0.36	3.33	0.81	(3.76)

(1) Gross margin was not impacted by LIFO benefit/(charges) in fiscal 2018.

(2) During the fourth quarter of fiscal 2018, we recognized a goodwill impairment charge of $ 1.4 billion related to our Medical segment. There was no tax benefit related to this goodwill impairment charge.

(3) Due to the net loss during the fourth quarter of fiscal 2018, dilutive potential common shares have not been included in the denominator of the dilutive per share computation due to their antidilutive effect.

18. Subsequent Events

On August 7, 2019, we were authorized to incur restructuring costs in connection with certain cost-savings initiatives intended to optimize and simplify our operating model and cost structure. We expect these cost-savings initiatives, which will affect various functional and commercial areas across the Company, to be substantially implemented during fiscal year 2020. As a result of these initiatives, we expect to record restructuring charges of approximately $120 million to $145 million , the majority of which are expected to be expensed during fiscal year 2020.

Schedule II **Valuation and Qualifying Accoun** ts

Cardinal Health, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Charged to Other Accounts (2)	Deductions (3)	Balance at End of Period
Fiscal 2019					
Accounts receivable	**$ 139**	**$ 140**	**$ 1**	**$ (87)**	**$ 193**
Finance notes receivable	**7**	**8**	**—**	**(1)**	**14**
Sales returns and allowances	**479**	**2,205**	**—**	**(2,205)**	**479**
Other	**1**	**—**	**—**	**—**	**1**
	$ 626	**$ 2,353**	**$ 1**	**$ (2,293)**	**$ 687**
Fiscal 2018					
Accounts receivable	$ 137	$ 113	$ 1	$ (111)	$ 139
Finance notes receivable	9	(2)	—	—	7
Sales returns and allowances	347	2,402	—	(2,270)	479
Other	1	—	—	—	1
	$ 494	$ 2,513	$ 1	$ (2,381)	$ 626
Fiscal 2017					
Accounts receivable	$ 135	$ 59	$ 1	$ (58)	$ 137
Finance notes receivable	19	3	—	(13)	9
Sales returns and allowances	386	2,285	—	(2,324)	347
Other	1	—	—	—	1
	$ 541	$ 2,347	$ 1	$ (2,395)	$ 494

(1) Fiscal 2019 , 2018 and 2017 include $60 million , $37 million and $27 million , respectively, for reserves related to service charges and customer pricing disputes, excluded from provision for bad debts on the consolidated statements of cash flows and classified as a reduction in revenue in the consolidated statements of earnings.

(2) Recoveries of amounts provided for or written off in prior years was $1 million in each fiscal year 2019 , 2018 and 2017 .

(3) Write-off of uncollectible accounts or actual sales returns.

The sum of the components may not equal the total due to rounding.

Directors, Executive Officers and Corporate Governance

Information About Our Executive Officers

The following is a list of our executive officers:

Name	Age	Position
Michael C. Kaufmann	56	Chief Executive Officer, Chief Financial Officer
Victor L. Crawford	58	Chief Executive Officer, Pharmaceutical segment
Stephen M. Mason	48	Chief Executive Officer, Medical segment
Michele A. M. Holcomb	51	Executive Vice President, Strategy and Corporate Development
Ola M. Snow	52	Chief Human Resources Officer
Jessica L. Mayer	50	Chief Legal and Compliance Officer
Brian S. Rice	56	Executive Vice President, Chief Information Officer and Customer Support Services

The business experience summaries provided below for our executive officers describe positions held during the last five years (unless otherwise indicated).

Mr. Kaufmann has served as Chief Executive Officer since January 2018 and in August 2019, he was also appointed to serve as Interim Chief Financial Officer. From November 2014 through December 2017, he served as Chief Financial Officer. From August 2009 until November 2014, he served as Chief Executive Officer, Pharmaceutical segment.

Mr. Crawford has served as Chief Executive Officer, Pharmaceutical segment since November 2018. From September 2012 until November 2018, Mr. Crawford served as the Chief Operating Officer, Healthcare, Education, Business Dining for Aramark Corporation.

Mr. Mason was promoted to Chief Executive Officer, Medical segment in August 2019. From September 2016 through August 2019, he served as President of our Cardinal Health at-Home Solutions within our Medical segment and from June 2013 until August 2016, he served as the President of our Kinray pharmaceutical distribution business.

Ms. Holcomb has served as Executive Vice President, Strategy and Corporate Development since January 2017. She joined us from Teva Pharmaceutical Industries Ltd., where she served as Senior Vice President, Strategy, Portfolio, Search, and Partnerships and Chief Operating Officer, Global R&D from October 2015 to December 2016 and Senior Vice President, Chief Operating Officer, Global R&D from September 2012 to September 2015.

Ms. Snow has served as Chief Human Resources Officer since October 2018. From January 2016 through September 2018, Ms. Snow served as Senior Vice President, Human Resources, Total Rewards, Talent Acquisition and Corporate Business Partner. From November 2012 to January 2016, she served as the Senior Vice President of Human Resources for the Medical segment.

Ms. Mayer has served as Chief Legal and Compliance Officer since March 2019. Ms. Mayer served as Executive Vice President, Deputy General Counsel and Secretary from September 2017 through March 2019. From December 2015 through September 2017, Ms. Mayer served as Senior Vice President, Deputy General Counsel, and from June 2008 to December 2015, she was Vice President, Managing Counsel.

Mr. Rice has served as Executive Vice President, Chief Information Officer and Customer Support Services since February 2019. From 2009 until the beginning of 2019, Mr. Rice served as Senior Vice President, Chief Information Officer & Global and Business Services for Kellogg Company.

Directors and Corporate Governance

We have adopted *Standards of Business Conduct* that apply to all of our directors, officers and employees. The *Standards of Business Conduct* outline our corporate values and standards of integrity and behavior and are designed to protect and promote our reputation. The full text of the *Standards of Business Conduct* is posted on our website at www.cardinalhealth.com under "About Us — Ethics and Compliance."

Any waiver of the *Standards of Business Conduct* for directors or executive officers must be approved by the Audit Committee. As required under SEC and New York Stock Exchange rules, we will disclose future amendments to our *Standards of Business Conduct* and waivers from the *Standards of Business Conduct* for our principal executive officer, principal financial officer, and principal accounting officer, or persons performing similar functions, and our other executive officers and directors on our website within four business days following the date of the amendment or waiver.

Directors, Executive Officers, and Corporate Governance

The other information called for by Item 10 of Form 10-K is incorporated by reference to our Definitive Proxy Statement (which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act) relating to our 2019 Annual Meeting of Shareholders (our "2019 Proxy Statement") under the captions "Corporate Governance" and "Share Ownership Information."

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The table below summarizes information relating to our equity compensation plans at June 30, 2019.

Equity Compensation Plan Information

Plan Category	Common Shares to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted Average Exercise Price of Outstanding Options ($)	Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (#)
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	**10,622,045** (1)	$ 63.78 (1)	15,780,125 (2)
Equity compensation plans not approved by shareholders	**4,203** (3)	— (3)	—
Total at June 30, 2019	**10,626,248**		15,780,125

(1) In addition to stock options outstanding under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "2011 LTIP") and the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (the "2005 LTIP"), also includes 1,432,425 PSUs and 2,546,551 RSUs outstanding under the 2011 LTIP, 10,214 PSUs and 61,861 RSUs outstanding under the 2005 LTIP, and 130,591 RSUs outstanding under the 2007 Nonemployee Directors Equity Incentive Plan that are payable solely in common shares. PSUs and RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price. PSUs that vested after June 30, 2019 are reported at the actual amount that vested. All other PSUs are reported at the maximum payout level in accordance with SEC rules.

(2) Reflects common shares available under the 2011 LTIP in the form of stock options and other stock-based awards. Under the 2011 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every common share issued; awards other than stock options are counted against the plan as two and one-half shares for every common share issued. This means that only 6,312,050 shares could be issued under awards other than stock options while 15,780,125 shares could be issued under stock options.

(3) RSUs outstanding under the Cardinal Health, Inc. Amended and Restated Outside Directors Equity Incentive Plan that are payable solely in common shares. RSUs do not have an exercise price, and therefore were not included for purposes of computing the weighted-average exercise price.

The other information called for by Item 12 of Form 10-K is incorporated by reference to our 2019 Proxy Statement under the caption "Share Ownership Information."

Exhibits, Financial Statement Schedules

(a)(1) The following financial statements are included in the "Financial Statements" section of this report:

(a)(2) The following Supplemental Schedule is included in this report:

All other schedules not listed above have been omitted as not applicable or because the required information is included in the Consolidated Financial Statements or in the Notes thereto.

Exhibit Number	Exhibit Description
2.1.1	Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
2.1.2	Amendment No. 1, dated as of July 28, 2017, to Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.2.2 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2017, File No. 1-11373)
2.1.3	Letter Agreement, dated November 21, 2017, by and between Cardinal Health, Inc. and Medtronic, plc (incorporated by reference to Exhibit 2.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017, File No. 1-11373)
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on June 30, 2016, File No. 1-11373)
4.1	Specimen Certificate for Common Shares of Cardinal Health, Inc. (incorporated by reference to Exhibit 4.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, File No. 1-11373)
4.2.1	Indenture, dated as of June 2, 2008, between Cardinal Health, Inc. and The Bank of New York Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 2, 2008, File No. 1-11373)
4.2.2	Form of 4.625% Notes due 2020 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on December 14, 2010, File No. 1-11373)
4.2.3	Form of 3.200% Notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on May 21, 2012, File No. 1-11373)
4.2.4	Form of 3.200% Notes due 2023 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.5	Form of 4.600% Notes due 2043 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.6	Form of 2.400% Notes due 2019 (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.7	Form of 3.500% Notes due 2024 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.8	Form of 4.500% Notes due 2044 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.9	Form of 3.750% Notes due 2025 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.10	Form of 4.900% Notes due 2045 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.11	Form of 2.616% notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.12	Form of Floating rate notes due 2022 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)

Exhibits

4.2.13	Form of 3.079% notes due 2024 (incorporated by reference to Exhibit 4.4 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.14	Form of 3.410% notes due 2027 (incorporated by reference to Exhibit 4.5 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.15	Form of 4.368% notes due 2047 (incorporated by reference to Exhibit 4.6 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.3	Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of Cardinal Health, Inc. and consolidated subsidiaries (incorporated by reference to Exhibit 4.07 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, File No. 1-11373)
4.4	Description of Securities
10.1.1	Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.2	First Amendment to Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.3	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.4	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.1.5	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.8 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.1.6	Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.1.7	Form of Amendment to Stock Option and Restricted Share Units Agreements under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan, the Cardinal Health, Inc. 2005 Long-Term Incentive Plan and the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1.9 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.2.1	Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 7, 2016, File No. 1-11373)*
10.2.2	First Amendment to Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.3	Form of Nonqualified Stock Option Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.4	Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.5	Form of Performance Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.5 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.2.6	Form of Directors Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018, File No. 1-11373)
10.3.1	Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)*
10.3.2	First Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.3	Second Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.3.4	Third Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.3.5	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.11 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.4.1	Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007, File No. 1-11373)*
10.4.2	First Amendment to Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373)*
10.4.3	Second Amendment to the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011, File No. 1-11373)*
10.5.1	Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, File No. 1-11373)*
10.5.2	First Amendment to the Cardinal Health Deferred Compensation Plan, as amended and restated effective as of January 1, 2016 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)*
10.5.3	Second Amendment, effective as of January 1, 2018, to the Cardinal Health Deferred Compensation Plan, as amended and restated effective as of January 1, 2016 (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017, File No. 1-11373)
10.5.4	Third Amendment, effective as of April 1, 2018, to the Cardinal Health Deferred Compensation Plan, as amended and restated effective January 1, 2016 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2018)*
10.6	Cardinal Health, Inc. Senior Executive Severance Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on September 26, 2018, File No. 1-11373)

Exhibits

10.7	Cardinal Health, Inc. Policy Regarding Shareholder Approval of Severance Agreements (incorporated by reference to Exhibit 10.09 to Cardinal Health's Current Report on Form 8-K filed on August 7, 2006, File No. 1-11373)*
10.8.1	Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on September 6, 2012, File No. 1-11373)*
10.8.2	Amendment, dated August 5, 2015, to Employment Agreement, dated September 4, 2012, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.8.3	Aircraft Time Sharing Agreement, effective August 5, 2015, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on August 6, 2015, File No. 1-11373)*
10.8.4	Letter Agreement, dated November 5, 2017, between Cardinal Health, Inc. and George S. Barrett (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 6, 2017, File No. 1-11373)
10.9.1	Confidentiality and Business Protection Agreement, effective as of February 15, 2010, between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.15 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.9.2	Aircraft Time Sharing Agreement, effective as of February 8, 2018, by and between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11373)
10.10	Confidentiality and Business Protection Agreement, effective as of September 9, 2014, between Cardinal Health, Inc. and Jon L. Giacomin (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)*
10.11	Confidentiality and Business Protection Agreement, effective as of November 6, 2017, between Cardinal Health, Inc. and Jorge M. Gomez (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 , File No. 1-11373)
10.12.1	Confidentiality and Business Protection Agreement, effective as of June 28, 2018, between Cardinal Health, Inc. and Patricia B. Morrison (incorporated by reference to Exhibit 10.12.1 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2018, File No. 1-11373)*
10.12.2	Letter Agreement, dated July 17, 2018, between Cardinal Health, Inc. and Patricia B. Morrison (incorporated by reference to Exhibit 10.12.2 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2018, File No. 1-11373)*
10.13.1	Confidentiality and Business Protection Agreement, effective as of November 1, 2018, between Cardinal Health, Inc. and Victor L. Crawford*
10.13.2	Letter Agreement, dated October 30, 2018, between Cardinal Health, Inc. and Victor L. Crawford*
10.14.1	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual directors (incorporated by reference to Exhibit 10.38 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.14.2	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual executive officers (incorporated by reference to Exhibit 10.39 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.15.1	Issuing and Paying Agency Agreement, dated August 9, 2006, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.15.2	First Amendment to Issuing and Paying Agency Agreement, dated February 28, 2007, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.15.3	Second Amendment to Issuing and Paying Agency Agreement, effective as of December 1, 2016, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.15.4	Third Amendment to Issuing and Paying Agency Agreement, dated September 15, 2017, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.15.5	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.15.6	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.02 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.15.7	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and J.P. Morgan Securities LLC (formerly known as J.P. Morgan Securities Inc.) (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.15.8	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and J.P. Morgan Securities LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.15.9	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.15.10	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Banc of America Securities LLC (incorporated by reference to Exhibit 10.03 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.15.11	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, f/k/a Banc of America Securities LLC (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.15.12	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.15.13	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.15.14	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.04 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.15.15	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Wells Fargo Securities, LLC, as successor in interest to Wachovia Capital Markets, LLC (incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.15.16	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Wells Fargo Securities, LLC, effective as of December 1, 2016 (incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)

Exhibits

10.15.17	Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.15.18	First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.15.19	Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.15.20	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Goldman Sachs & Co., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.15.21	Form of Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on April 21, 2009, File No. 1-11373)
10.15.22	Form of First Amendment to Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.8 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)
10.15.23	Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.16.1	Amended and Restated Five-Year Credit Agreement, dated as of June 16, 2016, among Cardinal Health, Inc., JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, HSBC Bank USA, National Association, Morgan Stanley Senior Funding, Inc. and Wells Fargo Bank, National Association, as Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 21, 2016, File No. 1-11373)
10.16.2	Amendment No. 1, dated as of May 1, 2017, to Amended and Restated Five-Year Credit Agreement as of June 16, 2016 (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, File No. 1-11373)
10.16.3	Amendment No. 2 to Amended and Restated Five-Year Credit Agreement, dated as of August 26, 2017, by and between Cardinal Health, Inc. and JPMorgan Chase Bank, N.A., individually and as administrative agent (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.16.4	Amendment No. 3 to Amended and Restated Five-Year Credit Agreement, dated as of November 6, 2018 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, File No. 1-11373)
10.17	Second Amended and Restated Five-Year Credit Agreement, dated as of June 27, 2019, among JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, MUFG Bank, Ltd. as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank AG New York Branch, Goldman Sachs Bank USA, HSBC Bank USA, N.A. and Wells Fargo Bank, N.A., as Documentation Agents, and BOFA Securities, Inc., as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 28, 2019, File No. 1-11373)
10.18.1	Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013, among Cardinal Health Funding, LLC, as Seller, Griffin Capital, LLC, as Servicer, the Conduits party thereto, the Financial Institutions Party thereto, the Managing Agents party thereto, and LC Banks party thereto and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Agent (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, File No. 1-11373)
10.18.2	First Amendment and Joinder, dated as of November 3, 2014, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)
10.18.3	Second Amendment, dated as of November 14, 2016, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.4.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.18.4	Third Amendment, dated as of August 30, 2017, to the Fourth Amended and Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 31, 2017, File No. 1-11373)
10.19.1	Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016, executed by Cardinal Health, Inc. in favor of Cardinal Health Funding, LLC (incorporated by reference to Exhibit 10.5.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)
10.19.2	Amendment No. 1 to Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016 (incorporated by reference to Exhibit 10.5.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373
10.19.3	Amendment No. 2 to Seventh Amended and Restated Performance Guaranty, dated as of November 6, 2018 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2018, File No. 1-11373)
10.20.1	Tax Matters Agreement, dated as of August 31, 2009, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.3 to Cardinal Health's Current Report on Form 8-K filed on September 4, 2009, File No. 1-11373)
10.20.2	First Amendment to Tax Matters Agreement, dated as of May 28, 2012, by and between Cardinal Health, Inc. and CareFusion Corporation (incorporated by reference to Exhibit 10.20.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)
21.1	List of Subsidiaries of Cardinal Health, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

Exhibits

101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

Form 10-K Cross Reference Index

N/A Not applicable

(a) The information called for by Item 11 of Form 10-K is incorporated by reference to our 2019 Proxy Statement under the captions "Corporate Governance" and "Executive Compensation."

(b) The information called for by Item 13 of Form 10-K is incorporated by reference to our 2019 Proxy Statement under the caption "Corporate Governance."

(c) The information called for by Item 14 of Form 10-K is incorporated by reference to our 2019 Proxy Statement under the caption "Audit Committee Matters."

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 20, 2019 .

Cardinal Health, Inc.

By: /s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities indicated on August 20, 2019 .

Name	Title
/s/ MICHAEL C. KAUFMANN **Michael C. Kaufmann**	Chief Executive Officer and Director (principal executive officer)
/s/ MICHAEL C. KAUFMANN **Michael C. Kaufmann**	Chief Financial Officer (principal financial officer)
/s/ STUART G. LAWS **Stuart G. Laws**	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ COLLEEN F. ARNOLD **Colleen F. Arnold**	Director
/s/ CARRIE S. COX **Carrie S. Cox**	Director
/s/ CALVIN DARDEN **Calvin Darden**	Director
/s/ BRUCE L. DOWNEY **Bruce L. Downey**	Director
/s/ PATRICIA A. HEMINGWAY HALL **Patricia A. Hemingway Hall**	Director
/s/ AKHIL JOHRI **Akhil Johri**	Director
/s/ GREGORY B. KENNY **Gregory B. Kenny**	Director
/s/ NANCY KILLEFER **Nancy Killefer**	Director
/s/ J. MICHAEL LOSH **J. Michael Losh**	Director

Exhibit 4.4

CARDINAL HEALTH, INC.
DESCRIPTION OF SECURITIES
DESCRIPTION OF CLASS A COMMON SHARES

General

We are authorized to issue up to 750 million Class A common shares without par value ("common shares"). We are also authorized to issue up to 5 million Class B common shares, none of which are outstanding or reserved for issuance, and 500,000 non-voting preferred shares, none of which are outstanding or reserved for issuance.

The principal stock exchange on which our common shares is listed is the New York Stock Exchange under the symbol "CAH." All outstanding common shares are validly issued, fully paid and nonassessable.

The following description of the terms of our common shares is not complete and is qualified in its entirety by reference to our Amended and Restated Articles of Incorporation, as amended (the "Articles"), and our Restated Code of Regulations (the "Regulations") both of are exhibits to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Voting Rights

The holders of our common shares are entitled to one vote on all matters on which shareholders are entitled to vote.

Holders of Class B common shares (if any are issued in the future) would be entitled to one-fifth of one vote per share upon all matters on which shareholders are entitled to vote, and under certain circumstances, holders of Class B common shares would have a right to a separate class vote.

The Articles prohibit cumulative voting with regard to the election of directors.

Dividend and Liquidation Rights

Subject to the preferences applicable to any preferred stock outstanding at any time, each common share shall be entitled to participate equally in such dividends as may be declared by its board of directors out of funds legally available therefor or to participate equally in all distributions of assets upon liquidation.

Other Rights

The holders of our common shares have no preemptive rights and no rights to convert their common shares into any other securities, and our common shares are not subject to any redemption or sinking fund provisions.

Exclusive Forum Provision

The Regulations provide that, unless Cardinal Health consents in writing to the selection of an alternate forum, a state court located in Franklin County, Ohio (or if no state court in Franklin County, Ohio has jurisdiction, then the federal court for Franklin County, Ohio) will be the exclusive forum for derivative suits and certain other actions, including any action asserting a claim against Cardinal Health or any director, officer or other employee arising under Ohio corporation law, the Articles or the Regulations.

Anti-Takeover Protections

Some provisions of Ohio law, the Articles and the Regulations may have the effect of delaying, deferring or discouraging another party from acquiring control of Cardinal Health.

Articles of Incorporation and Code of Regulations

The Articles and Regulations:

- authorize the board of directors to issue, at any time, nonvoting preferred shares, the terms of which may be determined by the board of directors;
- do not authorize cumulative voting;
- authorize the board of directors to amend, repeal, or adopt new regulations;
- provide that only the chairman of the board of directors, the chief executive officer or the president, or a majority of the directors may call a special meeting of the shareholders, except that a special meeting must be called upon the request from at least 25% of the combined voting power of the outstanding shares entitled to vote at the meeting; and
- provide an advanced written notice procedure with respect to shareholder proposals and shareholder nomination of candidates for election as directors.

Ohio Law

The following summarizes Chapter 1704 of the Ohio Revised Code which may have the effect of prohibiting, raising the costs of, or otherwise impeding, a change of control of Cardinal Health, whether by merger, consolidation or sale of assets or stock (by tender offer or otherwise), or by other methods. Chapter 1704 provides generally that any person who has beneficial ownership of 10% or more of a corporation's voting stock (thereby being an "interested shareholder") may not engage in a wide range of business combinations with the corporation for a period of three years following the date the person became an interested shareholder, unless the directors of the corporation have approved the transaction or the interested shareholder's acquisition of shares of the corporation, in either case, prior to the date the interested shareholder became an interested shareholder of the corporation. After the three-year period, business combinations between the corporation and the interested shareholder are prohibited unless certain fair price provisions are complied with or the shareholders of the corporation approve the transaction by the affirmative vote of two-thirds of the voting power of the corporation, including at least a majority of the disinterested shareholders. These restrictions on interested shareholders do not apply under certain circumstances, including when a person becomes an "interested shareholder" only because a corporation has repurchased some of its voting stock.

Exhibit 10.13.1

Confidentiality and Business Protection Agreement

This Confidentiality and Business Protection Agreement ("Agreement") is hereby entered into by and between Victor L. Crawford ("Executive") and Cardinal Health, Inc., an Ohio Corporation (the "Company"), effective as of November 1, 2018.

It is hereby agreed as follows:

1. Consideration and Acknowledgements . The parties acknowledge that the provisions and covenants contained in this Agreement are ancillary and material to, and in consideration of, the offer letter dated October 30, 2018 and that the limitations contained herein are reasonable in geographic and temporal scope and do not impose a greater restriction or restraint than is necessary to protect the goodwill and other legitimate business interests of the Company. The parties also acknowledge and agree that the provisions of this Agreement do not adversely affect Executive's ability to earn a living in any capacity that does not violate the covenants contained herein. The parties further acknowledge and agree that the provisions of Section 9(a) below are accurate and necessary because (i) this Agreement is entered into in the State of Ohio, (ii) Ohio has a substantial relationship to the parties and to this transaction, (iii) Ohio is the headquarters state of the Company, which has operations worldwide and has a compelling interest in having its employees treated uniformly, (iv) the use of Ohio law provides certainty to the parties in any covenant litigation in the United States, and (v) enforcement of the provisions of this Agreement would not violate any fundamental public policy of Ohio or any other jurisdiction.

2. Confidential Information . Executive shall hold in a fiduciary capacity for the benefit of the Company and all of its subsidiaries, partnerships, joint ventures, limited liability companies and other affiliates (collectively, the "Cardinal Group"), all secret or confidential information, knowledge or data relating to the Cardinal Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research, secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs or methods of promotion and sale) that Executive has obtained or obtains during Executive's employment by the Cardinal Group and that is not public knowledge (other than as a result of Executive's violation of this Agreement) ("Confidential Information"). For the purposes of this Agreement, information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after Executive's employment with the Cardinal Group, except with prior written consent of the applicable Cardinal Group company, or as otherwise required by law or legal process. All records, files, memoranda, reports, customer lists, drawings, plans, documents and the like that Executive uses, prepares or comes into contact with during the course of Executive's employment shall remain the sole property of the Company or the Cardinal Group company, as applicable, and shall be turned over to the applicable Cardinal Group company upon termination of Executive's employment.

   Under the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

   Nothing in this Agreement shall (a) prevent Executive from testifying truthfully as required by law (b) prohibit or prevent Executive from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g. EEOC, NLRB, SEC, etc.), or (c) prevent Executive from disclosing Company information in confidence to a federal, state, or local government official for the purpose of reporting or investigating a suspected violation of law.

3. Non-Recruitment of Cardinal Group Employees, etc . Executive shall not, at any time during the Restricted Period (as defined below), without the prior written consent of the Company, engage in the following conduct (a "Solicitation"): (i) directly or indirectly, including via social media or professional networking services, solicit, recruit or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who is or was at any time during the previous twelve months an employee, representative, officer or director of the Cardinal Group; or (ii) take any action to encourage or induce any employee, representative, officer or director of the Cardinal Group to cease his or her relationship with the Cardinal Group for any reason. A "Solicitation" does not include any recruitment of employees within or for the Cardinal Group. The "Restricted Period" means the period from the date of this Agreement until twenty-four months after Executive's date of termination of employment or date of retirement, as applicable. The Restricted Period shall be extended and its expiration tolled by the time period in which Executive is in breach of any covenant in this Agreement to ensure that Executive does not benefit from any breach and that the Company receives the full benefit of two years protection from unfair competition on which it has relied in entering into this Agreement.

4. No Competition -- Solicitation of Business . During the Restricted Period, Executive shall not (either directly or indirectly or as an officer, agent, employee, partner, consultant or director of any other company, partnership or entity) solicit, service or accept on behalf of any competitor of the Cardinal Group the business of (i) any customer of the Cardinal Group during the time of Executive's employment or at date of termination of employment, or (ii) any potential customer of the Cardinal Group which Executive knew to be an identified, prospective purchaser of products or services of the Cardinal Group.

5. No Competition -- Employment by Competitor . During the Restricted Period, Executive shall not invest in (other than in a publicly traded company with a maximum investment of no more than 1% of outstanding shares), counsel, advise or be otherwise engaged or employed by any entity or enterprise that is in competition with the business conducted by any member of the Cardinal Group (other than a business that is not a significant business to the Cardinal Group as a whole or to the entity or enterprise as a whole).

6. No Disparagement .

(a) Executive and the Company shall at all times refrain from taking actions or making statements, written or oral, that (i) denigrate, disparage or defame the goodwill or reputation of Executive or the Cardinal Group, as the case may be, or any of its trustees, officers, security holders, partners, agents or former or current employees and directors, or (ii) are intended to, or may be reasonably expected to, adversely affect the morale of the employees of the Cardinal Group. Executive further agrees not to make any negative statements to third parties relating to Executive's employment or any aspect of the businesses of the Cardinal Group and not to make any statements to third parties about the circumstances of the termination of Executive's employment or about the Cardinal Group or its trustees, directors, officers, security holders, partners, agents or former or current employees and directors, except as may be required by a court or governmental body.

(b) Executive further agrees that, following termination of employment for any reason, Executive shall assist and cooperate with the Company with regard to any matter or project in which Executive was involved during Executive's employment with the Company, including but not limited to any litigation that may be pending or may arise after such termination of employment. Further, Executive agrees to notify the Company at the earliest opportunity of any contact that is made by any third parties concerning any such matter or project. The Company shall not unreasonably request such cooperation of Executive and shall cooperate with Executive in scheduling any assistance by Executive, taking into account Executive's business and personal affairs, and shall compensate Executive for any lost wages or expenses associated with such cooperation and assistance.

7. Inventions . All plans, discoveries and improvements, whether patentable or unpatentable, made or devised by Executive, whether alone or jointly with others, from the date of Executive's initial employment by the Company and continuing until the end of any period during which Executive is employed by the Cardinal Group, relating or pertaining in any way to Executive's employment with or the business of the Cardinal Group, shall be promptly disclosed in writing to the Company's Chief Legal and Compliance Officer and are hereby transferred to and shall redound to the benefit of the Company, and shall become and remain its sole and exclusive property. Executive agrees to execute any assignment to the Company or its nominee, of Executive's entire right, title and interest in and to any such discoveries and improvements and to execute any other instruments and documents requisite or desirable in applying for and obtaining patents, trademarks or copyrights, at the expense of the Company, with respect thereto in the United States and in all foreign countries, that may be required by the Company. Executive further agrees at all times to cooperate to the extent and in the manner required by the Company in the prosecution or defense of any patent or copyright claims or any litigation or other proceeding involving any trade secrets, processes, discoveries or improvements covered by this Agreement, but all necessary expenses thereof shall be paid by the Company.

8. Acknowledgement and Enforcement . Executive acknowledges and agrees that: (a) the purpose of the foregoing covenants, including without limitation the noncompetition covenants of Sections 4 and 5, is to protect the goodwill, trade secrets and other Confidential Information of the Company; (b) because of the nature of the business in which the Cardinal Group is engaged and because of the nature of the Confidential Information to which Executive has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Cardinal Group in the event Executive breached any of the covenants of this Agreement; and (c) remedies at law (such as monetary damages) for any breach of Executive's obligations under this Agreement would be inadequate. Executive therefore agrees and consents that if Executive commits any breach of a covenant under this Agreement or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage. If any of the covenants contained in this Agreement are finally held by a court to be invalid, illegal or unenforceable (whether in whole or in part), such covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining covenants shall not be affected thereby; provided , however , that if any of such covenants is finally held by a court to be invalid, illegal or unenforceable because it exceeds the maximum scope or duration determined to be acceptable to permit such provision to be enforceable, such covenant will be deemed to be modified to the minimum extent necessary to modify such scope or duration in order to make such provision enforceable hereunder.

9. Miscellaneous .

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. If, under any such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto. The parties hereto irrevocably agree to submit to the jurisdiction and venue of the courts of the State of Ohio in any action or proceeding brought with respect to or in connection with this Agreement. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement is the product of negotiation and shall not be construed strictly for or against any party.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive: At the most recent address on file for Executive at the Company

If to the Company: Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Chief Legal and Compliance Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with the law.

(d) Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(e) This Agreement supersedes and replaces in its entirety the Confidentiality and Business Protection Agreement entered into between Executive and the Company on September 30, 2018.

IN WITNESS WHEREOF, Executive has hereunto set Executive's hand and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

/s/ Victor L. Crawford
Victor L. Crawford
Execution Date: 11/1/2018

CARDINAL HEALTH, INC.

/s/ Ola M. Snow
By: Ola M. Snow
Its: Chief Human Resources Officer
Execution Date: 10/30/2018

Exhibit 10.13.2

[Cardinal Health Letterhead]

October 30, 2018

Mr. Victor L. Crawford
#####
#######, ######## #####

Dear Victor,

It is with great pleasure that I confirm in writing our offer of employment to you. All of us who have met with you enthusiastically believe you represent an exceptional fit with Cardinal Health, Inc. ("Cardinal Health") and will be a superb addition to the executive management team. As we have discussed, the major provisions of your offer are set forth below.

Position : CEO, Pharmaceutical Segment, based in Dublin, Ohio, reporting to Mike Kaufmann, CEO, Cardinal Health.

Start Date : We look forward to you starting with us on November 12, 2018.

Base Salary : Your annual salary is $700,000; it is payable bi-weekly, every other Friday, one week behind the most current workweek you've completed (in arrears). You will be annually eligible for adjustments to your base salary rate, subject to both merit funding guidelines and your performance.

Management Incentive Plan : You will be annually eligible to participate in the Management Incentive Plan ("MIP"). Your target incentive for the fiscal year ending June 30, 2019 will be 100% of your annual base salary, prorated to reflect the number of days you are employed in this position during the fiscal year. MIP funding is determined by the Human Resources and Compensation Committee of the Board of Directors ("HRCC") based upon the achievement of both financial and non-financial objectives.

Long-Term Incentive Program : You will also be annually eligible to participate in the Cardinal Health Long-Term Incentive ("LTI") program, with a target award value of $2,750,000. Currently, LTI grants are awarded in August of each year; the first LTI grant for which you will be eligible is scheduled to occur in August 2019 for the fiscal year ending June 30, 2020. The grant is expected to be awarded in a mix of 40% restricted share units ("RSUs") and 60% performance share units ("PSUs"). LTI program participation, award amounts, form of award, and award terms are reviewed on an annual basis and are subject to change at any time at the discretion of the HRCC. Standard terms and conditions apply.

One-time Payments : To address forfeited compensation, incent and assist you in transitioning to this new role, we will provide you with:

- A gross sign-on bonus of $2,500,000, to be paid within 30 days from your start date. It is understood that if prior to completing one year of service, you are terminated for cause or if you voluntarily terminate employment with Cardinal Health, you would be responsible for reimbursing to Cardinal Health 100% of this one-time cash payment. If such a termination event occurs after one year of service, but before the completion of two years, you would be responsible for reimbursing to Cardinal Health 50% of the cash sign-on bonus. By signing this offer letter, you agree that Cardinal Health may withhold any amounts due from your final paycheck, as they relate to the above.

- You will be awarded LTI with an expected value of $3,000,000 as of the grant date, split equally between RSUs and PSUs for the fiscal 2019 through fiscal 2021 performance cycle. The grant will be made on November 15, 2018, provided you have started employment with Cardinal Health before that date. The award will be valued in accordance with Cardinal Health's standard valuation practices. Standard terms and conditions apply. RSUs and PSUs may be subject to deferred payment if you so elect before your start date.

Relocation : You are eligible for the Executive Homeowner Relocation Program and six months of temporary accommodations. The Cardinal Health relocation vendor, Graebel, will contact you once you have accepted this offer to discuss the details of your relocation. It is understood that if you are terminated for cause or you voluntarily terminate employment with Cardinal Health before completing one year of service, you would be responsible for reimbursing to Cardinal Health 100% of these costs. If such a termination event occurs after one year of service, but before the completion of two years, you would be responsible for reimbursing to Cardinal Health 50% of these costs. By signing this offer letter, you agree that Cardinal Health may withhold any amounts due from your final paycheck, as they relate to the above.

Well-Being Opportunities : Cardinal Health is pleased to offer a comprehensive, competitive program. On your first day of employment, you are eligible to participate in the:

- **Health, Life and Disability Plans -** You will receive more information on these benefits during your new hire orientation session.

- **401(k) Savings Plan -** You may contribute up to 50% of your pre-tax earnings to the Plan (subject to IRS maximum limits). Currently, if you contribute 5% or more you will receive the maximum company matching contribution of 4.5%. Cardinal Health also matches contributions from below 5% at various levels, and we can provide additional details upon request. These matching dollars are immediately 100% vested. In addition to the company match, Cardinal Health may make a discretionary company contribution to your 401(k) account. This discretionary company contribution is 100% vested after three years of service. Enrollment information will be sent to you by Wells Fargo, our financial benefits service provider.

- **Deferred Compensation Plan -** This plan enables you to save over the IRS limits in the qualified 401(k) plan. Cardinal Health provides a match on deferrals from eligible compensation earned between $275,000 and $375,000, and may make a discretionary company contribution to your DCP account. All contributions vest as described in the 401(k) plan. Enrollment information will be sent to you via e-mail by our Benefits department. Note that you must initially enroll within 30 days of your start date and then annually thereafter.

- **Paid Time Off -** Each calendar year you will be eligible to receive 208 hours (approximately 26 eight-hour days) of Paid Time Off ("PTO"). This allotment covers vacation, sick and personal days, all of which must be used during that calendar year. Based on your start date, you will be eligible to receive a pro-rated allotment of PTO for the current calendar year.

  In addition to PTO, you will receive a maximum of fifty-six (56) hours of paid company holidays. Selected days may be determined by your business but typically include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day following, and Christmas Day.

Screening : Consistent with our policies for all Cardinal Health personnel and the special consideration of our industry, this offer is contingent upon both the taking of a company paid drug screening test, the results of which must be negative, as well as an acceptable background check. These items must be completed prior to your start date.

Terms : Employment with Cardinal Health is not for any definite period of time and is terminable, with or without notice, at the will of either you or Cardinal Health at any time, for any reason. There is no contract, expressed or implied, of employment. However, you agree to be bound by the terms of the attached Confidentiality and Business Protection Agreement. That agreement must be signed and delivered to Cardinal Health on or before your start date.

Obligations to Prior Employers : You are expressly prohibited from bringing, using or disclosing any confidential, trade secret or proprietary information of your former employer(s). To the extent you are bound by post-employment restrictions from a prior employer, Cardinal Health expects you to comply with those restrictions. If, as an employee of Cardinal Health, you encounter a situation that you feel may violate post-employment restrictions from a prior employer, you must notify Cardinal Health immediately so that alternative arrangements can be made.

Ethics : As a company founded on a core set of values, we will ask you to review the enclosed Standards of Business Conduct and sign a certificate of compliance.

You acknowledge that you have provided for our legal review all currently effective employment contracts, non-competition, confidentiality and similar agreements between you and your current and former employers.

This offer letter agreement supersedes and replaces in its entirety the offer letter agreement entered into between you and Cardinal Health on September 30, 2018.

If you have any questions, please feel free to call me at ###.###.####

I'm looking forward to working together and excited about what we will accomplish!

Sincerely,

/s/ Ola M. Snow

I accept the above offer of employment:

/s/ Victor L. Crawford 11/1/2018
Signature Date

cc: Mike Kaufmann

Exhibit 21.1

Subsidiaries of the Registrant

Listed below are majority-owned subsidiaries of Cardinal Health, Inc. as of June 30, 2019 . Subsidiaries excluded from the list below would not, considered in the aggregate as a single subsidiary, constitute a "significant subsidiary" of Cardinal Health, Inc. as that term is defined in Rule 1-02(w) of SEC Regulation S-X.

Subsidiary Name	State/Jurisdiction of Incorporation
A+ Secure Packaging, LLC	Tennessee
Access Closure, Inc.	California
Aero-Med, Ltd.	Connecticut
Allegiance Corporation	Delaware
AssuraMed, Inc.	Delaware
Bellwether Oncology Alliance, Inc.	Tennessee
Cardinal Health 2, LLC	Nevada
Cardinal Health 3, LLC	Delaware
Cardinal Health 5, LLC	Delaware
Cardinal Health 6, Inc.	Nevada
Cardinal Health 7, LLC	Delaware
Cardinal Health 100, Inc.	Indiana
Cardinal Health 104 LP	Ohio
Cardinal Health 105, Inc.	Ohio
Cardinal Health 107, LLC	Ohio
Cardinal Health 108, LLC	Delaware
Cardinal Health 110, LLC	Delaware
Cardinal Health 112, LLC	Delaware
Cardinal Health 113, LLC	Wisconsin
Cardinal Health 114, Inc.	Delaware
Cardinal Health 115, LLC	Ohio
Cardinal Health 116, LLC	Delaware
Cardinal Health 118, LLC	Delaware
Cardinal Health 119, LLC	Delaware
Cardinal Health 121, LLC	Delaware
Cardinal Health 122, LLC	Delaware
Cardinal Health 123, LLC	Delaware
Cardinal Health 124, LLC	Delaware
Cardinal Health 126, LLC	Delaware
Cardinal Health 127, Inc.	Kansas
Cardinal Health 200, LLC	Delaware
Cardinal Health 201, Inc.	Delaware
Cardinal Health 222 (Thailand) Ltd.	Thailand
Cardinal Health 247, Inc.	Colorado
Cardinal Health 249, LLC	Delaware
Cardinal Health 414, LLC	Delaware
Cardinal Health Australia 503 Pty. Ltd.	Australia
Cardinal Health Austria 504 GmbH	Austria
Cardinal Health Belgium 505 BVBA	Belgium
Cardinal Health Canada Inc.	Canada
Cardinal Health Canada Holdings Cooperative U.A.	Netherlands
Cardinal Health Chile Limitada	Chile
Cardinal Health Colombia S.A.S.	Colombia
Cardinal Health do Brasil Ltd.	Brazil
Cardinal Health D.R. 203 II Ltd.	Bermuda
Cardinal Health Denmark ApS	Denmark
Cardinal Health Finland Oy	Finland

Subsidiary Name	State/Jurisdiction of Incorporation
Cardinal Health Foundation	Ohio
Cardinal Health France 506 SAS	France
Cardinal Health Funding, LLC	Nevada
Cardinal Health Germany 507 GmbH	Germany
Cardinal Health Germany Manufacturing GmbH	Germany
Cardinal Health International Philippines, Inc.	Philippines
Cardinal Health IPS, LLC	Delaware
Cardinal Health Ireland 419 Designated Activity Company	Ireland
Cardinal Health Ireland 508 Limited	Ireland
Cardinal Health Ireland Unlimited Company	Ireland
Cardinal Health Italy 509 Srl	Italy
Cardinal Health Japan G.K.	Japan
Cardinal Health Korea Limited	Korea
Cardinal Health Malaysia 211 Sdn. Bhd.	Malaysia
Cardinal Health Malta 212 Limited	Malta
Cardinal Health Managed Care Services, LLC	Delaware
Cardinal Health Medical Products India Private Limited	India
Cardinal Health Mexico 244 S. de R.L. de C.V.	Mexico
Cardinal Health Mexico 514 S. de R.L. de C.V.	Mexico
Cardinal Health Middle East FZ-LLC	United Arab Emirates
Cardinal Health Netherlands 502 B.V.	Netherlands
Cardinal Health Norway AS	Norway
Cardinal Health Pharmaceutical Contracting, LLC	Delaware
Cardinal Health Pharmacy Services, LLC	Delaware
Cardinal Health Poland Spółlka z ograniczonąa odpowiedzialnośściąa	Poland
Cardinal Health Portugal 513 Unipessoal Lda.	Portugal
Cardinal Health P.R. 120, Inc.	Puerto Rico
Cardinal Health P.R. 218, Inc.	Puerto Rico
Cardinal Health P.R. 220, LLC	Puerto Rico
Cardinal Health Singapore 225 Pte. Ltd.	Singapore
Cardinal Health Spain 511 S.L.	Spain
Cardinal Health Specialty Pharmacy, LLC	Delaware
Cardinal Health Sweden 512 A.B.	Sweden
Cardinal Health Switzerland 515 GmbH	Switzerland
Cardinal Health Systems, Inc.	Ohio
Cardinal Health Technologies, LLC	Nevada
Cardinal Health Technologies Switzerland GmbH	Switzerland
Cardinal Health U.K. 432 Limited	United Kingdom
Cardinal Health Medical Equipment Consulting (Shanghai) Co., Ltd.	China
Cirpro de Delicias S.A. de C.V.	Mexico
Convertors de Mexico S.A. de C.V.	Mexico
Cordis Cashel Company Unlimited	Ireland
Cordis Corporation	Florida
Cordis (Shanghai) Medical Devices Co., Ltd.	China
Cornerstone Partners G.P.O., L.P.	Tennessee

Subsidiary Name	State/Jurisdiction of Incorporation
Covidien Manufacturing Solutions, S.A.	Costa Rica
Curaspan Health Group, Inc.	Delaware
EPIC Insurance Company	Vermont
Especialidades Medicas Kenmex S.A. de C.V.	Mexico
Griffin Capital, LLC	Nevada
Innovative Therapies, Inc.	Delaware
Instant Diagnostic Systems, Inc.	Alabama
Kendall Patient Recovery BVBA	Belgiuum
Kendall-Gammatron Limited	Thailand
KPR Australia Pty. Ltd.	Australia
KPR Italia S.r.l.	Italy
KPR Switzerland Sales Gmbh	Switzerland
KPR U.S., LLC	Delaware
Leader Drugstores, Inc.	Delaware
Limited Liability Company "Cardinal Health Russia"	Russian Federation
Ludlow Technical Products Canada, Ltd.	Canada
Marin Apothecaries	California
Medicine Shoppe International, Inc.	Delaware
Mediquip Sdn. Bhd.	Malaysia
Mirixa Corporation	Delaware
mscripts, LLC	Delaware
mscripts Systems India Private Limited	India
Nippon Covidien Ltd.	Japan
One Cloverleaf, LLC	Delaware
Outcomes Incorporated	Iowa
Pinnacle Intellectual Property Services, Inc.	Nevada
Pinnacle Intellectual Property Services-International, Inc.	Nevada
Post-Acute Care Center for Research, LLC	Delaware
Quiroproductos de Cuauhtemoc S. de R.L. de C.V.	Mexico
R Cubed, Inc.	Tennessee
RainTree GPO, LLC	Delaware
Renal Purchasing Group, LLC	Tennessee
RGH Enterprises, Inc.	Ohio
Rxealtime, Inc.	Nevada
Sonexus Health, LLC	Texas
TelePharm, LLC	Iowa
The Harvard Drug Group, L.L.C.	Michigan
Tradex International, Inc.	Ohio
WaveMark, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-3 No. 333-215935 of Cardinal Health, Inc.,

(2) Registration Statements on Form S-4 No. 333-62938 and No. 333-74761 of Cardinal Health, Inc., and

(3) Registration Statements on Form S-8 No. 33-42357, No. 333-90423, No. 333-38192, No. 333-38198, No. 333-56010, No. 333-129725, No. 333-149107, No. 333-155156, No. 333-163128, No. 333-164736, No. 333-177728, No. 333-183471, No. 333-206339, No. 333-206340, No. 333-214412 and No. 333-219892 of Cardinal Health, Inc.;

of our reports dated August 20, 2019, with respect to the consolidated financial statements and schedule of Cardinal Health, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Cardinal Health, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Cardinal Health, Inc. and subsidiaries for the year ended June 30, 2019.

/s/ Ernst & Young LLP

Grandview Heights, Ohio
August 20, 2019

Exhibit 31.1

I, Michael C. Kaufmann , certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 20, 2019

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

Exhibit 31.2

I, Michael C. Kaufmann, certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 20, 2019

/s/ M ICHAEL C. K AUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Michael C. Kaufmann, Chief Executive Officer and Chief Financial Officer of Cardinal Health, Inc. (the "Company") certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K for the fiscal year ended June 30, 2019 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 20, 2019

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann
Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann
Chief Financial Officer

Exhibit 99.1

Statement Regarding Forward-Looking Information

As used in this exhibit, "we," "our," "us" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (the "2019 Form 10-K"), our quarterly reports on Form 10-Q and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, including materials posted on our website, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution services agreements with branded pharmaceutical manufacturers, changes in the amount of service fees we receive or, in cases where part of our compensation under these agreements is based on branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in manufacturer approaches to pricing branded pharmaceutical products and risks related to our compensation under contractual arrangements with manufacturers being set as a percentage of the wholesale acquisition cost of branded pharmaceuticals;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- risks associated with the resolution and defense of the lawsuits and investigations in which we have been or will be named relating to the distribution of prescription opioid pain medication, including the risk that the outcome of these lawsuits and investigations could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity;
- potential damage to our reputation, adverse operational impacts or other effects that may result from the national opioid epidemic, the allegations that have been made about our role in such epidemic and the ongoing unfavorable publicity surrounding the lawsuits and investigations against us;
- potential adverse impact to our financial results resulting from enacted and proposed state taxes or other assessments on the sale or distribution of opioid medications;
- our high sales concentration with certain key customers, including CVS Health Corporation and OptumRx;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of company or customer information, disruption of access and ancillary risks associated with our ability to effectively manage any issues arising from any such compromise or disruption;
- risks and uncertainties relating to the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses from Medtronic plc (the "Patient Recovery Business"), including the ability to achieve the expected synergies and accretion in earnings; and unforeseen internal control, regulatory or compliance issues;
- uncertainties related to our Medical segment's Cardinal Health Brand products, including our ability to manage infrastructure and cost challenges, and to improve its performance;
- risks associated with the realignment of our Medical segment's supply chain and other businesses, including our ability to achieve the expected benefits from such realignment;
- uncertainties with respect to our cost-savings initiatives or other restructuring activities, including the ability to achieve the expected benefits from such initiatives, the risk that we could incur unexpected charges, and the risk that we may fail to retain key personnel;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- manufacturing disruptions, whether due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks arising from possible violations of healthcare fraud and abuse laws;

- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls and related product liability claims and lawsuits, including class action lawsuits;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, pricing changes, non-renewal, early termination, or delinquencies or defaults under contracts with key customers;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- risks arising from changes in U.S. or foreign tax laws and unfavorable challenges to our tax positions and payments to settle these challenges;
- uncertainties due to possible government healthcare reform, including proposals related to Medicare drug rebate arrangements, possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act, proposals related to prescription drug pricing transparency and the possible adoption of Medicare-For-All;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;
- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- continuing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- risks to our business and information and controls systems in the event that business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions, government investigations, shareholder lawsuits or other legal proceedings;
- possible losses relating to product liability lawsuits and claims regarding products for which we cannot obtain product liability insurance or for which such insurance may not be adequate to cover our losses, including the product liability lawsuits we are currently defending relating to alleged personal injuries associated with the use of Cordis inferior vena cava filter products;
- our ability to maintain adequate intellectual property protections;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- our ability to manage and complete divestitures or other strategic business combination transactions, including our ability to find buyers or other strategic exit opportunities and risks associated with the possibility that we could experience greater dis-synergies than anticipated or otherwise fail to achieve our strategic objectives;
- increased costs for commodities and other materials used in the Medical segment manufacturing, including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;

- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- uncertainties with respect to U.S. or international trade policies, tariffs, excise or border taxes and their impact on our ability to source products or materials that we need to conduct our business;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the "Risk Factors" section of the 2019 Form 10-K.

The words "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions generally identify "forward-looking statements," which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.