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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 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**

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 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 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 number of the registrant's common shares, without par value, outstanding as of January 31, 2020, was the following: 291,783,533.

Cardinal Health

Q2 Fiscal 2020 Form 10-Q

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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. As used in this report, “we,” “our,” “us,” 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 2020 and fiscal 2019 are to the fiscal years ending or ended June 30, 2020 and June 30, 2019, respectively.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 (this "Form 10-Q") (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 Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), but there are others in this Form 10-Q, 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, trends 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 made, projected or implied. The most significant of these risks and uncertainties are described in Exhibit 99.1 to this Form 10-Q and in "Risk Factors" in this form 10-Q and our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (our “2019 Form 10-K”). Forward-looking statements in this Form 10-Q 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.

Non-GAAP Financial Measures

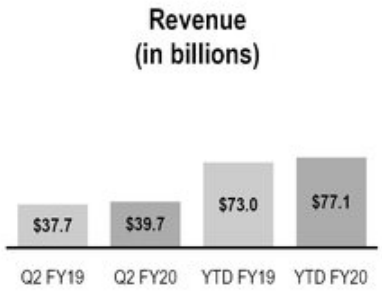
In the "Overview of Consolidated Results" section of MD&A, we use financial measures that are derived from our consolidated financial data but are not presented in our condensed consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). These measures are considered "non-GAAP financial measures" under the United States 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 Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in our condensed consolidated balance sheets at December 31, 2019 and June 30, 2019, and in our condensed consolidated statements of earnings/(loss) for the three and six months ended December 31, 2019 and 2018. All comparisons presented are with respect to the prior-year period, unless stated otherwise. This discussion and analysis should be read in conjunction with the MD&A included in our 2019 Form 10-K.

Overview of Consolidated Results

Revenue



During the three and six months ended December 31, 2019, revenue increased 5 percent to $39.7 billion and 6 percent to $77.1 billion, respectively, primarily due to sales growth from pharmaceutical distribution and specialty solutions customers.

GAAP and Non-GAAP Operating Earnings/(Loss)

	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
GAAP operating earnings/(loss)	**$ 334**	$ 504	**(34)%**	**$ (4,930)**	$ 1,320	**N.M**
Surgical gown recall costs	**96**	—		**96**	—	
State opioid assessment related to prior fiscal years	**(1)**	(29)		**4**	—	
Restructuring and employee severance	**56**	12		**86**	44	
Amortization and other acquisition-related costs	**133**	157		**265**	314	
Impairments and (gain)/loss on disposal of assets	**7**	8		**8**	(503)	
Litigation (recoveries)/charges, net	**21**	(15)		**5,694**	3	
Non-GAAP operating earnings	**$ 646**	$ 637	**1 %**	**$ 1,223**	$ 1,178	**4%**

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

GAAP operating earnings during the three months ended December 31, 2019 were unfavorably impacted by a $96 million charge in connection with a voluntary recall for Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and a voluntary recall and field actions for surgical procedure packs containing affected gowns, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements." Also contributing to the decrease in GAAP operating earnings during the three months ended were restructuring costs mainly as a result of certain enterprise-wide cost-saving initiatives and the adverse impact of Pharmaceutical segment customer contract renewals.

The decrease in GAAP operating earnings during the six months ended December 31, 2019 was primarily due to a $5.63 billion pre-tax charge we recognized for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications. As described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements", in October 2019, we agreed in principle to a global settlement framework with a leadership group of four state attorneys general that is designed to resolve all pending and future opioid lawsuits and claims by states and political subdivisions. GAAP operating earnings during the six months ended December 31, 2018 were favorably impacted by a $508 million pre-tax gain from the divestiture of our naviHealth Holdings, LLC ("naviHealth") business.

Non-GAAP operating earnings during the three months ended December 31, 2019 were essentially flat due to the performance of our Pharmaceutical segment generics program offset by the adverse impact of Pharmaceutical segment customer contract renewals.

The increase in non-GAAP operating earnings during the six months ended December 31, 2019 was primarily due to the beneficial impact of enterprise-wide cost-savings measures, growth from specialty solutions and the performance of our Pharmaceutical segment generics program. These positive factors were partially offset by the adverse impact of Pharmaceutical segment customer contract renewals.

GAAP and Non-GAAP Diluted EPS

	Three Months Ended December 31,			Six Months Ended December 31,		
($ per share)	2019 [2]	2018 [2]	Change	2019 [2] [3]	2018 [2]	Change
GAAP diluted EPS [1]	**$ 0.75**	$ 0.93	**(19)%**	**$ (15.99)**	$ 2.88	**N.M**
Surgical gown recall costs	**0.24**	—		**0.24**	—	
State opioid assessment related to prior fiscal years	**—**	(0.07)		**0.01**	—	
Restructuring and employee severance	**0.14**	0.03		**0.22**	0.11	
Amortization and other acquisition-related costs	**0.34**	0.40		**0.67**	0.79	
Impairments and (gain)/loss on disposal of assets	**0.02**	0.02		**0.02**	(1.22)	
Litigation (recoveries)/charges, net	**0.06**	(0.04)		**17.66**	0.01	
Loss on extinguishment of debt	**0.01**	—		**0.01**	—	
Transitional tax benefit, net	**(0.04)**	0.01		**(0.04)**	0.01	
Non-GAAP diluted EPS [1]	**$ 1.52**	$ 1.29	**18 %**	**$ 2.80**	$ 2.58	**9%**

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

(1) Diluted earnings/(loss) per share attributable to Cardinal Health, Inc. ("diluted EPS")

(2) The reconciling items are presented within this table net of tax. See quantification of tax effect of each reconciling item in our GAAP to Non-GAAP Reconciliations in the "Explanation and Reconciliation of Non-GAAP Financial Measures."

(3) For the six months ended December 31, 2019, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 294 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Year-to-date fiscal 2020 non-GAAP diluted EPS is calculated using a weighted average of 295 million common shares, which includes potentially dilutive shares.

During the three months ended December 31, 2019, GAAP diluted earnings per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") decreased primarily due to factors discussed above impacting GAAP operating earnings, partially offset by a lower effective tax rate due to favorable changes in jurisdictional mix and discrete tax items.

During the six months ended December 31, 2019, we had a $(15.99) GAAP diluted loss per share due to the charge we recognized for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications. The charge had a $(17.49) per share after tax impact on GAAP diluted EPS during the six months ended December 31, 2019. GAAP diluted EPS during the six months ended December 31, 2018 was favorably impacted by a $1.25 per share gain from the divestiture of naviHealth.

During the three months ended December 31, 2019, non-GAAP diluted EPS increased 18 percent to $1.52 per share. This increase was primarily due to the factors discussed above impacting non-GAAP operating earnings, a lower effective tax rate due to favorable changes in jurisdictional mix and a lower share count as a result of share repurchases.

During the six months ended December 31, 2019, non-GAAP diluted EPS increased 9 percent to $2.80 per share. This increase was primarily due to the factors discussed above impacting non-GAAP operating earnings, a lower share count as a result of share repurchases and lower interest expense due to less debt outstanding. The year-over-year comparison was unfavorably impacted by the prior-year benefit from discrete tax items, largely related to international legal entity changes.

Cash and Equivalents

Our cash and equivalents balance was $1.7 billion at December 31, 2019 compared to $2.5 billion at June 30, 2019. During the six months ended December 31, 2019, net cash provided by operating activities was $44 million and we deployed $793 million for long-term debt repayments, $350 million for share repurchases, and $287 million for cash dividends. At December 31, 2019, we had $458 million outstanding under our commercial paper program and $225 million outstanding under our committed receivables sales facility.

Significant Developments in Fiscal 2020 and Trends

Opioid Lawsuits Development

In October 2019, we agreed in principle to a global settlement framework with a leadership group of state attorneys general that is designed to resolve all pending and future opioid lawsuits and claims by states and political subdivisions (the "Settlement Framework"). This Settlement Framework is subject to contingencies and uncertainties as to final terms, but is the basis for our negotiation of definitive terms and documentation. The Settlement Framework includes (1) a cash component, pursuant to which we would pay up to $5.56 billion over eighteen years, (2) development and participation in a program for free or rebated distribution of opioid abuse treatment medications for a period of ten years, and (3) industry-wide changes to be specified to controlled substance anti-diversion programs. In order to continue working on the Settlement Framework, we also agreed, with two other national distributors, to a $215 million settlement with two plaintiffs counties of a trial that had been scheduled for October 2019; our portion of that settlement is $66 million, which was paid in January 2020.

In connection with these matters, we recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) during the six months ended December 31, 2019 in litigation (recoveries)/charges, net, in the condensed consolidated statement of earnings for the cash component. We accrue for contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. Final terms of a settlement under the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied. We will regularly review these opioid litigation matters to determine whether our accrual is adequate. We are unable to reasonably estimate the liability associated with any potential distribution of treatment medications and any incremental costs for changes to our controlled substance anti-diversion program that we may agree to under the Settlement Framework. The amount of ultimate loss may differ materially from this accrual. See Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

Also in connection with these matters, we recorded a tax benefit of $487 million, which is net of unrecognized tax benefits of $468 million, during the six months ended December 31, 2019, reflecting our current assessment of the estimated future deductibility of the amount that may be paid under the $5.63 billion accrual taken in connection with the opioid litigation. 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 this benefit and uncertain tax position require significant judgment since the definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated and the U.S. tax law governing deductibility was changed by the U.S. Tax Cuts and Jobs Act (“Tax Act”). We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the Tax Act which is subject to further interpretation by the U.S. Internal Revenue Service ("IRS"). Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates. See Note 8 of the “Notes to the Condensed Consolidated Financial Statements” for additional information.

Surgical Gown Recalls

In January, 2020, we issued a voluntary recall for 9.1 million AAMI Level 3 surgical gowns and two voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for 2.9 million Presource Procedure Packs containing affected gowns (together, the "Recalls"). These Recalls were necessary because we discovered in December 2019 that one of our FDA-registered suppliers in China had shifted production of some gowns to unapproved sites with uncontrolled environments. Because of this, we could not assure sterility of the gowns.

In connection with these Recalls, in the three months ended December 31, 2019, we recorded a total charge of $96 million, of which $56 million is within cost of products sold and $40 million is within SG&A in the condensed consolidated statements of earnings. This charge represents our best estimate of costs for the Recalls and include inventory write-off costs and certain remediation and supply disruption costs, such as costs to replace recalled products. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. The amount of ultimate loss may differ materially from this accrual. This charge, and any future increases or adjustments, will be excluded from our non-GAAP results and the results of our Medical segment. See Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

In addition to the charge for the three months ended December 31, 2019, we expect that the Recalls will have other negative impacts, which could include: government investigations and enforcement actions by the U.S. Food and Drug Administration or other regulators or U.S. or international governmental bodies (possibly resulting in product seizures, additional recalls, the issuance of safety alerts, the suspension or revocation of the authority to produce, distribute and sell products and other civil or criminal sanctions); losses due to patient claims, including product liability claims and lawsuits; and customer claims unrelated to their direct costs from the supply chain disruption.

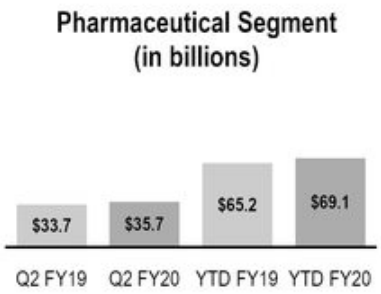
Additionally, these surgical gowns and procedure packs are used in surgeries throughout the United States and internationally. Due to quality standards, it is challenging to quickly establish additional or replacement suppliers. These Recalls are expected to result in sustained supply reductions and market shortages. We understand that, due to these supply shortages, surgeries have been delayed or canceled, and we expect that additional surgeries will be delayed or canceled over a period of several weeks or months. This and other aspects of the Recalls could result in reputational harm and loss of customers and sales.

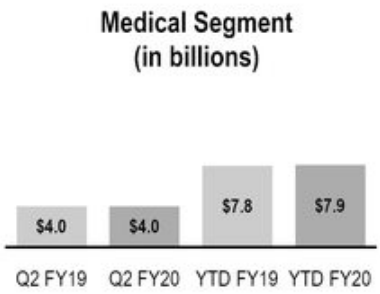
Trends

Within our Pharmaceutical segment, segment profit increased during the six months ended December 31, 2019 compared to the prior-year period due, in part, to performance from our generics program, while for the past two fiscal years, Pharmaceutical segment profit had decreases compared to the prior year due, in part, to performance from our generics program. As is generally the case, the frequency, timing, magnitude and profit impact of generic pharmaceutical customer and 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.

Results of Operations

Revenue





	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
Pharmaceutical	**$ 35,714**	$ 33,740	**6%**	**$ 69,142**	$ 65,155	**6%**
Medical	**4,023**	4,006	**—%**	**7,940**	7,807	**2%**
Total segment revenue	**39,737**	37,746	**5%**	**77,082**	72,962	**6%**
Corporate	**(2)**	(6)	**N.M**	**(6)**	(9)	**N.M**
Total revenue	**$ 39,735**	$ 37,740	**5%**	**$ 77,076**	$ 72,953	**6%**

Pharmaceutical Segment

Pharmaceutical segment revenue growth was primarily due to sales growth from pharmaceutical distribution and specialty solutions customers, which together increased revenue by $2.0 billion and $4.0 billion during the three and six months ended December 31, 2019, respectively.

Medical Segment

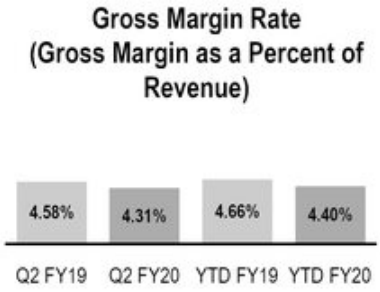
Medical segment revenue was essentially flat during the three months ended December 31, 2019 with sales growth from Cardinal Health at-Home Solutions offset by lower sales from products and distribution.

Medical segment revenue increased slightly during the six months ended December 31, 2019 primarily due to sales growth from Cardinal Health at-Home Solutions and products and distribution. The increase was partially offset by the divestiture of naviHealth in the prior year.

Cost of Products Sold

Cost of products sold for the three and six months ended December 31, 2019 increased $2.0 billion (6 percent) and $4.1 billion (6 percent) compared to the respective prior-year periods as a result of the factors affecting the changes in revenue and gross margin.

Gross Margin



	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
Gross margin	**$ 1,714**	$ 1,730	**(1)%**	**$ 3,393**	$ 3,397	**— %**

Gross margin was essentially flat versus prior-year periods during both the three and six months ended December 31, 2019.

Gross margin rate declined 27 basis points during the three months ended December 31, 2019 mainly due to a $56 million charge in connection with the Recalls, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A, the adverse impact of pharmaceutical customer contract renewals, and changes in pharmaceutical distribution product mix, partially offset by the performance of our Pharmaceutical segment generics program.

Gross margin rate declined 26 basis points during the six months ended December 31, 2019 mainly due to the adverse impact of pharmaceutical customer contract renewals, the $56 million charge in connection with the Recalls, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A, and changes in pharmaceutical distribution product mix.

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

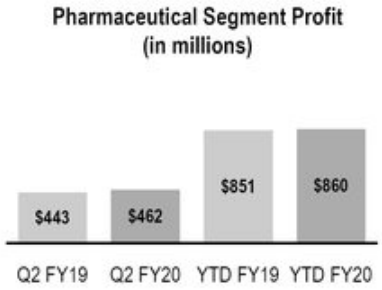
	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
SG&A expenses	**$ 1,163**	$ 1,064	**9%**	**$ 2,270**	$ 2,219	**2%**

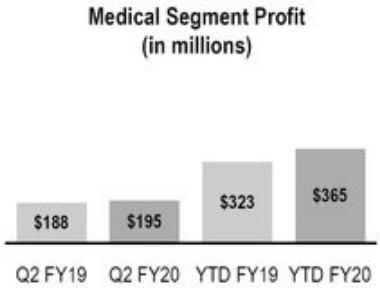
During the three months ended December 31, 2019, SG&A expenses increased primarily due to a $40 million charge in connection with the Recalls as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A, higher costs to support sales growth and fluctuations in deferred compensation liabilities, partially offset by the beneficial impact of enterprise-wide cost saving measures. During the three months ended December 31, 2018, SG&A expenses benefited from the reversal of the $34 million that we accrued in the first quarter of fiscal 2019 for the New York Opioid Stewardship Act assessment for opioids sold or distributed in New York state when the New York Opioid Stewardship Act was ruled unconstitutional.

During the six months ended December 31, 2019, SG&A expenses increased slightly due to the higher costs to support the sales growth, the $40 million charge in connection with the Recalls, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A, and fluctuations in deferred compensation liabilities, mostly offset by the beneficial impact of enterprise-wide cost saving measures.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 13 of the "Notes to Condensed Consolidated Financial Statements" for additional information on segment profit.





	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
Pharmaceutical	**$ 462**	$ 443	**4 %**	**$ 860**	$ 851	**1%**
Medical	**195**	188	**4 %**	**365**	323	**13%**
Total segment profit	**657**	631	**4 %**	**1,225**	1,174	**4%**
Corporate	**(323)**	(127)	**154 %**	**(6,155)**	146	**N.M**
Total consolidated operating earnings/(loss)	**$ 334**	$ 504	**(34)%**	**$ (4,930)**	$ 1,320	**N.M**

Pharmaceutical Segment Profit

Pharmaceutical segment profit during the three months ended December 31, 2019 increased due to the performance of our generics program and growth from specialty solutions, partially offset by the adverse impact of customer contract renewals.

Pharmaceutical segment profit during the six months ended December 31, 2019 increased slightly due to the beneficial impact of cost-savings measures, growth from specialty solutions and the performance of our generics program, mostly offset by the adverse impact of customer contract renewals.

Medical Segment Profit

Medical segment profit during the three months ended December 31, 2019 increased primarily due to the beneficial impact of cost-savings measures, partially offset by the performance of products and distribution.

Medical segment profit during the six months ended December 31, 2019 increased primarily due to beneficial impact of cost-savings measures.

Medical segment financial results do not include the $96 million charge incurred during the three and six months ended December 31, 2019 in connection with the Recalls, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A.

Corporate

The changes in Corporate during the three and six months ended December 31, 2019 were due to the factors discussed in the Other Components of Consolidated Operating Earnings/(Loss) section that follows. Corporate was also adversely impacted by the $96 million charge incurred during the three and six months ended December 31, 2019 in connection with the Recalls, as described further within the Significant Developments in Fiscal 2020 and Trends section in this MD&A. The Recalls charge is included within Corporate to allow investors to better understand the underlying operating results of the Medical segment and to facilitate comparison of Medical segment current financial results to historical financial results and the results of peers.

Other Components of Consolidated Operating Earnings/(Loss)

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

	Three Months Ended December 31,		Six Months Ended December 31,	
(in millions)	**2019**	2018	**2019**	2018
Restructuring and employee severance	**$ 56**	$ 12	**$ 86**	$ 44
Amortization and other acquisition-related costs	**133**	157	**265**	314
Impairments and (gain)/loss on disposal of assets, net	**7**	8	**8**	(503)
Litigation (recoveries)/charges, net	**21**	(15)	**5,694**	3

Restructuring and Employee Severance
We incurred $42 million and $8 million during the three months ended December 31, 2019 and 2018, respectively, and $62 million and $34 million, during the six months ended December 31, 2019 and 2018, respectively, of expenses in connection with our implementation of certain enterprise-wide cost-saving measures.

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $127 million and $133 million for the three months ended December 31, 2019 and 2018, respectively, and $256 million and $266 million for the six months ended December 31, 2019 and 2018, respectively.

Transaction and integration costs associated with the acquisition of the Patient Recovery Business were $3 million and $22 million for the three months ended December 31, 2019 and 2018, respectively, and $4 million and $44 million for the six months ended December 31, 2019 and 2018, respectively.

Impairments and (Gain)/Loss on Disposal of Assets, Net
During the six months ended December 31, 2018, we recognized a pre-tax gain of $508 million related to the divestiture of our naviHealth business.

Litigation (Recoveries)/Charges, Net
During the six months ended December 31, 2019, we recognized a pre-tax charge of $5.63 billion ($5.14 billion after tax) associated with the opioid litigation. See Significant Developments in Fiscal 2020 and Trends section in this MD&A for additional information.

The costs we recognized in connection with the IVC filter product liability claims during the three months ended December 31, 2019 and 2018 were $17 million and $32 million, respectively, and $62 million and $45 million during the six months ended December 31, 2019 and 2018, respectively.

Recoveries in class action antitrust lawsuits recognized were $14 million and $47 million for the three months ended December 31, 2019 and 2018, respectively, and $16 million and $47 million for the six months ended December 31, 2019 and 2018, respectively.

Earnings/(Loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes were impacted by the following:

	Three Months Ended December 31,			Six Months Ended December 31,		
(in millions)	**2019**	2018	**Change**	**2019**	2018	**Change**
Other (income)/expense, net	**$ (12)**	$ 21		**$ 2**	$ 25	
Interest expense, net	**63**	76	**(17)%**	**129**	152	**(15)%**
Loss on extinguishment of debt	**4**	—	**N.M**	**4**	—	**N.M**

Other (Income)/Expense, Net
During the three and six months ended December 31, 2019, other (income)/expense, net was favorable compared to the respective prior-year periods primarily due to increased returns from investments, which are used to offset fluctuations in deferred compensation liabilities as discussed further in Note 9.

Interest Expense, Net
The decrease in interest expense during the three and six months ended December 31, 2019 was primarily due to less debt outstanding.

Provision for/(Benefit from) Income Taxes

During the three months ended December 31, 2019 and 2018, the effective tax rate was 21.0 percent and 31.0 percent, respectively. The change in the effective tax rate for the three months ended December 31, 2019 compared to the prior period was primarily due to the favorable impact from changes in jurisdictional mix and discrete items recognized in the second quarter of fiscal 2020, largely driven by changes as a result of tax reform.

During the six months ended December 31, 2019 and 2018, the effective tax rate was 7.2 percent and 23.5 percent, respectively. The change in the effective tax rate for the six months ended December 31, 2019 compared to the prior period was primarily due to the net tax benefit of $487 million related to the opioid litigation pre-tax charge of $5.63 billion, as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A.

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, early extinguishment of debt, dividends and share repurchases as well as potential opioid litigation settlement payments associated with the Settlement Framework. If we decide to engage in one or more 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 $1.7 billion at December 31, 2019 compared to $2.5 billion at June 30, 2019. At December 31, 2019, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During the six months ended December 31, 2019, net cash provided by operating activities was $44 million and we deployed $793 million for long-term debt repayments, $350 million for share repurchases, and $287 million for cash dividends.

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 December 31, 2019 includes $788 million of cash held by subsidiaries outside of the United States.

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 December 31, 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 December 31, 2019, we had $458 million outstanding under our commercial paper program and $225 million outstanding under committed receivables sales facility. During the six months ended December 31, 2019, we had maximum amounts outstanding under our commercial paper program and our committed receivables program of $960 million and $700 million, respectively. The maximum combined total daily amounts outstanding was $1.2 billion and the average daily amount outstanding was $88 million.

In September 2019, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through September 30, 2022. Our revolving credit and committed receivables sales facilities require us to maintain, as of the end of every fiscal quarter through December 2020, a consolidated net leverage ratio of no more than 4.00-to-1. The maximum permitted ratio will reduce to 3.75-to-1 in March 2021 and as of the end of every quarter thereafter. As of December 31, 2019, we were in compliance with this financial covenant.

Long-Term Debt and Other Short-Term Borrowings

At December 31, 2019, we had total long-term obligations, including the current portion and other short-term borrowings, of $7.9 billion. In November 2019, we repaid the full principal of the 2.4% Notes due 2019 at maturity for $450 million. During the six months ended December 31, 2019, we early repurchased $207 million of the 2.616% Notes due 2022, $10 million of the 3.2% Notes due 2022, $14 million of the Floating Rate Notes due 2022, $81 million of the 3.41% Notes due 2027, $6 million of the 4.6% Notes due 2043, $2 million of the 4.9% Notes due 2045, and $21 million of the 4.368% Notes due 2047. The repurchases were paid for with available cash and other short-term borrowings. In connection with the early debt repurchases, we recorded a $4 million loss on extinguishment of debt.

Capital Deployment

Opioid Settlement Framework

In October 2019, we agreed in principle to a Settlement Framework which includes a cash component, pursuant to which we would pay up to $5.56 billion over eighteen years. We currently expect payment amounts under the Settlement Framework to be spread through the 18-year period subject to participation by states and political subdivisions. See Significant Developments in Fiscal 2020 and Trends section in this MD&A for additional information.

Capital Expenditures

Capital expenditures during the six months ended December 31, 2019 and 2018 were $149 million and $116 million, respectively.

Dividends

On each of May 8, 2019, August 7, 2019 and November 6, 2019, our Board of Directors approved a quarterly dividend of $0.4811 per share, or $1.92 per share on an annualized basis, which were paid on July 15, 2019, October 15, 2019 and January 15, 2020, respectively.

Share Repurchases

During the six months ended December 31, 2019, we repurchased $350 million of our common shares under an accelerated share repurchase ("ASR") program. We funded the ASR program with available cash and short-term borrowings. See Note 11 of the "Notes to Condensed Consolidated Financial Statements" for additional information. At December 31, 2019, we had $943 million authorized for share repurchases.

Other Items

The MD&A in our 2019 Form 10-K addresses our contractual obligations and off-balance sheet arrangements, as of and for the fiscal year ended June 30, 2019. There have been no subsequent material changes outside of the ordinary course of business to those items except for the agreement in principle on a global settlement framework designed to resolve all pending and future opioid lawsuits and claims brought by states and political subdivisions described in the Significant Developments in Fiscal 2020 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements."

Critical Accounting Policies and Sensitive Accounting Estimates

The discussion and analysis presented below is a supplemental disclosure to the critical accounting policies and sensitive accounting estimates specified in our consolidated balance sheet at June 30, 2019. This discussion and analysis should be read in conjunction with the Critical Accounting Policies and Sensitive Accounting Estimates included in our 2019 Form 10-K and our From 10-Q for the quarter ended September 30, 2019.

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.

Goodwill

Purchased goodwill is 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 elected to bypass the qualitative assessment for our annual impairment test in fiscal 2019. 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).

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.

Medical Unit Goodwill

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. Although we believe the assumptions used to arrive at the estimate of fair value during the fourth quarter of fiscal 2019 continue to be reasonable and appropriate, changes in key assumptions during fiscal 2020, including a failure to meet expected earnings or other financial plans, or other unanticipated events and circumstances, such as an increase in interest rates or a significant change in industry or economic trends, may affect future estimates.

As noted within the Significant Developments in Fiscal 2020 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements", we recorded a charge of $96 million within Corporate during the three and six months ended December 31, 2019 in connection with the Recalls that would be allocated to the Medical Unit for purposes of goodwill impairment testing. The Recalls could result in loss of customers and sales. However, at this time, we do not expect these impacts to be meaningfully sustained such that they would indicate the fair value of the Medical Unit is less than its carrying amount.

Adverse changes in key assumptions, including related to our current assumptions about the impact of the Recalls, may result in a decline in fair value below the carrying value in the future resulting in an impairment in our Medical Unit in future periods, which could adversely affect our results of operations.

Loss Contingencies

In connection with the opioid litigation as described further in the Significant Developments in Fiscal 2020 and Trends section in this MD&A, we recorded a pre-tax charge of $5.63 billion ($5.14 billion after tax) during the six months ended December 31, 2019. We accrue for contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. Final terms of a settlement under the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied. We will regularly review opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual.

Provision for Income Taxes

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.

In connection with the $5.63 billion pre-tax charge for the opioid litigation, during the six months ended December 31, 2019 we recorded a tax benefit of $487 million, which is net of unrecognized tax benefits of $468 million, reflecting our current assessment of the estimated future deductibility of the amount that may be paid. We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the Tax Act; however, these estimates require significant judgment since the definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated and the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit related to uncertain tax positions may differ materially from these estimates. See Note 8 of the Notes to the "Condensed Consolidated Financial Statements" for more information regarding these matters.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state 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. Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions, including IRS challenges to our international transfer pricing for the periods from 2008 to 2014, and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

Explanation and Reconciliation of Non-GAAP Financial Measures

The "Overview of Consolidated Results" section within MD&A in this Form 10-Q 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, in most cases, 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.
- Surgical gown recall costs includes inventory write-offs and certain remediation and supply disruption costs arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation (AAMI) Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.

- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the fiscal year of the initial assessment. This portion is excluded from non-GAAP financial measures because it is retrospectively applied to sales in prior fiscal years and inclusion would obscure analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while states' laws may require us to make payments on an ongoing basis, the portion of the assessment related to sales in prior periods are contemplated to be one-time, nonrecurring items. Reversals of these accruals have occurred when certain assessments were declared unconstitutional.
- 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 Form 10-Q are determined by dividing the difference between current-period results and prior-period results by prior-period results.

Non-GAAP operating earnings: operating earnings/(loss) excluding (1) LIFO charges/(credits), (2) surgical gown recall costs, (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, and (7) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes: earnings/(loss) before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs, (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, and (8) loss on extinguishment of debt.

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net earnings/(loss) attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs, (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on extinguishment of debt, each net of tax, and (9) transitional tax benefit, net.

Non-GAAP effective tax rate: provision for/(benefit from) income taxes adjusted for (1) LIFO charges/(credits), (2) surgical gown recall costs, (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-

related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on extinguishment of debt, and (9) transitional tax benefit, (net) divided by (earnings/(loss) before income taxes adjusted for the first eight items).

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

GAAP to Non-GAAP Reconciliation

(in millions, except per common share amounts)	Operating Earnings/(Loss)	Operating Earnings Growth Rate	Earnings/(Loss) Before Income Taxes	Provision for/(Benefit from) Income Taxes	Net Earnings/(Loss)[1]	Net Earnings/(Loss)[1] Growth Rate	Diluted EPS[1,2]	Diluted EPS[1] Growth Rate
	Three Months Ended December 31, 2019							
GAAP	**$ 334**	**(34)%**	**$ 279**	**$ 59**	**$ 220**	**(21)%**	**$ 0.75**	**(19)%**
Surgical gown recall costs	96		96	25	71		0.24	
State opioid assessment related to prior fiscal years	(1)		(1)	—	(1)		—	
Restructuring and employee severance	56		56	14	42		0.14	
Amortization and other acquisition-related costs	133		133	33	100		0.34	
Impairments and (gain)/loss on disposal of assets, net	7		7	2	5		0.02	
Litigation (recoveries)/charges, net	21		21	3	18		0.06	
Loss on extinguishment of debt	—		4	1	3		0.01	
Transitional tax benefit, net	—		—	11	(11)		(0.04)	
Non-GAAP	**$ 646**	**1 %**	**$ 596**	**$ 148**	**$ 448**	**16 %**	**$ 1.52**	**18 %**
	Three Months Ended December 31, 2018							
GAAP	$ 504	26 %	$ 407	$ 126	$ 280	(73)%	$ 0.93	(72)%
State opioid assessment related to prior fiscal years	(29)		(29)	(8)	(21)		(0.07)	
Restructuring and employee severance	12		12	3	9		0.03	
Amortization and other acquisition-related costs	157		157	39	119		0.40	
Impairments and (gain)/loss on disposal of assets, net	8		8	1	7		0.02	
Litigation (recoveries)/charges, net	(15)		(15)	(4)	(11)		(0.04)	
Transitional tax benefit, net	—		—	(3)	3		0.01	
Non-GAAP	$ 637	(13)%	$ 540	$ 154	$ 385	(19)%	$ 1.29	(15)%
	Six Months Ended December 31, 2019							
GAAP	**$ (4,930)**	**N.M**	**$ (5,065)**	**$ (364)**	**$ (4,702)**	**N.M**	**$ (15.99)**	**N.M**
Surgical gown recall costs	96		96	25	71		0.24	
State opioid assessment related to prior fiscal years	4		4	1	3		0.01	
Restructuring and employee severance	86		86	21	65		0.22	
Amortization and other acquisition-related costs	265		265	67	198		0.67	
Impairments and (gain)/loss on disposal of assets, net	8		8	2	6		0.02	
Litigation (recoveries)/charges, net[3]	5,694		5,694	501	5,193		17.66	
Loss on extinguishment of debt	—		4	1	3		0.01	
Transitional tax benefit, net	—		—	11	(11)		(0.04)	
Non-GAAP	**$ 1,223**	**4 %**	**$ 1,092**	**$ 265**	**$ 826**	**6 %**	**$ 2.80**	**9 %**
	Six Months Ended December 31, 2018							
GAAP	$ 1,320	100 %	$ 1,143	$ 269	$ 873	(25)%	$ 2.88	(22)%
Restructuring and employee severance	44		44	11	33		0.11	
Amortization and other acquisition-related costs	314		314	74	240		0.79	
Impairments and (gain)/loss on disposal of assets, net	(503)		(503)	(133)	(370)		(1.22)	
Litigation (recoveries)/charges, net	3		3	—	3		0.01	
Transitional tax benefit, net	—		—	(3)	3		0.01	
Non-GAAP	$ 1,178	(12)%	$ 1,001	$ 218	$ 782	(5)%	$ 2.58	(1)%

[1] Attributable to Cardinal Health, Inc.

[2] For the six months ended December 31, 2019, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 294 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Year-to-date fiscal 2020 non-GAAP diluted EPS is calculated using a weighted average of 295 million common shares, which includes potentially dilutive shares.

[3] Litigation (recoveries)/charges, net includes a pre-tax charge of $5.63 billion ($5.14 billion after tax) recorded in the first quarter of fiscal 2020 related to the opioid litigation.

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.

Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2019 Form 10-K since the end of fiscal 2019 through December 31, 2019.

Controls and Procedures

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 December 31, 2019. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of December 31, 2019, our disclosure controls and procedures were effective 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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Legal Proceedings

In addition to the proceeding described below, the legal proceedings described in Note 7 of the "Notes to Condensed 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 attorneys' fees. In December 2019 and January 2020, similar complaints were filed in the U.S. District Court for the Southern District of Ohio by purported shareholders, Stanley M. Malone and Michael Splaine, respectively. In January, 2020, the court granted the plaintiffs' unopposed motion to consolidate the derivative cases under the caption *In re Cardinal Health, Inc. Derivative Litigation*.

Risk Factors

You should carefully consider the information in this Form 10-Q, including the risk factors below, and the risk factors discussed in "Risk Factors" and other risks discussed in our 2019 Form 10-K, our Form 10-Q for the quarter ended September 30, 2019, and other filings with the SEC since June 30, 2019. These risks could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

The recalls of certain surgical gowns and related Presource Procedure Packs had a negative impact on our financial results in the three months ended December 31, 2019, and are expected to have additional negative financial and operational impacts.

In January, 2020, we issued a voluntary recall for 9.1 million AAMI Level 3 surgical gowns and two voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for 2.9 million Presource Procedure Packs containing affected gowns (together, the "Recalls"). The Recalls were necessary because we discovered in December 2019 that one of our FDA-registered suppliers in China had shifted production of some gowns to unapproved sites with uncontrolled environments. Because of this, we could not assure sterility of the gowns.

In connection with the Recalls, in the three months ended December 31, 2019, we recorded a total charge of $96 million, of which $56 million is within cost of products sold and $40 million is within SG&A in the condensed consolidated statements of earnings. This charge represents our best estimate of costs for the Recalls and includes inventory write-off costs and certain remediation and supply disruption costs, such as costs to replace recalled products. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. The amount of ultimate loss may differ materially from this accrual.

In addition to the charge for the three months ended December 31, 2019, we expect that the Recalls will have other negative impacts, which could include: government investigations and enforcement actions by the U.S. Food and Drug Administration or other regulators or U.S. or international governmental bodies (possibly resulting in product seizures, additional recalls, the issuance of safety alerts, the

suspension or revocation of the authority to produce, distribute and sell products and other civil or criminal sanctions); losses due to patient claims, including product liability claims and lawsuits; and customer claims unrelated to their direct costs from the supply disruption.

Additionally, these surgical gowns and procedure packs are used in surgeries throughout the United States and internationally. Due to quality standards, it is challenging to quickly establish additional or replacement suppliers. These Recalls are expected to result in sustained supply reductions and market shortages. We understand that, due to these supply shortages, surgeries have been delayed or canceled, and we expect that additional surgeries will be delayed or canceled over a period of several weeks or months. This and other aspects of the Recalls could result in reputational harm and loss of customers and sales.

The public health crisis involving the abuse of prescription opioid pain medication and our efforts to resolve related claims could have additional or unexpected material negative effects 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 other states for the same activities and could be named as a defendant in additional lawsuits. The defense and resolution of current and future lawsuits and events relating to these lawsuits are subject to uncertainty and could have a material adverse effect on our results of operations, financial condition, cash flows, liquidity, our ability to pay dividends or repurchase our shares, or have adverse reputational or operational effects on our business.

In October 2019, we agreed in principle to a Settlement Framework and in connection with this development we recorded a pre-tax accrual of $5.56 billion in the six months ended December 31, 2019. This Settlement Framework is subject to contingencies but is the basis for our negotiation of definitive terms and documentation. Final terms of a settlement under the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied. We will regularly review opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual. See Note 7 of the "Notes to Condensed 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.

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.

Additionally, in connection with the $5.63 billion pre-tax charge for the opioid litigation, in the six months ended December 31, 2019, we recorded a tax benefit of $487 million, which is net of unrecognized tax benefits of $468 million, reflecting our current assessment of the estimated future deductibility of the amount that may be paid. We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the Tax Act; however, these estimates require significant judgment since the definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated and the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit related to uncertain tax positions may differ materially from these estimates. See Note 8 of the "Notes to Condensed Consolidated Financial Statements" for more information regarding these matters.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state 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. Tax laws are complex and subject to varying interpretations. Tax authorities have challenged

some of our tax positions, including IRS challenges to our international transfer pricing for the periods from 2008 to 2014, and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Programs (2,3)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (3) (in millions)
October 2019	1,214	$ 48.05	—	$ 1,013
November 2019	255	52.92	—	1,013
December 2019	894,064	48.00	893,696	943
Total	**895,533**	**$ 48.00**	**893,696**	**$ 943**

(1) Reflects 1,214, 255 and 368 common shares purchased in October, November and December 2019, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On August 20, 2019, we entered into an accelerated share repurchase ("ASR") program to purchase common shares for an aggregate purchase price of $350 million, which was completed on December 4, 2019. During the six months ended December 31, 2019, we repurchased 7.3 million common shares at a weighted average price of $48.00 under this program. During December 2019, the ASR program closed and upon settlement, we received 893,696 remaining common shares. Upon closing of the ASR program we have $943 million remaining under our program. See Note 11 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(3) 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 a $1.0 billion share repurchase program that expires on December 31, 2021 and as of December 31, 2019, we have $943 million authorized for share repurchases remaining under this program.

Condensed Consolidated Statements of Earnings/(Loss)

(Unaudited)

(in millions, except per common share amounts)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Six Months Ended December 31, 2019	Six Months Ended December 31, 2018
Revenue	**$ 39,735**	$ 37,740	**$ 77,076**	$ 72,953
Cost of products sold	**38,021**	36,010	**73,683**	69,556
Gross margin	**1,714**	1,730	**3,393**	3,397
Operating expenses:				
Distribution, selling, general and administrative expenses	**1,163**	1,064	**2,270**	2,219
Restructuring and employee severance	**56**	12	**86**	44
Amortization and other acquisition-related costs	**133**	157	**265**	314
Impairments and (gain)/loss on disposal of assets, net	**7**	8	**8**	(503)
Litigation (recoveries)/charges, net	**21**	(15)	**5,694**	3
Operating earnings/(loss)	**334**	504	**(4,930)**	1,320
Other (income)/expense, net	**(12)**	21	**2**	25
Interest expense, net	**63**	76	**129**	152
Loss on extinguishment of debt	**4**	—	**4**	—
Earnings/(loss) before income taxes	**279**	407	**(5,065)**	1,143
Provision for/(benefit from) income taxes	**59**	126	**(364)**	269
Net earnings/(loss)	**220**	281	**(4,701)**	874
Less: Net earnings attributable to noncontrolling interests	**—**	(1)	**(1)**	(1)
Net earnings/(loss) attributable to Cardinal Health, Inc.	**$ 220**	$ 280	**$ (4,702)**	$ 873
Earnings/(loss) per common share attributable to Cardinal Health, Inc.:				
Basic	**$ 0.75**	$ 0.94	**$ (15.99)**	$ 2.90
Diluted	**0.75**	0.93	**(15.99)**	2.88
Weighted-average number of common shares outstanding:				
Basic	**292**	299	**294**	302
Diluted	**294**	300	**294**	303
Cash dividends declared per common share	**$ 0.4811**	$ 0.4763	**$ 0.9622**	$ 0.9526

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income/(Loss)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
(in millions)	**2019**	2018	**2019**	2018
Net earnings/(loss)	**$ 220**	$ 281	**$ (4,701)**	$ 874
Other comprehensive loss:				
Foreign currency translation adjustments and other	**(1)**	(26)	**(18)**	(29)
Net unrealized loss on derivative instruments, net of tax	**(1)**	(1)	**(6)**	(2)
Total other comprehensive loss, net of tax	**(2)**	(27)	**(24)**	(31)
Total comprehensive income/(loss)	**218**	254	**(4,725)**	843
Less: comprehensive income attributable to noncontrolling interests	—	(1)	**(1)**	(1)
Total comprehensive income/(loss) attributable to Cardinal Health, Inc.	**$ 218**	$ 253	**$ (4,726)**	$ 842

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)	December 31, 2019	June 30, 2019
Assets		
Current assets:		
Cash and equivalents	**$ 1,659**	$ 2,531
Trade receivables, net	**8,280**	8,448
Inventories, net	**13,799**	12,822
Prepaid expenses and other	**1,998**	1,946
Total current assets	**25,736**	25,747
Property and equipment, net	**2,301**	2,356
Goodwill and other intangibles, net	**11,523**	11,808
Other assets	**1,482**	1,052
Total assets	**$ 41,042**	$ 40,963
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 21,459**	$ 21,535
Current portion of long-term obligations and other short-term borrowings	**1,192**	452
Other accrued liabilities	**2,239**	2,122
Total current liabilities	**24,890**	24,109
Long-term obligations, less current portion	**6,742**	7,579
Deferred income taxes and other liabilities	**8,408**	2,945
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 **December 31, 2019** and June 30, 2019, respectively	**2,752**	2,763
Retained earnings	**449**	5,434
Common shares in treasury, at cost: **35 million** shares and 28 million shares at **December 31, 2019** and June 30, 2019, respectively	**(2,099)**	(1,790)
Accumulated other comprehensive loss	**(103)**	(79)
Total Cardinal Health, Inc. shareholders' equity	**999**	6,328
Noncontrolling interests	**3**	2
Total shareholders' equity	**1,002**	6,330
Total liabilities and shareholders' equity	**$ 41,042**	$ 40,963

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

(in millions)	Common Shares Issued	Common Shares Amount	Retained Earnings	Treasury Shares	Treasury Shares Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
				Three Months Ended December 31, 2019				
Balance at September 30, 2019	327	$ 2,669	$ 371	(34)	$ (2,039)	$ (101)	$ 3	**$ 903**
Net earnings			220				—	**220**
Other comprehensive loss, net of tax						(2)		**(2)**
Employee stock plans activity, net of shares withheld for employee taxes	—	13			10			**23**
Share repurchase program activity		70		(1)	(70)			**—**
Dividends declared			(143)					**(143)**
Other			1				—	**1**
Balance at December 31, 2019	**327**	**$ 2,752**	**$ 449**	**(35)**	**$ (2,099)**	**$ (103)**	**$ 3**	**$ 1,002**
				Three Months Ended December 31, 2018				
Balance at September 30, 2018	327	$ 2,590	$ 5,097	(27)	$ (1,678)	$ (96)	$ —	$ 5,913
Net earnings			280				1	281
Other comprehensive loss, net of tax						(27)		(27)
Employee stock plans activity, net of shares withheld for employee taxes	—	18			3			21
Share repurchase program activity		120		(2)	(120)			—
Dividends declared			(143)					(143)
Other			(1)				(1)	(2)
Balance at December 31, 2018	327	$ 2,728	$ 5,233	(29)	$ (1,795)	$ (123)	$ —	$ 6,043
				Six Months Ended December 31, 2019				
Balance at June 30, 2019	327	$ 2,763	$ 5,434	(28)	$ (1,790)	$ (79)	$ 2	**$ 6,330**
Net earnings/(loss)			(4,702)				1	**(4,701)**
Other comprehensive loss, net of tax						(24)		**(24)**
Employee stock plans activity, net of shares withheld for employee taxes	—	(11)			41			**30**
Share repurchase program activity		—		(7)	(350)			**(350)**
Dividends declared			(284)					**(284)**
Other			1				—	**1**
Balance at December 31, 2019	**327**	**$ 2,752**	**$ 449**	**(35)**	**$ (2,099)**	**$ (103)**	**$ 3**	**$ 1,002**
				Six Months Ended December 31, 2018				
Balance at June 30, 2018	327	$ 2,730	$ 4,645	(18)	$ (1,224)	$ (92)	$ —	$ 6,059
Net earnings			873				1	874
Other comprehensive loss, net of tax						(31)		(31)
Employee stock plans activity, net of shares withheld for employee taxes	—	(2)			29			27
Share repurchase program activity		—		(11)	(600)			(600)
Dividends declared			(286)					(286)
Other			1				(1)	—
Balance at December 31, 2018	327	$ 2,728	$ 5,233	(29)	$ (1,795)	$ (123)	$ —	$ 6,043

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)	Six Months Ended December 31, 2019	2018
Cash flows from operating activities:		
Net earnings/(loss)	**$ (4,701)**	$ 874
Adjustments to reconcile net earnings/(loss) to net cash provided by operating activities:		
Depreciation and amortization	**464**	498
Impairments and loss on sale of other investments	**—**	2
Impairments and (gain)/loss on disposal of assets, net	**8**	(503)
Loss on extinguishment of debt	**4**	—
Share-based compensation	**41**	41
Provision for bad debts	**47**	40
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:		
(Increase)/decrease in trade receivables	**121**	(191)
Increase in inventories	**(991)**	(753)
Increase/(decrease) in accounts payable	**(77)**	941
Other accrued liabilities and operating items, net	**5,128**	(213)
Net cash provided by operating activities	**44**	736
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	**—**	(21)
Additions to property and equipment	**(149)**	(116)
Purchase of investments	**(6)**	(10)
Proceeds from sale of investments	**2**	2
Proceeds from divestitures, net of cash sold, and disposal of property and equipment	**2**	740
Net cash provided by/(used in) investing activities	**(151)**	595
Cash flows from financing activities:		
Net change in short-term borrowings	**681**	—
Reduction of long-term obligations	**(793)**	(2)
Net tax withholdings from share-based compensation	**(11)**	(13)
Dividends on common shares	**(287)**	(293)
Purchase of treasury shares	**(350)**	(600)
Net cash used in financing activities	**(760)**	(908)
Effect of exchange rates changes on cash and equivalents	**(5)**	(4)
Net increase/(decrease) in cash and equivalents	**(872)**	419
Cash and equivalents at beginning of period	**2,531**	1,763
Cash and equivalents at end of period	**$ 1,659**	$ 2,182

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. Investments in business entities in which we do not have control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Refer to Note 4 for further information on our equity method investments.

References to "we," "our," and similar pronouns in in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 (this "Form 10-Q") refer to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context requires otherwise.

Our fiscal year ends on June 30. References to fiscal 2020 and 2019 in these condensed consolidated financial statements are to the fiscal years ending or ended June 30, 2020 and June 30, 2019, respectively.

Our condensed consolidated financial statements have been prepared in accordance with the United States Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Except as disclosed elsewhere in this Form 10-Q, all such adjustments are of a normal and recurring nature. To conform to the current year presentation, certain prior year amounts have been reclassified. In addition, financial results presented for this fiscal 2020 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2020. These condensed consolidated financial statements are unaudited and, accordingly, should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (the "2019 Form 10-K").

Recently Adopted Financial Accounting Standards

Derivatives and Hedging

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 is effective beginning the first quarter of fiscal 2020 and must be applied on a prospective basis. The adoption did not have a material impact 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 adopted this guidance during the first quarter of fiscal 2020 and elected the transition option which allows us to apply the guidance prospectively. The adoption resulted in the recognition of lease liabilities in the amount of $422 million and did not 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 vehicles and equipment. The adoption required certain changes to our systems and processes. See Note 5 for additional information regarding leases.

Recently Issued Financial Accounting Standards Not Yet Adopted

Financial Instruments - Credit Losses

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. Restructuring and Employee Severance

The following table summarizes restructuring and employee severance costs:

	Three Months Ended December 31,	
(in millions)	**2019**	2018
Employee-related costs (1)	**$ 42**	$ 12
Facility exit and other costs (2)	**14**	—
Total restructuring and employee severance	**$ 56**	$ 12

	Six Months Ended December 31,	
(in millions)	**2019**	2018
Employee-related costs (1)	**$ 62**	$ 41
Facility exit and other costs (2)	**24**	3
Total restructuring and employee severance	**$ 86**	$ 44

(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.

During fiscal 2020 and 2019, we implemented certain enterprise-wide cost-saving initiatives affecting various functional and commercial areas intended to optimize and simplify our operating model and cost structure. We incurred $42 million and $8 million during the three months ended December 31, 2019 and 2018, respectively, and $62 million and $34 million for the six months ended December 31, 2019 and 2018, respectively, in expenses related to these cost savings initiatives, which are reflected in restructuring and employee severance in the condensed consolidated statements of earnings/(loss).

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, 2019	$ 64	$ 8	**$ 72**
Additions	56	8	**64**
Payments and other adjustments	(21)	(3)	**(24)**
Balance at December 31, 2019	**$ 99**	**$ 13**	**$ 112**

3. 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	Medical	**Total**
Balance at June 30, 2019	$ 2,663	$ 5,715	**$ 8,378**
Goodwill acquired, net of purchase price adjustments	(5)	—	**(5)**
Foreign currency translation adjustments and other	—	(17)	**(17)**
Balance at December 31, 2019	**$ 2,658**	**$ 5,698**	**$ 8,356**

Other Intangible Assets

The following tables summarize other intangible assets by class at:

	December 31, 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	**3,550**	**1,670**	**1,880**	**13**
Trademarks, trade names and patents	**673**	**318**	**355**	**13**
Developed technology and other	**1,603**	**693**	**910**	**11**
Total definite-life intangibles	**5,826**	**2,681**	**3,145**	**12**
Total other intangible assets	**$ 5,848**	**$ 2,681**	**$ 3,167**	**N/A**

(in millions)	June 30, 2019 Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 22	$ —	$ 22
Total indefinite-life intangibles	22	—	22
Definite-life intangibles:			
Customer relationships	3,562	1,517	2,045
Trademarks, trade names and patents	672	295	377
Developed technology and other	1,602	616	986
Total definite-life intangibles	5,836	2,428	3,408
Total other intangible assets	$ 5,858	$ 2,428	$ 3,430

Total amortization of intangible assets was $127 million and $133 million for the three months ended December 31, 2019 and 2018, respectively, and $256 million and $266 million for the six months ended December 31, 2019 and 2018, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2020 through 2024 is as follows: $258 million, $442 million, $408 million, $358 million and $328 million.

4. Investments

In August 2018, we sold our 98 percent ownership interest in naviHealth Holdings, LLC ("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. We are accounting for this investment using the equity method of accounting and on a one-month reporting lag.

During the six months ended December 31, 2018, we recognized a pre-tax gain of $508 million related to this divestiture in impairments and (gain)/loss on disposal of assets in our condensed consolidated statements of earnings.

The carrying value of this investment was $330 million and $334 million as of December 31, 2019 and June 30, 2019, respectively. During the three and six months ended December 31, 2019, our proportionate share of naviHealth's net loss, which was recorded in other (income)/ expense, net in the condensed consolidated statements of earnings/(loss), was immaterial.

5. Leases

We primarily have operating leases for corporate offices, distribution facilities, vehicles, and equipment. We determine if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether we obtain substantially all of the economic benefits from and have the ability to direct the use of the asset. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

Beginning July 1, 2019, operating lease right-of-use assets and corresponding operating lease liabilities are recognized in our condensed consolidated balance sheet at commencement date based on the present value of lease payments over the lease term. Operating lease expense for operating lease assets is recognized on a straight-line basis over the lease term. As most of our leases do not provide an implicit rate, we use our collateralized incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate if it is readily determinable.

Our lease agreements include leases that contain lease components and non-lease components. For all asset classes, we have elected to account for both of these provisions as a single lease component. We also, from time to time, sublease portions of our real estate property, resulting in sublease income. Sublease income and the related assets and cash flows are not material to the condensed consolidated financial statements at or for the three and six months ended December 31, 2019.

We also have elected to apply a practical expedient for short-term leases whereby we do not recognize a lease liability and right-of-use asset for leases with a term of less than 12 months. Short-term lease expense recognized in the three and six months ended December 31, 2019 was not material. In addition, we elected the package of three practical expedients permitted under the transition guidance, which include the carry forward of our leases without reassessing 1) whether any contracts are leases or contain leases, 2) lease classification and 3) initial direct costs.

Our leases have remaining lease terms from less than 1 year up to approximately 23 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain and there is a significant economic incentive to exercise that option.

The following table summarizes the components of lease cost:

(in millions)	Three Months Ended December 31, 2019	Six Months Ended December 31, 2019
Operating lease cost	$ 30	$ 61
Finance lease cost		
Amortization of right-of-use assets	4	8
Total finance lease cost	4	8
Variable lease cost[1]	11	12
Total lease cost	$ 45	$ 81

(1) Primarily includes payments for property taxes, maintenance and insurance.

The following table summarizes supplemental balance sheet information related to leases:

(in millions)	December 31, 2019
Operating Leases	
Operating lease right-of-use assets	$ 404
Current portion of operating lease liabilities	102
Long-term operating lease liabilities	324
Total operating lease liabilities	426
Finance Leases	
Finance lease right-of-use assets	14
Current portion of finance lease liabilities	4
Long-term finance lease liabilities	11
Total finance lease liabilities	$ 15

Operating leases are included in other assets, other accrued liabilities, and deferred income taxes and other liabilities in our condensed consolidated balance sheet. Finance leases are included in property and equipment, net, current portion of long-term obligations and other short-term borrowings, and long-term obligations, less current portion in our condensed consolidated balance sheet.

The following tables summarizes supplemental cash flow information related to leases:

(in millions)	Six Months Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows paid for operating leases	$ 61
Financing cash flows paid for finance leases	3
Non-cash right-of-use assets obtained in exchange for lease obligations:	
New operating leases	54
New finance leases	17
Amended lease standard adoption impact as of July 1, 2019 [1]	400

(1) Includes the effect of $22 million from reclassifying deferred rent as an offset to the lease right-of-use asset in accordance with the transition guidance.

Our operating leases had a weighted-average remaining lease term of 6.3 years and a weighted-average discount rate of 2.9 percent.

Future lease payments under non-cancellable leases as of December 31, 2019 were as follows:

(in millions)	Operating Leases	Finance Leases	Total
Years Ending December 31,			
Remainder of 2020	$ 59	$ 2	$ 61
2021	108	6	114
2022	89	4	93
2023	67	4	71
2024	47	1	48
Thereafter	166	—	166
Total future lease payments	536	17	553
Less: leases not yet commenced [1]	61	—	61
Less: imputed interest	49	2	51
Total lease liabilities	$ 426	$ 15	$ 441

(1) As of December 31, 2019, we had certain leases that were executed but did not have control of the underlying assets; therefore, the lease liabilities and right-of-use assets are not recorded in the condensed consolidated balance sheets.

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 were as follows: $126 million, $100 million, $76 million, $54 million, $33 million and $94 million.

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

Long-Term Debt and Other Short-Term Borrowings

At December 31, 2019 and June 30, 2019, we had total long-term obligations, including the current portion and other short-term borrowings, of $7.9 billion and 8.0 billion, respectively. 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. Interest is paid pursuant to the terms of the obligations. These obligations are effectively subordinated to the liabilities of our subsidiaries, including trade payables of 21.5 billion at both December 31, 2019 and June 30, 2019.

In November 2019, we repaid the full principal of the 2.4% Notes due 2019 at maturity for $450 million. During the six months ended December 31, 2019, we early repurchased $207 million of the 2.616% Notes due 2022, $10 million of the 3.2% Notes due 2022, $14 million of the Floating Rate Notes due 2022, $81 million of the 3.41% Notes due 2027, $6 million of the 4.6% Notes due 2043, $2 million of the 4.9% Notes due 2045, and $21 million of the 4.368% Notes due 2047. The repurchases were paid for with available cash and other short-term borrowings. In connection with the early debt repurchases, we recorded a $4 million loss on extinguishment of debt.

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

(in millions) (1)	December 31, 2019	June 30, 2019
2.4% Notes due 2019	$ —	$ 450
4.625% Notes due 2020	**506**	508
2.616% Notes due 2022	**873**	1,079
3.2% Notes due 2022	**238**	247
Floating Rate Notes due 2022	**326**	340
3.2% Notes due 2023	**553**	551
3.079% Notes due 2024	**780**	781
3.5% Notes due 2024	**402**	402
3.75% Notes due 2025	**497**	494
3.41% Notes due 2027	**1,238**	1,318
4.6% Notes due 2043	**340**	346
4.5% Notes due 2044	**342**	342
4.9% Notes due 2045	**443**	445
4.368% Notes due 2047	**574**	594
7.0% Debentures due 2026	**124**	124
Other Obligations (2)	**698**	10
Total	**7,934**	8,031
Less: current portion of long-term obligations and other short-term borrowings	**1,192**	452
Long-term obligations, less current portion	**$ 6,742**	$ 7,579

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

(2) Includes $458 million outstanding under our commercial paper program and $225 million outstanding under our committed receivables sales facility.

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. At December 31, 2019, we had $458 million outstanding under our commercial paper program, $225 million outstanding under committed receivables sales facility and no amount outstanding under our revolving credit facility.

In September 2019, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through September 30, 2022. 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.

Our revolving credit and committed receivables sales facilities require us to maintain, as of the end of every fiscal quarter through December 2020, a consolidated net leverage ratio of no more than 4.00-to-1. The maximum permitted ratio will reduce to 3.75-to-1 in March 2021

and as of the end of every quarter thereafter. As of December 31, 2019, we were in compliance with this financial covenant.

7. Commitments, Contingent Liabilities and Litigation

Commitments

Generic Sourcing Venture with CVS Health Corporation ("CVS Health")

In July 2014, we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health for an initial term of 10 years. 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 remainder of the initial term.

Legal Proceedings

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

We are 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 have led, and may in the future 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. Except as otherwise disclosed in this footnote, it is not possible for us to reasonably estimate the amount of any possible loss or range of possible losses in the matters described below.

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 condensed consolidated statements of earnings.

Opioid Lawsuits and Investigations

Pharmaceutical wholesale distributors, including us, have been named as defendants in approximately 3,000 lawsuits relating to the distribution of prescription opioid pain medications. The lawsuits seek equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as public nuisance, negligence 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.

States & Political Subdivisions

Approximately 2,500 of these lawsuits have been filed by counties, municipalities, cities and political subdivisions in various federal, state, and other courts. 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 “MDL”).

In addition, 23 state attorneys general have filed lawsuits against distributors, including us, in various state courts. A trial in New York for cases brought by the New York Attorney General and Nassau and Suffolk counties is scheduled to begin in March 2020.

Additionally, 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 and governmental authorities.

In October 2019, we agreed in principle to a global settlement framework with a leadership group of state attorneys general that is

designed to resolve all pending and future opioid lawsuits and claims by states and political subdivisions (the "Settlement Framework"). This Settlement Framework is subject to contingencies and uncertainties as to final terms, but is the basis for our negotiation of definitive terms and documentation.

The Settlement Framework includes (1) a cash component, pursuant to which we would pay up to $5.56 billion over eighteen years, (2) development and participation in a program for free or rebated distribution of opioid abuse treatment medications for a period of ten years, and (3) industry-wide changes to be specified to controlled substance anti-diversion programs. Final terms for a settlement pursuant to the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied. In connection with these matters, in the six months ended December 31, 2019, we accrued $5.56 billion, included in deferred income taxes and other liabilities in the condensed consolidated balance sheets, which represents the cash component. We are unable to reasonably estimate the liability associated with the other components of the Settlement Framework, the potential distribution of treatment medications and any incremental costs for changes to our controlled substance anti-diversion program that we may agree to.

In the six months ended December 31, 2019, we along with two other national distributors entered into a $215 million settlement with two Ohio counties, Cuyahoga and Summit, to resolve all claims in the first bellwether trial in the MDL, which had been set for trial for October 2019. In connection with this settlement, we accrued $66 million in the six months ended December 31, 2019. This accrual is included in other accrued liabilities in the condensed consolidated balance sheets.

In connection with these matters, we recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) during the six months ended December 31, 2019 in litigation (recoveries)/charges, net, in the condensed consolidated statement of earnings for the cash component. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We will regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual. We continue to strongly dispute the allegations made in these lawsuits and reaching an agreement in principle on a global settlement framework is not an admission of liability or wrongdoing.

Private Plaintiffs

The Settlement Framework does not address claims by private plaintiffs, which includes unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals. Private plaintiffs had brought approximately 365 lawsuits as of February 4, 2020. Of these, 105 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs. We will continue to vigorously defend ourselves in these matters.

Department of Justice Investigations

We have received grand jury subpoenas issued on behalf of the District Courts for the Eastern District of New York and the District of Columbia seeking documents and, in the District of Columbia, testimony, related to our anti-diversion policies and procedures, and our distribution of certain controlled substances. We are cooperating with these requests.

Cordis Product Liability Lawsuits

As of February 4, 2020, we are named as a defendant in 299 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 3,773 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. Another 29 lawsuits involving similar claims by approximately 35 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 December 31, 2019, we had a total of $441 million accrued for losses and legal defense costs related to the Cordis IVC filter lawsuits. 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 $885 million.

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.

Surgical Gown Recalls

In January, 2020, we issued a voluntary recall for 9.1 million AAMI Level 3 surgical gowns and two voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for 2.9 million Presource Procedure Packs containing affected gowns (together, the "Recalls"). These Recalls were necessary because we discovered in December 2019 that one of our FDA-registered suppliers in China had shifted production of some gowns to unapproved sites with uncontrolled environments. Because of this, we could not assure sterility of the gowns.

In connection with these Recalls, in the three months ended December 31, 2019, we recorded a total charge of $96 million, of which $56 million is within cost of products sold and $40 million is

within SG&A in the condensed consolidated statements of earnings. In our condensed consolidated balance sheet at December 31, 2019, we had $38 million reserved within inventories, net, and $58 million included in other accrued liabilities related to this charge. This charge represents our best estimate of costs for the Recalls and include inventory write-off costs and certain remediation and supply disruption costs, such as costs to replace recalled products. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. The amount of ultimate loss may differ materially from this accrual.

In addition to the charge for the three months ended December 31, 2019, we expect that the Recalls will have other negative impacts, which could include: government investigations and enforcement actions by the U.S. Food and Drug Administration or other regulators or U.S. or international governmental bodies (possibly resulting in product seizures, additional recalls, the issuance of safety alerts, the suspension or revocation of the authority to produce, distribute and sell products and other civil or criminal sanctions); losses due to patient claims, including product liability claims and lawsuits; and customer claims unrelated to their direct costs from the supply disruption. We are not currently able to reasonably estimate the amount of any possible loss or range of possible losses for any of these potential claims or actions.

Other Civil Litigation

Generic Pharmaceutical Antitrust Litigation

In December 2019, pharmaceutical distributors including us were added as defendants in a civil multidistrict litigation consisting of multiple individual and class action lawsuits filed by indirect purchasers of generic drugs, such as hospitals and retail pharmacies. The plaintiffs allege that pharmaceutical distributors encouraged manufacturers to increase prices, provided anti-competitive pricing information to manufacturers and informed manufacturers that they wished to maintain current customer allocations for the purpose of avoiding price erosion. We intend to vigorously defend ourselves in these matters.

Blood Pressure Medication Recall Litigation

Many participants in the pharmaceutical supply chain, including manufacturers, repackagers (including us), distributors (including us), and retailers have been named as defendants in Multidistrict Litigation in the U.S. District Court for the District of New Jersey (the “Blood Pressure Medication Recall MDL”), which was created in February 2019. The claims arise out of a series of recalls of generic blood pressure medications due to alleged impurities in active pharmaceutical ingredients. In December 2019, two additional medications were added to the Blood Pressure Medication Recall MDL. In January 2020, manufacturers recalled another medication and the FDA continues to investigate other drugs for possible recall. We intend to vigorously defend ourselves in these matters.

8. Income Taxes

Fluctuations in our provision for/(benefit from) income taxes as a percentage of pretax earnings (“effective tax rate”) are generally due to changes in international and U.S. state effective tax rates resulting from our business mix and discrete items.

Opioid Settlement Framework

In connection with the $5.63 billion pre-tax charge for the opioid litigation, during the six months ended December 31, 2019 we recorded a tax benefit of $487 million, which is net of unrecognized tax benefits of $468 million, reflecting our current assessment of the estimated future deductibility of the amount that may be paid. We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the Tax Act; however, these estimates require significant judgment since the definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated and the U.S. tax law governing deductibility was changed by the U.S. Tax Cuts and Jobs Act ("Tax Act"). Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit related to uncertain tax positions may differ materially from these estimates. See Note 7 for more information regarding these matters.

Effective Tax Rate

During the three months ended December 31, 2019 and 2018, the effective tax rate was 21.0 percent and 31.0 percent, respectively. The change in the effective tax rate from prior period is primarily due to the favorable impact from changes in jurisdictional mix and discrete items recognized in the second quarter of fiscal 2020, largely driven by changes as a result of tax reform.

During the six months ended December 31, 2019 and 2018, the effective tax rate was 7.2 percent and 23.5 percent, respectively. The change in the effective tax rate from fiscal 2019 to fiscal 2020 is primarily due to the net effects of the Settlement Framework.

Unrecognized Tax Benefits

At December 31, 2019 and June 30, 2019, we had $940 million and $456 million of unrecognized tax benefits, respectively. The December 31, 2019 and June 30, 2019 balances include $791 million and $303 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At December 31, 2019 and June 30, 2019, we had $132 million and $122 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the provision for/(benefit from) income taxes in the condensed consolidated statements of earnings/(loss). These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

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 IRS and other 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 between zero and a net decrease of up to $350 million, exclusive of penalties and interest.

Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state 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. Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions, including IRS challenges to our international transfer pricing for the periods from 2008 to 2014, and it is possible that they will challenge others. These challenges may adversely affect our effective tax rate or tax payments.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), a subsidiary of 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 $171 million and $165 million at December 31, 2019 and June 30, 2019, respectively, and is included in other assets in the condensed 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 and $22 million at December 31, 2019 and June 30, 2019, respectively, and is included in other assets in the condensed consolidated balance sheet.

Future adjustments to the financial statements may be necessary as final tax regulations related to U.S. Tax Reform are issued. We will assess any impact as additional guidance is issued.

9. Fair Value Measurements

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

	December 31, 2019			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**$ 199**	**$ —**	**$ —**	**$ 199**
Other investments (1)	**116**	**—**	**—**	**116**
Forward Contracts (2)	**—**	**73**	**—**	**73**

	June 30, 2019			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Other investments (1)	$ 118	$ —	$ —	$ 118
Forward Contracts (2)	—	53	—	53

(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, commodity contracts, and net investment hedges 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 prepaid expenses and other, other assets, other accrued liabilities, and deferred income taxes and other liabilities within the condensed consolidated balance sheets.

10. 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 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 rated 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 volatility in earnings, cash flow and net investments in certain subsidiaries 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.

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 in the condensed consolidated statements of earnings. For the three and six months ended December 31, 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 the six months ended December 31, 2019 and 2018, no new pay-floating interest rate swaps were executed. In connection with the debt redemption as described in Note 6, two pay-floating interest rate swaps with notional amounts of $200 million matured in the second quarter of fiscal 2020.

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/(loss) 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.

During the six months ended December 31, 2019, we entered into forward interest rate swaps with a total notional amount of $100 million to hedge probable, but not firmly committed, future transactions associated with our debt.

Gains and losses recognized in accumulated other comprehensive loss and reclassified into earnings were immaterial for the three and six months ended December 31, 2019 and 2018. 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.

Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment positions in foreign subsidiaries. To accomplish this, we enter into cross-currency swaps that are designated as hedges of net investments.

In August 2019, we entered into a ¥64.0 billion ($600 million) cross-currency swap maturing in 2022.

In September 2018, we entered into a €200 million ($233 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 income/(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 the six months ended December 31, 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. We recorded a $7 million and $8 million expense during the six months ended December 31, 2019 and 2018, respectively. The principal currencies managed through foreign currency contracts are the euro, Canadian dollar, British pound, Japanese yen, and Chinese renminbi.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, accounts payable and other accrued liabilities at December 31, 2019 and June 30, 2019 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:

(in millions)	December 31, 2019	June 30, 2019
Estimated fair value	**$ 8,078**	$ 8,065
Carrying amount	**7,934**	8,031

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.

11. Shareholders' Equity

During the six months ended December 31, 2019, we repurchased 7.3 million common shares having an aggregate cost of $350 million. The average price paid per common share was $48.00. These repurchases were made under an accelerated share repurchase ("ASR") program, which began on August 20, 2019 and was completed on December 4, 2019.

During the six months ended December 31, 2018, we repurchased 11.5 million common shares having an aggregate cost of $600 million. The average price paid per common share was $52.32.

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.

Accumulated Other Comprehensive Loss

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

(in millions)	Foreign Currency Translation Adjustments	Unrealized Gain/(Loss) on Derivatives, net of tax	Accumulated Other Comprehensive Loss
Balance at June 30, 2019	$ (95)	$ 16	**$ (79)**
Other comprehensive loss, before reclassifications	(18)	—	**(18)**
Amounts reclassified to earnings	—	(6)	**(6)**
Other comprehensive loss, net of tax	(18)	(6)	**(24)**
Balance at December 31, 2019	**$ (113)**	**$ 10**	**$ (103)**

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

The following table reconciles the number of common shares used to compute basic and diluted earnings per share attributable to Cardinal Health, Inc.:

	Three Months Ended December 31,	
(in millions)	**2019**	2018
Weighted-average common shares–basic	**292**	299
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**2**	1
Weighted-average common shares–diluted	**294**	300

	Six Months Ended December 31,	
(in millions)	**2019**	2018
Weighted-average common shares–basic	**294**	302
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**—**	1
Weighted-average common shares–diluted	**294**	303

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive were 4 million for the three months ended December 31, 2019 and 6 million for the six months ended December 31, 2019 (1 million of which would be anti-dilutive as a result of the year-to-date net loss).

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive were 5 million during both three months and six months ended December 31, 2018.

13. 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.

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. 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 Solutions division.

Revenue

The following tables present revenue for each reportable segment and disaggregated revenue within our two reportable segments and Corporate:

	Three Months Ended December 31,	
(in millions)	**2019**	2018
Pharmaceutical Distribution and Specialty Solutions (1) (2)	**$ 35,501**	**$ 33,534**
Nuclear and Precision Health Solutions	**213**	**206**
Pharmaceutical segment revenue	**35,714**	**33,740**
Medical distribution and products (3)	**3,498**	**3,527**
Cardinal Health at-Home Solutions	**525**	**479**
Medical segment revenue	**4,023**	**4,006**
Total segment revenue	**39,737**	**37,746**
Corporate (4)	**(2)**	**(6)**
Total revenue	**$ 39,735**	**$ 37,740**

	Six Months Ended December 31,	
(in millions)	**2019**	2018
Pharmaceutical Distribution and Specialty Solutions (1) (2)	**$ 68,713**	**$ 64,742**
Nuclear and Precision Health Solutions	**429**	**413**
Pharmaceutical segment revenue	**69,142**	**65,155**
Medical distribution and products (3)	**6,944**	**6,907**
Cardinal Health at-Home Solutions	**996**	**900**
Medical segment revenue	**7,940**	**7,807**
Total segment revenue	**77,082**	**72,962**
Corporate (4)	**(6)**	**(9)**
Total revenue	**$ 77,076**	**$ 72,953**

(1) Products and services offered by our Specialty Solutions division are referred to as “specialty pharmaceutical products and services."

(2) Comprised of all Pharmaceutical segment businesses except for Nuclear and Precision Health Solutions division.

(3) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division.

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

The following tables present revenue by geographic area:

	Three Months Ended December 31,	
(in millions)	**2019**	2018
United States	**$ 38,670**	**$ 36,716**
International	**1,067**	**1,030**
Total segment revenue	**39,737**	**37,746**
Corporate (1)	**(2)**	**(6)**
Total revenue	**$ 39,735**	**$ 37,740**

	Six Months Ended December 31,	
(in millions)	**2019**	2018
United States	**$ 74,980**	**$ 70,960**
International	**2,102**	**2,002**
Total segment revenue	**77,082**	**72,962**
Corporate (1)	**(6)**	**(9)**
Total revenue	**$ 77,076**	**$ 72,953**

(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, and 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); surgical gown recall costs; restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; state opioid assessment related to prior fiscal years; other (income)/expense, 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. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $17 million and $12 million for the three months ended December 31, 2019 and 2018, respectively, and $20 million and $19 million for the six months ended December 31, 2019 and 2018, respectively.

In connection with the opioid litigation as discussed further in Note 7, we recognized a pre-tax charge of $5.63 billion during the six months ended December 31, 2019, which was retained at Corporate.

In connection with the surgical gown recall as discussed further in Note 7, we recognized a pre-tax charge of $96 million during the three and six months ended December 31, 2019, which was retained at Corporate.

In connection with the naviHealth divestiture, we recognized a pre-tax gain of $508 million during the six months ended December 31, 2018, which was retained at Corporate.

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

	Three Months Ended December 31,	
(in millions)	**2019**	2018
Pharmaceutical	**$ 462**	$ 443
Medical	**195**	188
Total segment profit	**657**	631
Corporate	**(323)**	(127)
Total operating earnings	**$ 334**	$ 504

	Six Months Ended December 31,	
(in millions)	**2019**	2018
Pharmaceutical	**$ 860**	$ 851
Medical	**365**	323
Total segment profit	**1,225**	1,174
Corporate	**(6,155)**	146
Total operating earnings/(loss)	**$ (4,930)**	$ 1,320

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

(in millions)	**December 31, 2019**	June 30, 2019
Pharmaceutical	**$ 23,143**	$ 22,446
Medical	**15,490**	15,284
Corporate	**2,409**	3,233
Total assets	**$ 41,042**	$ 40,963

14. Share-Based Compensation

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees.

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

	Three Months Ended December 31,	
(in millions)	**2019**	2018
Restricted share unit expense	**$ 16**	$ 16
Employee stock option expense	**1**	2
Performance share unit expense	**4**	4
Total share-based compensation	**$ 21**	$ 22

	Six Months Ended December 31,	
(in millions)	**2019**	2018
Restricted share unit expense	**$ 33**	$ 30
Employee stock option expense	**2**	6
Performance share unit expense	**6**	5
Total share-based compensation	**$ 41**	$ 41

The total tax benefit related to share-based compensation was $3 million and $4 million for the three months ended December 31, 2019 and 2018, respectively, and $7 million and $8 million for the six months ended December 31, 2019 and 2018, 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, 2019	2	$ 51.65
Granted	2	42.40
Vested	(1)	60.37
Canceled and forfeited	—	—
Nonvested at December 31, 2019	**3**	**$ 46.49**

At December 31, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $110 million, which is expected to be recognized over a weighted-average period of two years.

Stock Options

Employee stock options granted under the Plans generally vest in equal annual installments over three years and are exercisable for 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, 2019	6	$ 63.78
Granted	—	—
Exercised	—	—
Canceled and forfeited	—	—
Outstanding at December 31, 2019	**6**	**$ 63.52**
Exercisable at December 31, 2019	**6**	**$ 63.43**

At December 31, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was $2 million, which is expected to be recognized over a weighted-average period of one year.

The following tables provide additional detail related to stock options:

(in millions)	December 31, 2019	June 30, 2019
Aggregate intrinsic value of outstanding options at period end	**$ 14**	$ 10
Aggregate intrinsic value of exercisable options at period end	**14**	10

(in years)	December 31, 2019	June 30, 2019
Weighted-average remaining contractual life of outstanding options	**5**	5
Weighted-average remaining contractual life of exercisable options	**5**	5

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 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, 2019	0.9	$ 51.45
Granted	0.6	43.68
Vested	(0.1)	48.40
Canceled and forfeited	(0.1)	50.58
Nonvested at December 31, 2019	**1.3**	**$ 52.71**

At December 31, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was $28 million, which is expected to be recognized over a weighted-average period of two years if targets are achieved.

Exhibits

Exhibit Number	Exhibit Description
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 November 12, 2019, File No. 1-11373)
10.1	First Amendment to the Cardinal Health, Inc. Senior Executive Severance Plan
10.2	Second Amendment to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan
10.3	Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan
10.4	Cardinal Health Deferred Compensation Plan, Amended and Restated effective January 1, 2020
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 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
99.1	Statement Regarding Forward-Looking Information
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101)

Cardinal Health Website

Cardinal Health uses its website as a channel of distribution for material company information. Important information, including news releases, financial information, earnings and analyst presentations and information about upcoming presentations and events is routinely posted and accessible at ir.cardinalhealth.com. In addition, the website allows investors and other interested persons to sign up automatically to receive e-mail alerts when the company posts news releases, SEC filings and certain other information on its website.

Form 10-Q Cross Reference Index

N/A Not applicable

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.

Cardinal Health, Inc.

Date: February 6, 2020

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

/s/ DAVID C. EVANS

David C. Evans

Chief Financial Officer

FIRST AMENDMENT TO THE
CARDINAL HEALTH, INC.
SENIOR EXECUTIVE SEVERANCE PLAN

WHEREAS, Cardinal Health, Inc., an Ohio corporation (the "Company"), has adopted the Cardinal Health, Inc. Senior Executive Severance Plan (the "Plan");

WHEREAS, the Human Resources and Compensation Committee (the "Committee") of the Board of Directors of the Company has determined that it would be advisable and in the best interest of the Company to amend the Plan to (a) modify the definition of "Termination for Cause," (b) eliminate the 60-day delay in payment of the first installment of the Severance Payment (as defined in the Plan), and (c) provide for a "Restricted Period" (as set forth in Annex A of the Plan) of 1.5 years for Participants (as defined in the Plan) at the Senior Vice President level and above who are not Executive Officers (as defined in the Plan); and

WHEREAS, the Committee desires to amend the Plan as set forth herein to reflect such amendments and to correct a typographical error.

NOW, THEREFORE, pursuant to Section 8.2 of the Plan, the Plan is hereby amended as follows:

1. The definition of "COBRA Reimbursement" set forth in Article II of the Plan is hereby amended and restated in its entirety to read as follows:

"COBRA Reimbursement" has the meaning set forth in Section 5.1(e).

2. The definition of "Termination for Cause" set forth in Article II of the Plan is hereby amended and restated in its entirety to read as follows:

"Termination for Cause" means a Termination of Employment on account of (a) the willful and continued failure of the Eligible Employee to perform substantially the Eligible Employee's duties with any member of the Company Group (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Eligible Employee by the Administrator or its representative, which specifically identifies the manner in which the Administrator believes that the Eligible Employee has not substantially performed the Eligible Employee's duties; (b) the willful engaging by the Eligible Employee in illegal conduct or gross misconduct that is materially and demonstrably injurious to any member of the Company Group; (c) the Eligible Employee's conviction of, or plea of guilty or *nolo contendere* to, a felony or any crime involving dishonesty or moral turpitude; (d) the Eligible Employee committing or engaging in fraud, embezzlement or theft against the Company; (e) the Eligible Employee's material breach of any restrictive covenant in favor of the Company Group by which such Eligible Employee is bound; or (f) the Eligible Employee has willfully and materially violated the Company's Standards of Business Conduct or any other written Company policy. During the Change of Control Period, (A) a Termination of Employment shall not be deemed to be a Termination for Cause unless and until there shall have been delivered to the Eligible Employee a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Applicable Board (excluding the Eligible Employee, if the Eligible Employee is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Eligible Employee and the Eligible Employee is given an opportunity, together with counsel for the Eligible Employee, to be heard

before the Applicable Board), finding that, in the good-faith opinion of the Applicable Board, the Eligible Employee is guilty of the conduct described in clause (a), (b), (e) or (f) above; and (B) for purposes of the immediately preceding sentence, no act, or failure to act, on the part of an Eligible Employee shall be considered "willful" unless it is done, or omitted to be done, by the Eligible Employee in bad faith or without reasonable belief that the Eligible Employee's action or omission was in the best interests of the Company Group. Any act, or failure to act, based upon (i) authority given pursuant to a resolution duly adopted by the Board or, if the Company is not the ultimate parent corporation of the Company Group and is not publicly traded, the board of directors of the ultimate parent of the Company (the "Applicable Board"), (ii) the instructions of the Chief Executive Officer of the Company (in the case of any Eligible Employee other than the Chief Executive Officer of the Company) or a senior officer of the Company, or (iii) the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Eligible Employee in good faith and in the best interests of the Company Group.

3. Section 5.1(b) of the Plan is hereby amended and restated in its entirety to read as follows:

(a) An amount in cash equal to the product of (i) the Participant's Multiple and (ii) the sum of the Participant's Annual Base Salary and Target Annual Bonus (the "Severance Payment"), which Severance Payment shall be payable in substantially equal installments over the applicable Severance Period in accordance with the Company's normal payroll practices.

4. Plan Participants. The chart set forth in Annex A of the Plan is hereby amended and restated in its entirety to read as follows:

Position	**Multiple**	**COC Multiple**	**Restricted Period**
Chief Executive Officer ("CEO")	2.0x	2.5x	2 years
Executive Officers (other than the CEO)	1.5x	2.0x	2 years
Senior Vice President and Above (other than Executive Officers and the CEO)	1.5x	2.0x	1.5 year

5. Miscellaneous.

(a) Full Force and Effect. Except as expressly amended by this Amendment, all terms and conditions of the Plan shall remain in full force and effect.

(b) Governing Law. This Amendment shall be governed by the substantive laws, but not the choice of law rules, of the State of Ohio.

Adopted by the Human Resources and Compensation Committee on November 5, 2019.

SECOND AMENDMENT TO THE
AMENDED CARDINAL HEALTH, INC. 2011 LONG-TERM INCENTIVE PLAN

Effective November 5, 2019, the following amendments are made to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"):

1. The following new definitions are added to Section 2 of the Plan:

"(ss) "Company Group" means the Company and its Affiliates.

(tt) "Competitor" means, unless the Administrator determines otherwise in an Award Agreement or elsewhere, any person or business that competes with the products or services provided by a member of the Company Group for which Participant had business responsibilities within 24 months prior to Termination of Employment or about which Participant obtained confidential information (as defined by the applicable Company Group policies or agreements).

(uu) "Competitor Conduct" means, unless the Administrator determines otherwise in an Award Agreement or elsewhere, accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Participant has a Termination of Employment and Participant's responsibilities to the Company 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.

(vv) "Misconduct" means, unless the Administrator determines otherwise in an Award Agreement or elsewhere:

(i) disclosing or using any of the Company Group's confidential information (as defined by the applicable Company Group policies and agreements) without proper authorization from the Company Group or in any capacity other than as necessary for the performance of Participant's assigned duties for the Company Group;

(ii) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Company Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Participant;

(iii) fraud, gross negligence or willful misconduct by Participant, 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 Company Group;

(iv) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Company Group, any person who is an employee, representative, officer or director in the Company Group or who held one or more of those positions at any time within the 12 months prior to Participant's Termination of Employment;

(v) directly or indirectly inducing, encouraging or causing an employee of the Company Group to terminate his or her employment or a contract worker to terminate his or her contract with a member of the Company Group;

(vi) any action by Participant or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Company Group and any of its customers, prospective customers, vendors, suppliers or employees known to Participant; or

(vii) breaching any provision of any employment or severance agreement with a member of the Company Group."

2. The following new Section 13(e) is added to the Plan:

"(e) *Special Forfeiture and Repayment Rules.* Effective July 1, 2019, if a Participant engages in Misconduct or Competitor Conduct during employment or within 12 months after the Termination of Employment for any reason, then (i) the Participant forfeits any Cash Award that has not yet been paid and (ii) the Participant shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the amount of any Cash Award paid to the Participant at any time within the last 12 months less (B) $1.00."

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 from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

[1] This provision is an alternative that may not be included in every award agreement.

(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.

(a) 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.

(b) 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.

(c) 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 six months after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

(d) 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).

(e) 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; (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; and (e) acknowledges that any Cash Awards granted to Awardee under the Plan are subject to the "Special Forfeiture and Repayment Rules" set forth in Section 13(e) of the Plan and "Recoupment" set forth in Section 20 of the Plan and agrees to be bound by these provisions with respect to such Cash Awards.

_____
Awardee's Signature

_____
Date

CARDINAL HEALTH DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2020

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CARDINAL HEALTH

DEFERRED COMPENSATION PLAN

The Cardinal Health Deferred Compensation Plan (the "Plan") is hereby amended and restated effective as of January 1, 2020 by Cardinal Health, Inc., an Ohio corporation (the "Company"), for the benefit of members of the Board of Directors of the Company and a select group of the management and highly compensated employees of the Company and of its affiliated entities which participate in this Plan with the consent of the Company.

Background Information

A. The Company desires to continue to maintain the Plan in order to provide its Directors and certain of its highly compensated and management employees with the opportunity to defer a portion of the base salary, bonuses and other cash compensation otherwise payable to them.

B. The Company intends for the Plan to continue to be an unfunded, nonqualified deferred compensation arrangement as provided under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and to satisfy the requirements of a "top hat" plan thereunder and under Labor Reg. Sec. 2520.104-23.

C. This amended and restated Plan is intended to continue to comply with the requirements of The American Jobs Creation Act of 2004 ("AJCA"), Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), and final regulations and other rulings issued by the Internal Revenue Service ("IRS") thereunder.

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

1.1 Definitions. Unless the context requires otherwise, the terms defined in this Article shall have the meanings set forth below unless the context clearly requires another meaning. When the defined meaning is intended, the term is capitalized:

(a) Account. The bookkeeping account described in Section 3.4 under which benefits and earnings are credited on behalf of a Participant.

(b) Administrative Committee. The Financial Benefit Plans Committee of the Company.

(c) Beneficiary. The person(s) entitled to receive any distribution hereunder upon the death of a Participant. The Beneficiary for benefits payable under this Plan shall be the beneficiary designated by the Participant in accordance with procedures established by the Administrative Committee as of the Participant's date of death, or, in the absence of any such designation, the Participant's estate.

(d) Board. The Board of Directors of the Company.

(e) Change of Control. For purposes of the Plan, a Change of Control means:

A. the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30 percent or more of either (i) the then outstanding Shares of the Company (the "Outstanding Shares") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this Subsection A., the following acquisitions do not constitute a Change of Control: (I) any acquisition directly from the Company or any corporation controlled by the Company, (II) any acquisition by the Company or any corporation controlled by the Company, (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (IV) any acquisition by any corporation that is a Non-Control Acquisition (as defined in Subsection C. of this Section); or

B. during any period of two consecutive years, individuals who, as of the beginning of such two-year period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of the Company; provided, however, that any individual becoming a Director subsequent to the beginning of such two-year period whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

C. consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or shares of another corporation (a "Business Combination"), unless, such Business Combination is a Non-Control Acquisition. A "Non-Control Acquisition" means a Business Combination where: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Shares and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination (including any ownership that existed in the Company or the company being acquired, if any), and (iii) at least a majority of the members of the board of directors of the corporation resulting from

such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

D. approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) Code. The Internal Revenue Code of 1986, as amended from time to time.

(g) Committee. The Human Resources and Compensation Committee of the Board.

(h) Company. Cardinal Health, Inc.

(i) Compensation. Amounts paid or payable by the Employer to an Eligible Employee for a Plan Year which are includable in income for federal tax purposes, including base salary and variable compensation in the form of bonuses (except as otherwise provided herein). In addition, cash dividend-equivalent payments under share unit award agreements ("Share Units") may also be deferred hereunder by Eligible Employees who are Reporting Persons in accordance with procedures established from time to time by the Committee and that comply with Code Section 409A. Notwithstanding the foregoing, the following amounts are excluded from Compensation: (i) other cash or non-cash compensation, expense reimbursements or other benefits or contributions by the Employer to any other employee benefit plan, other than pre-tax salary deferrals into the Qualified Plan or any Code Section 125 plan sponsored by the Company or any of its affiliates; (ii) any bonus payment if such bonus payment is wholly or partially payable without regard to the attainment of a Performance-Based goal (i.e., guaranteed); (iii) commissions; (iv) amounts realized (A) from the exercise of a stock option, (B) when restricted stock (or property) held by a Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture, (C) when the Shares underlying Share Units are payable to a Participant, or (D) from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (iv) any amounts that are required to be withheld from a Participant's wages from the Employer pursuant to Code Section 3102 to satisfy the Participant's tax obligations under Code Section 3101. With respect to Directors, "Compensation" means any and all fees paid for service as a member of the Board, including fees for attendance at meetings or committee meetings, and cash dividend-equivalent payments under deferred settlement Share Units.

(j) Director. A member of the Board of Directors of the Company who is not also an Eligible Employee.

(k) Distribution Options. A single lump sum or annual installment payments over a period of five or ten years. Except to the extent that another Distribution Option is timely elected by a Participant in accordance with the terms of the Plan and Code Section 409A and regulations thereunder, the form of payment of the Participant's Account shall be the Standard Option.

(l) Eligible Employee. Any employee of an Employer who is (i) an employee who is a Reporting Person or (ii) (A) among a select group of management or highly compensated employees (within the meaning of Sections 201(2), 301(a)(3) and 401(a) of ERISA), and (B) designated by the Company as eligible to make Compensation deferral contributions under Article II of the Plan in accordance with eligibility criteria established from time to time by the Administrative Committee, the Committee or the Board. In lieu of expressly designating individual employees as Eligible Employees, the Company may establish eligibility criteria providing for designation as Eligible Employees of all employees who satisfy such criteria.

(m) Employer. The Company and any affiliate thereof or successor thereto which adopts and participates in the Plan. Any affiliate that has U.S. employees and is a member of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc. may participate in the Plan. Such participation in the Plan shall continue only so long as the affiliate remains a member of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc.

(n) ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

(o) Participant. Any Director or any Eligible Employee who meets the eligibility requirements for participation in the Plan as set forth in Article II and who earns benefits under the Plan.

(p) Participation Agreement. An agreement, in written or electronic form as established by the Administrative Committee from time to time, by which a Participant agrees to defer some of his Compensation and/or makes an election of the time and/or form of payment of amounts credited to the Participant's Account in accordance with the Plan.

(q) Performance-Based. A bonus or other payment of Compensation is Performance-Based if the amount of the payment or the entitlement thereto is contingent on the satisfaction of organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. The organizational or individual performance criteria shall be established in writing no later than 90 days after the beginning of the period of service to which the criteria relate, and the outcome must be substantially uncertain at the time the criteria are established. Notwithstanding the above, a Performance-Based Bonus may be based on subjective performance criteria, provided that:

A. The subjective performance criteria are bona fide and relate to the performance of the Participant, a group of service providers that includes the Participant, or a business unit for which the Participant provides services (which may include the entire organization); and

B. the determination that any subjective performance criteria have been met is not made by the Participant or a family member of the Participant (as defined in Code Section 267(c)(4) applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member, and no amount of the Compensation of the person making such determination is effectively controlled in whole or in part by the Participant or such a family member.

(r) Plan. The Cardinal Health Deferred Compensation Plan, as set forth herein, and as such Plan may be amended from time to time hereafter.

(s) Plan Year. The fiscal year of the Plan, which is the 12 consecutive month period beginning January 1 and ending December 31.

(t) Qualified Plan. The Cardinal Health 401(k) Savings Plan, as amended from time to time.

(u) Reporting Person. Eligible Employees and Directors who are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

(v) Retirement. An Eligible Employee's Separation from Service with the Employer following attainment of age 65 or retirement from the Board of any Director.

(w) Separation from Service. An Eligible Employee separates from service with the Employer if the Eligible Employee dies, retires or otherwise has a termination of employment with the Employer. Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Employer and the Eligible Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Eligible Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period in which the Eligible Employee provided services to the Employer if the Eligible Employee has been providing services for less than 36 months). An Eligible Employee will not be deemed to have experienced a Separation from Service if such Eligible Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. In the case of a Director, a separation from service occurs upon the termination of the Director's service on the Board, provided, however, that a Director who is also providing services to the Employer as an independent contractor, does not have a Separation from Service until he has separated from service both as a Director and as an independent contractor. If an Eligible Employee provides services both as an employee and as a member of the Board, the services provided as a Director are generally not taken into account in determining whether the Eligible Employee has a Separation from Service as an employee for purposes of the Plan, in accordance with final regulations under Code Section 409A.

(x) Shares. The common shares, without par value, of the Company.

(y) Standard Option. A single lump sum payment.

(z) Total Disability. Occurs when a Participant is unable to engage in any substantial gainful activity and has qualified for benefits under the Company's long term disability plan by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. A Participant shall also be deemed to be totally disabled if determined to be totally disabled by the Social Security Administration. The Administrative Committee may require the Participant to submit to periodic medical examinations at the Participant's expense to confirm the existence and continuation of a Total Disability.

1.2 General Provisions. The masculine wherever used herein shall include the feminine; singular and plural forms are interchangeable. Certain terms of more limited application have been defined in the provisions to which they are principally applicable. The division of the Plan into Articles and Sections with captions is for convenience only and is not to be taken as limiting or extending the meaning of any of its provisions.

ARTICLE II

ELIGIBILITY AND PARTICIPATION

2.1 General Eligibility Conditions. To become eligible to participate in the Plan, an individual must be (i) a Director, or (ii) an Eligible Employee. In order to receive a benefit under the Plan, however, a Participant must also meet the requirements of Sections 2.2 and 2.3. An Eligible Employee or a Director shall be considered eligible to participate in the Plan effective as of the date he first becomes a Director or an Eligible Employee in accordance with this Plan (the "Eligibility Effective Date").

2.2 Specific Conditions for Active Participation. To participate actively in the Plan (*i.e.*, to make deferrals hereunder), a Participant must execute or acknowledge a Participation Agreement in accordance with the terms and conditions of the Plan. Each Participation Agreement shall be maintained by or on behalf of the Administrative Committee and must be executed, acknowledged, filed or submitted electronically within 30 days of the Eligibility Effective Date and, for all subsequent deferral elections after initial participation, in advance of the beginning of the calendar year during which such compensation is expected to be earned, or at such other time as may be required or permitted by regulations issued under Code Section 409A. In all cases, a Participant's election to defer Compensation shall be made prior to the time any of the Compensation covered by such election is to be earned by such Participant. Elections to participate and defer Compensation shall be irrevocable with respect to the Compensation to which they apply and may be amended, revoked or suspended by the Participant only effective as of the January 1st following the amendment, revocation or suspension in accordance with procedures established by the Administrative Committee, unless transition rules and regulations under Code Section 409A permit amendment, revocation or suspension as of some other time. With respect to Matching, Employer Contribution Credits and Social Security Supplement Credits, the Eligible Employee must designate a time and form of payment within 30 days of the Eligibility Effective Date; provided, however, that with respect to any Participant whose initial Eligibility Effective Date occurs on or after January 1, 2016, the initial Distribution Option applicable to the portion of such Participant's Account that is attributable to any Employer Contribution Credit and/or Social Security Supplement Credit (as defined in Section 3.3 herein) credited to such Participant's Account during the Plan Year in which the Participant's Eligibility Effective Date first occurs (or, to the extent that there is no Employer Contribution Credit or Social Security Supplement Credit credited to such Participant's Account during such Plan Year, any Employer Contribution Credit and/or Social Security Supplement Credit credited to such Participant's Account during the next succeeding Plan Year) shall be the Standard Option, notwithstanding any installment Distribution Option election that may be made by such Participant in accordance this Section 2.2 for the remainder of the Participant's Account.

2.3 Suspension of Active Participation. Any Participant who ceases to be an Eligible Employee or a Director for a given Plan Year shall cease to have any right to defer Compensation for such Plan Year or to receive Matching, Employer Contribution Credits and Social Security Supplement Credits for such Plan Year. However, any amounts credited to the Account of a Participant whose participation is suspended shall otherwise continue to be maintained under the Plan in accordance with its terms, and any election to defer Compensation made by a Participant, once it has become irrevocable in accordance with the Plan, shall continue to be irrevocable with respect to Compensation to which it applies for the remainder of the Plan Year for which it is made, notwithstanding any subsequent change in the Participant's eligibility during such Plan Year.

2.4 Termination of Participation. Once a Director or an Eligible Employee becomes a Participant, such individual shall continue to be a Participant until such individual (i) ceases to be described as a Director or as an Eligible Employee, and (ii) ceases to have any vested interest in the Plan (as a result of distributions made to such Participant or his Beneficiary, if applicable, or otherwise).

ARTICLE III

DEFERRED COMPENSATION AND MATCHING CREDITS

3.1 Deferred Compensation Credits. Pursuant to the provisions of Article II and this Article III, a Participant and the Employer may, by mutual agreement, provide for deferred and postponed payment of a percentage of the Participant's Compensation which otherwise would be paid during the applicable Plan Year(s) for services to be rendered in such year(s). Except as otherwise provided herein with respect to Performance-Based Compensation, all elections to defer Compensation must be made within 30 days after the Participant's Eligibility Effective Date and, for subsequent elections after initial eligibility, prior to the calendar year during which the Compensation is expected to be earned or at such other time as may be specified under regulations issued under the Code. In the case of the deferral of any Performance-Based Compensation, such election must be made no later than six months before the end of the performance period, provided that in no event may an election to defer Performance-Based Compensation be made after such Compensation has become readily ascertainable within the meaning of Code Section 409A. Notwithstanding the foregoing, in the case of the deferral of any Performance-Based Compensation with a performance period exceeding one year in length, the deferral election must be made no later than halfway through such performance period. If an Eligible Employee has ceased being eligible to participate in the Plan (other than the accrual of earnings on his Account, if any), regardless of whether all amounts deferred under the Plan have yet been paid, and subsequently becomes eligible to participate in the Plan again, the Eligible Employee may be treated, to the extent permitted by Code Section 409A as being initially eligible to participate in the Plan if he has not been eligible to participate in the Plan (other than the accrual of earnings on his Account, if any) at any time during the 24-month period ending on the date the employee again becomes an Eligible Employee under the Plan.

A Participant who is an Eligible Employee may defer between one percent and 50 percent of Compensation that is not Performance-Based Compensation and may make one or more separate elections for the deferral of from one percent to 80 percent of Performance-Based Compensation from each plan or arrangement offering the opportunity to earn such Compensation. A Participant who is a Director may defer between 20 percent and 100 percent of Compensation. The Company may, in its discretion, establish and change from time to time the minimum and maximum amount that may be so deferred for Participants who are not Reporting Persons. Elections shall be made in accordance with procedures established by the Administrative Committee. The Employer will credit the deferred compensation amount agreed to for each Plan Year to the Participant's Account from time to time as soon as administratively practicable after the deferred amounts otherwise would have been earned and paid to the Participant. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Deferred Compensation Credits."

In addition to the Deferred Compensation Credits described above, Reporting Persons who have elected to defer receipt of Shares to be issued under Share Units awarded on or after November 1, 2006, shall automatically have 100 percent of the cash dividend-equivalents that are vested and payable under such Share Units deferred under this Plan. Such amounts shall be referred to as "Deferred Cash Equivalent Credits." Deferred Cash Equivalent Credits are always 100 percent vested and nonforfeitable but are not eligible for Matching Credits.

3.2 Matching Credits. The Employer may, in its discretion, credit to a Participant's Account each Plan Year during which the Participant is an Eligible Employee an amount equal to a percentage of the Participant's Deferred Compensation Credits as a matching contribution. The amount of any such contributions may vary from year to year or among Participants in the discretion of the Employer. In general, such matching contributions may be made at the same rate as is applicable to the Participant under the Qualified Plan, but only with respect to the first $100,000 of Compensation in excess of the maximum amount

of Compensation recognized under the Qualified Plan under Section 401(a)(17) of the Code. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Matching Credits." The Employer may, in its discretion, also make an additional matching contribution to the Accounts of certain Participants who have been required to forfeit Employer matching contributions under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer matching contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer matching contributions under the foregoing sentence shall be fully vested when made and subject to the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made.

3.3 Employer Contribution and Social Security Supplement Credits. The Employer may, in its discretion, credit to the Participant's Account each Plan Year (a) an amount equal to a percentage of the Participant's Compensation from the Employer for the fiscal year ending within the Plan Year in excess of the dollar limitation applicable to such fiscal year under Section 401(a)(17) of the Code, but not more than an excess of $100,000 above such compensation limit, and (b) such other amount as the Employer may determine, in its sole discretion. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Employer Contribution Credits." In addition, the Employer may make an additional discretionary contribution for a Plan Year to the Participant's Account, as determined by the Employer in its discretion, equal to a percentage of the Participant's Compensation from the Employer for the fiscal year ending within the Plan Year in excess of the dollar limitation applicable to such fiscal year under Section 401(a)(17) of the Code, but not more than an excess of $100,000 above such compensation limit, for the purpose of supplementing the benefits the Participant will receive at retirement under the Social Security program. All contributions under this provision to the Accounts of Participants in the Plan, as adjusted for earnings or losses (described below), are referred to as "Social Security Supplement Credits." Contributions made to Participant Accounts under this Section may be subject to additional requirements as established from time to time by the Administrative Committee, such as a requirement to be employed on the last day of the year for which such contribution is made. The Employer may, in its discretion, also make an additional contribution to the Accounts of certain Participants who have been required to forfeit Employer contributions (other than matching contributions) under the Qualified Plan. Such contributions, if any, shall be in an amount equal to the Employer contribution forfeited under the Qualified Plan by an affected Participant and shall be made and allocated to the Accounts of affected Participants in the Plan Year during which such forfeitures occur. Any additional Employer contributions under the foregoing sentence shall be subject to the vesting requirements applicable to Employer Contribution Credits and the distribution elections in effect with respect to the Participant's Account as of the beginning of the Plan Year in which the contribution is made.

3.4 Record of Account. Solely for the purpose of measuring the amount of the Employer's obligations to each Participant or his beneficiaries under the Plan, the Employer will maintain a separate bookkeeping record, an "Account," for each Participant in the Plan. The Company, in its discretion, may either credit a hypothetical earnings rate to the Participant's Account balance for the Plan Year, or may actually invest an amount equal to the amount credited to the Participant's Account from time to time in an account or accounts in its name with investment media or companies, which investment options may include some or all of those used for investment purposes under the Qualified Plan, as determined by the Company in its discretion. The Company may also establish a deferred compensation trust that qualifies as a so-called "rabbi" trust meeting applicable requirements of Code Section 409A. The Participant may change the allocation of his Account among the applicable investment alternatives then available under the Plan in accordance with procedures established by the Administrative Committee from time to time. In no event, however, shall a Participant who is a Reporting Person be permitted to change any amounts invested in any other investment alternative

to a Cardinal Stock Account (as defined below). In addition, a Participant who is a Reporting Person shall not be permitted to change any investment in a Cardinal Stock Account to any other investment alternative. After a Participant ceases to be a Reporting Person, such Participant may again change investments into or out of a Cardinal Stock Account in accordance with rules established by the Administrative Committee and without regard to the above restrictions. The Company is not obligated to make any particular investment options available, however, if investments are in fact made, and may, from time to time in its sole discretion, change the investment alternatives. Nothing herein shall be construed to confer on the Participant the right to continue to have any particular investment available.

The Company will credit the Participant's Account with hypothetical or actual earnings or losses at least quarterly based on the earnings rate declared by the Company or the performance results of the Employer's account(s) invested pursuant to the Company's or the Participant's directions, and shall determine the fair market value of the Participant's Account based on the bookkeeping record or the fair market value of the portion of the Employer's accounts representing the Participant's Account. The determination of the earnings, losses or fair market value of the Participant's Account may be adjusted by the Company to reflect its payroll, income or other taxes or costs associated with the Plan, as determined by the Company in its sole discretion.

3.5 Special Rules Applicable to Investments in Shares. Subject to the provisions of this Article III, a Participant may also elect to have all or a portion of his Account, but not including any Deferred Cash Equivalent Credits, to be deemed invested in Shares (such dollar amounts shall be referred to as the "Share Election Accumulations"). On the date when the amounts to be credited to the Participant's Share Election Accumulations are otherwise allocated to his Account, the Company will credit to a separate sub-account (the Participant's "Cardinal Stock Account") a number of hypothetical Shares (and fractions thereof) having a Value equal to the Share Election Accumulations. For purposes of this Plan, the "Value" of a Share on a particular day shall mean the closing trading price of a Share on the New York Stock Exchange on that day (or, if there is no trading of the Shares on that day, on the most recent previous date on which trading occurred). With respect to any Director, any election made pursuant to this Section shall be irrevocable for all amounts credited to a Participant's Account during the Plan Year for which the election is made. Any election made by a Director pursuant to this Section shall remain in effect for amounts credited to the Participant's Account in subsequent Plan Years unless the Participant delivers a written notice to the Secretary of the Company setting forth a different investment election or otherwise makes a different investment election in accordance with procedures established by the Committee from time to time. Any such change in investment election shall be applied to future Plan Years until further notice is given by the Participant changing the election in accordance with the requirements of this Section. Except for Directors, no other Reporting Person may elect to invest future contributions in his Account in Shares. Such other Reporting Person may again elect to invest future contributions in his Account in Shares subject to this Section 3.5 after he ceases to be a Reporting Person. For the avoidance of doubt, a Participant's election to have any portion of his Account deemed invested in Shares shall not create with respect to such Participant any ownership or voting rights in such Shares.
If any Organic Change shall occur, then the Committee shall make such substitutions or adjustments as it deems appropriate and equitable to each Participant's Cardinal Stock Account (if any). In the case of Organic Changes, such adjustments may include, without limitation, (x) the cancellation of outstanding Shares in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Shares, as determined by the Committee in its sole discretion, (y) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares, and (z) in connection with any Disaffiliation, arranging for the assumption or replacement of Shares with new shares based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other

than the Company), by the affected subsidiary, affiliate or division or by the entity that controls such subsidiary, affiliate or division following such Disaffiliation (as well as any corresponding adjustments to awards that remain based upon Company securities). An "Organic Change" includes (i) a stock dividend, stock split, reverse stock split, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a "Share Change"), or (ii) a merger, consolidation, acquisition of property or shares, separation, spin-off, reorganization, stock rights offering, liquidation, disaffiliation from the Company of a subsidiary or division ("Disaffiliation"), or similar event affecting the Company or any of its subsidiaries (each, an "Organic Change"). If the assets held in the Participant's Cardinal Stock Account immediately after such adjustment are not equity securities, then the Participant shall be permitted to re-direct the investment thereof into the other investment choices then available under this Plan.

In the case of the Cardinal Stock Account (if any) of a Participant other than a Reporting Person (as of the Dividend Payment Date), the earnings (or losses) credited to such account shall consist solely of dividend equivalent credits pursuant to this paragraph. Whenever a dividend or other distribution is made with respect to the Shares, then the Cardinal Stock Account of a Participant who is not a Reporting Person (as of the Dividend Payment Date) shall be credited, on the payment date for such dividend or other distribution (the "Dividend Payment Date"), with a number of additional Shares having a Value, as of the Dividend Payment Date, based upon the number of Shares deemed to be held in the Participant's Cardinal Stock Account as of the record date for such dividend or other distribution (the "Dividend Record Date"), if such Shares were outstanding. If such dividend or other distribution is in the form of cash, the number of Shares so credited shall be a number of Shares (and fractions thereof) having a Value, as of the Dividend Payment Date, equal to the amount of cash that would have been distributed with respect to the Shares deemed to be held in the Participant's Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. If such dividend or other distribution is in the form of Shares, the number of Shares so credited shall equal the number of such Shares (and fractions thereof) that would have been distributed with respect to the Shares deemed to be held in the Participant's Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. If such dividend or other distribution is in the form of property other than cash or Shares, the number of Shares so credited shall be a number of Shares (and fractions thereof) having a Value, as of the Dividend Payment Date, equal to the value of the property that would have been distributed with respect to the Shares deemed to be held in the Participant's Cardinal Stock Account as of the Dividend Record Date, if such Shares were outstanding. The value of such property shall be its fair market value as of the Dividend Payment Date, determined by the Board based upon market trading if available and otherwise based upon such factors as the Board deems appropriate.

With respect to a Participant who is a Reporting Person on the Dividend Payment Date, the cash value of the dividend or other distribution shall be invested in an alternate investment option under the Plan, as determined by the Administrative Committee in its sole discretion. To the extent that the dividend or other distribution is made in a form other than cash, the Shares or other property shall be liquidated to cash as soon as administratively practicable and thereafter invested as indicated herein.

ARTICLE IV

VESTING

4.1 Vesting. A Participant always will be 100 percent vested in amounts credited to his Account as Deferred Compensation Credits, Deferred Cash Equivalent Credits, Matching Credits made on or after January 1, 2005 and earnings allocable thereto. The Participant or his Beneficiaries shall be entitled to benefits from Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social

Security Supplement Credits allocated to his Account by the Employer, and earnings thereon, only upon satisfaction of the vesting requirements of this Article IV. The Participant shall become 100 percent vested in his Account upon his Retirement, death, or Total Disability. The Participant shall also become 100 percent vested in his Account if the Participant is terminated by the Company without Cause or the Participant terminates employment with the Company for Good Reason within two years after a Change of Control. For this purpose, "Cause" means termination of employment by the Company on account of any act of fraud or intentional misrepresentation or embezzlement, intentional misappropriation, or conversion of assets of the Company or any affiliate, or the intentional and repeated violation of the written policies or procedures of the Company, provided that for a Participant who is party to an individual severance or employment agreement defining Cause, "Cause" has the meaning set forth in such agreement. For purposes of the Plan, a Participant's termination will not be deemed to be a termination without "Cause" if, after the Participant's employment has terminated, facts and circumstances are discovered that would have, in the opinion of the Committee, met the definition of "Cause." For this purpose, "Good Reason" means, unless otherwise provided in an individual severance or employment agreement to which the Participant is a party, termination by the Participant on account of any of the following: (i) a material reduction in the Participant's total compensation; (ii) a material reduction in the Participant's annual or long-term incentive opportunities (including a material adverse change in the method of calculating the Participant's annual or long--term incentives); (iii) a material diminution in the Participant's duties, responsibilities, or authority; or (iv) a relocation of more than 50 miles from the Participant's office or location, except for travel reasonably required in the performance of the Participant's responsibilities. If the Participant has a Separation from Service with the Employer for any reason other than Retirement, death, Total Disability, or following a Change of Control under the circumstances described above, all rights of the Participant, his Beneficiaries, executors, administrators, or any other person to receive benefits under this Plan derived from amounts credited as Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social Security Supplement Credits shall vest as of the date that the Participant has completed three Years of Service with the Employer. A "Year of Service" for this purpose means a period of 12 consecutive calendar months during which the Participant was employed by the Employer, defined to include all members of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc. If a Participant has a Separation from Service before that date (other than due to a Change of Control, Retirement, death or Total Disability), all Matching Credits made prior to January 1, 2005, Employer Contribution Credits and Social Security Supplement Credits shall be forfeited. If the Participant has a Separation from Service but is subsequently re-employed by the Employer, no benefits forfeited hereunder shall be reinstated unless otherwise determined by the Company in its sole discretion. A Participant who has completed one Year of Service but less than three Years of Service and is terminated from employment under the terms of a designated reduction in force, a divestiture or designated layoff, shall receive additional ratable vesting credit hereunder determined by multiplying the portion of this Account that is subject to the vesting provisions of this Section 4.1 by a fraction, the numerator of which is the Participant's calendar months of service calculated from his or her date of hire and the denominator of which is 36, and by rounding the product up to the next whole percentage. A month of service shall be included in the calculation of additional vesting credit under this Section if the Participant has performed at least one hour of service during the calendar month. In no event shall a Participant be more than 100 percent vested in any amounts credited to his Account.

4.2 Confidentiality and Non-Competition Agreement. In its discretion, the Employer may require any Eligible Employee selected to become a Participant in the Plan to execute a Confidentiality and Non-Competition Agreement with the Employer in consideration of the benefits to be provided hereunder.

ARTICLE V

DISTRIBUTION OF BENEFITS

5.1 Distribution Timing. A Participant shall receive payment of the amounts credited to his Account upon his Separation from Service due to Retirement or any other reason, or upon his death or Total Disability. The Participant will begin to receive the amount credited to his Account as of such date beginning on the first regular payment processing date to occur at least six months after the date of the Participant's Separation from Service for reasons other than death or Total Disability. The regular payment processing dates shall be the first business day coinciding with or next following January 15 and July 15 of each calendar year. If payment is to be made in a lump sum, it shall occur on the first regular payment processing date as described above. If payment is to be made in annual installments, it shall commence on such first regular payment processing date, with subsequent annual installments to occur on the same regular payment processing date each year thereafter until the Participant's Account is distributed in full. In the case of a Participant's death or Total Disability before payment of the Participant's Account has commenced, the Participant (or the Participant's Beneficiaries) will receive or begin to receive the amount credited to his Account on the 15th of the month following notice to the record keeper for the Plan of the Participant's death or Total Disability, or as soon as administratively practicable, but not more than 90 days, after the date of death or Total Disability. Payment of all such amounts will be made in accordance with the deferral election made under Section 5.5, which may provide for a different time or form of payment for distributions made upon death or Total Disability. In addition, in the case of the deferral of Performance-Based Compensation under the Long Term Incentive Cash Program, payment of all such amounts credited to a Participant's Account will be made in accordance with the separate deferral election made for such amounts under Section 3.1, which may provide for a different time or form of payment from other amounts credited to the Participant's Account.

5.2 Distribution upon Retirement or Other Separation from Service; Form of Payment. Upon Retirement or Separation from Service other than due to death or Disability, the Participant shall be eligible to receive payment of the amounts credited to the Participant's Account in the Standard Option commencing as of the date specified in Section 5.1, above. Alternatively, a Participant may elect another Distribution Option at the time of initial enrollment in the Plan (subject to such limitations as are set forth in the Plan, including in Section 2.2 hereof). The Participant may make a one-time election to change his election of a Distribution Option pursuant to an election made during the annual deferral election period prior to the beginning of a Plan Year, provided said election is made at least 12 months prior to the date that payments would have otherwise begun under such option and provided that payments will also be deferred to a new commencement date that is at least five years later than the original commencement date (i.e., five years after the date of the Participant's Separation from Service). A Participant may not change a Distribution Option or a distribution date in a manner that does not comply with Code Section 409A. If a Distribution Option election is made or changed and distribution is triggered before 12 months have elapsed, the distribution will be made in accordance with the Distribution Option election in effect prior to the change or, if none, in accordance with the Standard Option. If an annual installment payment method is the selected Distribution Option, the amount of the annual benefit shall equal the amount necessary to fully distribute the Participant's Account as an annual benefit payable over the installment period, consistent with the following methodology: the amount payable as the annual installment shall equal the value of the Participant's Account as of the most recent Account valuation date, multiplied by a fraction, the numerator of which is one and the denominator of which is the number of annual installments remaining in the installment period elected by the Participant. For example, assuming a 10 year installment payment period applies, the amount distributed at each of the distribution dates would represent the value of the Participant's Account as of the most recent valuation date preceding the actual distribution date times the following factors: year one - 10 percent (1/10); year two - 11.11 percent (1/9); year three - 12.5 percent (1/8); year four - 14.29 percent (1/7); year five - 16.66 percent (1/6); year six - 20 percent (1/5); year seven - 25 percent (1/4); year eight - 33.33 percent (1/3); year nine - 50 percent (1/2) and year ten - 100 percent (1/1). Payments of amounts credited

to the Participant's Account will be made in U.S. dollars, including amounts credited to the Participant's Cardinal Stock Account, if any.

5.3 Distribution upon Death. In the event of the death of the Participant while receiving benefit payments under the Plan, the Beneficiary or Beneficiaries designated by the Participant shall be paid the remaining payments due under the Plan in accordance with the method of distribution in effect to the Participant at the date of death. In the event of the death of the Participant prior to the commencement of the distribution of benefits under the Plan, such benefits shall be paid to the Beneficiary or Beneficiaries designated by the Participant, beginning as soon as practicable after the Participant's death.

5.4 Distribution in the Event of Total Disability. Upon the Participant's Total Disability, the Participant shall be eligible to receive payment of the amounts credited to his Account commencing as soon as practicable after the Administrative Committee is satisfied of the determination of the existence of a Total Disability with respect to such Participant. Total Disability shall be considered to have ended and entitlement to a disability benefit shall cease if the Participant (i) is re-employed by the Employer or one of its affiliates, or (ii) engages in any substantial gainful activity, except for such employment as is found by the Administrative Committee in its sole discretion to be for the primary purpose of rehabilitation or not incompatible with a finding of Total Disability. If entitlement to a disability benefit ceases in accordance with the provisions of this paragraph, the Participant shall not be prevented from qualifying for a benefit under another provision of the Plan. Notwithstanding the foregoing, in no event shall Disability payments cease to a Participant if to do so would violate Code Section 409A.

5.5 Form of Payment upon Death or Total Disability. Benefits payable upon death or Total Disability shall be paid in the Standard Option unless another Distribution Option was timely elected by the Participant upon initial enrollment in the Plan (and subject to such limitations as are set forth in the Plan, including in Section 2.2 hereof) or at least 12 months prior to his death or Total Disability. Each Participant may elect a Distribution Option to apply to distributions made upon death or Total Disability that is different from the Distribution Option applicable to other payment events. The Participant may make a one-time election to change his election of a Distribution Option for death or Total Disability pursuant to an election made during the annual deferral election period prior to the beginning of a Plan Year, provided said election is made at least 12 months prior to the date that payments would have otherwise begun under such option. If a Distribution Option election is made or changed after initial enrollment and the Participant dies or suffers a Total Disability before 12 months have elapsed, the distribution will be made in accordance with the Distribution Option in effect prior to the change or, if none, in accordance with the Standard Option.

5.6 Lump Sum Distribution of Small Amounts or upon a Change of Control. If the value of a Participant's entire Account as of the date it becomes distributable is not greater than the applicable dollar amount under Section 402(g)(1)(B) of the Code, then the Participant's entire Account balance shall be payable as a single lump sum notwithstanding any other election that may be in effect. In addition, if a Participant has a Separation from Service within two years of a change of control of the Company (as defined in Treasury Regulations Section 1.409A-3(i)(5)), then the Participant's Account shall be payable in a single lump sum on the first regular payment processing date next following the Participant's Separation from Service following the change of control, and alternative elections in effect by the Participant shall no longer apply. Notwithstanding the foregoing, if the Participant is a "specified employee" (determined in accordance with Treasury Regulations issued under Code Section 409A) for the year in which the Separation from Service occurs, such lump sum payment shall be made on the first business day that is at least six months after the Separation from Service occurs.

5.7 Withdrawals for Unforeseeable Emergency. Upon the occurrence of an unforeseeable emergency, the Participant shall be eligible to receive payment of the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the participant's assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. The amount determined to be properly distributable under this section and applicable regulations under Code Section 409A shall be payable in a single lump sum only. For the purposes of this section, the term "unforeseeable emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent of the Participant (as defined in Code Section 152(a)); loss of the Participant's property due to casualty, including the need to rebuild a home following damage not otherwise covered by insurance, for example, not as a result of a natural disaster; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, including imminent foreclosure of or eviction from the Participant's primary residence, the need to pay for medical expenses, including non-refundable deductibles, the cost of prescription drugs, and the need to pay for funeral expenses of a spouse, beneficiary, or dependent. It shall be the responsibility of the Participant seeking to make a withdrawal under this section to demonstrate to the Administrative Committee that an unforeseeable emergency has occurred and to document the amount properly distributable hereunder. After a distribution on account of an unforeseeable emergency, a Participant's deferral elections shall cease and such Participant will not be permitted to participate in the Plan or elect additional deferrals until the next enrollment following one full year from the date of the distribution on account of an unforeseeable emergency. Such future deferral elections following a distribution on account of an unforeseeable emergency will be treated as an initial deferral election and subject to the rules applicable thereto under the Plan and Code Section 409A.

5.8 Acceleration of Payment. The acceleration of the time and/or form of any payment determined in accordance with the provisions of this Article V, above, shall not be made except due to unforeseeable emergency, as described above, or as set forth below and otherwise permitted by Code Section 409A and the Treasury Regulations and other guidance issued thereunder:

(a) Domestic Relations Order. A payment of all or part of the Participant's Account may be made to a spouse, former spouse or other dependent under the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)). The Administrative Committee shall determine whether a payment should be made pursuant to the terms of a domestic relations order and the time and form of such payment.

(b) Employment Taxes. A payment of all or part of the Participant's Account may be made to the extent necessary to pay the Federal Insurance Contributions Act ("FICA") tax imposed under Code Sections 3101, 3121(a), and 3121(v)(2) on amounts deferred under the Plan (the "FICA Amount"), income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA Amount, and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. The total payment under this Section shall not exceed the aggregate of the FICA Amount and the income tax withholding related to such FICA Amount.

(c) Payment of State, Local or Foreign Taxes. Payment may be made to reflect payment of state, local or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the Participant, plus the income tax at source on wages imposed under Code Section 3401 as a result of such payment; provided, however, that the amount of the payment may not exceed the amount of the taxes due, and the income tax withholding related to such state, local and foreign tax amount.

(d) Income Inclusion under Code Section 409A. Payment may be made at any time the Plan fails to meet the requirements of Code Section 409A and the Treasury Regulations issued thereunder; provided, however, that payment cannot exceed the amount required to be included in income as a result of the failure to comply.

(e) Certain Offsets. Payment may be made as satisfaction of a debt of the Participant to the Employer where: (1) the debt is incurred in the ordinary course of the employment relationship; (2) the entire amount of the offset in any of the Participant's taxable years does not exceed $5,000; and (3) the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(f) Other Accelerations. The Company may in its discretion accelerate any payment due under the Plan to the extent permitted by Code Section 409A and the regulations thereunder.

5.9 Delay of Payment. The Company may in its discretion delay any payment due under the Plan to the extent permitted by Code Section 409A and the regulations thereunder.

5.10 Assignment and Assumption of Liabilities. In the discretion of the Company, upon the cessation of participation in the Plan by any Participant solely due to the employer of that Participant no longer qualifying as a member of the controlled group of Cardinal Health, Inc. within the meaning of Code Sections 414(b) and (c), all liabilities associated with the Account of such Participant may be transferred to and assumed by the Participant's employer under a deferred compensation plan established by such employer that is substantially identical to this Plan and that preserves the deferral and payment elections in effect for the Participant under this Plan to the extent required by Code Section 409A. Any such Participant shall not be deemed to have incurred a Separation from Service for purposes of the Plan by virtue of his employer's ceasing to be a member of the controlled group of Cardinal Health, Inc. The foregoing provision shall be interpreted and administered in compliance with the requirements of Code Section 409A.

ARTICLE VI

PLAN ADMINISTRATION

6.1 Administration. The Plan shall be administered by the Administrative Committee as an unfunded deferred compensation plan that is not intended to meet the qualification requirements of Code Section 401 and that is intended to meet all applicable requirements of Code Section 409A.

6.2 Administrative Committee Meetings and Membership. The Administrative Committee shall be comprised of the following members: (1) Senior Vice President of the Company overseeing Benefits; (2) An individual designated by the Chief Human Resources Officer ("CHRO") of the Company; (3) Treasurer of the Company; and (4) An individual designated by the Chief Financial Officer ("CFO") of the Company. Each Member of the Administrative Committee shall serve without the need of a formal appointment or resignation, so long as she or he holds the position, or is designated in writing as the stated designee of the CHRO or CFO. The designee of the CFO shall chair the Administrative Committee.

The Administrative Committee shall meet quarterly as determined by the Administrative Committee and at such other times as necessary to perform its duties. A majority of the members of the Administrative Committee constitutes a quorum. The Administrative Committee may act by a majority vote at a meeting or by a writing approved by a majority of its members without a meeting. The

Administrative Committee may adopt such rules and procedures as are necessary or appropriate, as determined in the Administrative Committee's discretion, to carry out its responsibilities with respect to the Plan.

6.3 Administrative Committee. The Administrative Committee shall have full power, authority and discretion to control and manage the operation and administration of the Plan. The discretionary authority of the Administrative Committee shall include, but not be limited to, the following:

(a) To determine all questions relating to the rights and status of Eligible Employees and Participants, the value of a Participant's Account, and the nonforfeitable percentage of each Participant's Account;

(b) To adopt rules and procedures necessary for the proper and efficient administration of the Plan, provided the rules and procedures are not inconsistent with the terms of this Plan;

(c) To construe, interpret and enforce the terms of the Plan and the rules and regulations it adopts, including the discretionary authority to interpret the Plan documents, documents related to the Plan's operation, and findings of fact;

(d) To review and render decisions respecting claims (including appeals of denied claims) in accordance with the Plan's claims procedures;

(e) To furnish an Employer with information that the Employer may require for tax or other purposes;

(f) To engage such legal, accounting, recordkeeping, clerical, investment and/or administrative services that it may deem necessary or appropriate for the proper administration or operation of the Plan;

(g) To engage the services of agents whom it may deem advisable to assist it with the performance of its duties;

(h) To delegate responsibility (including the responsibilities described in this Section 6.3) to others, including, but not limited to benefits staff of the Company and third parties engaged to provide services to the Plan;

(i) To keep such records, books of account, data and other documents as may be necessary for the proper administration of the Plan;

(j) To prepare and distribute to Participants and Beneficiaries information concerning the Plan and their rights under the Plan;

(k) To determine the times and places for holding meetings of the Administrative Committee and the notice to be given of such meetings; and

(l) To do all things necessary or appropriate to operate and administer the Plan in accordance with its provisions and in compliance with applicable provisions of law.

Without limiting the powers set forth herein, the Administrative Committee shall have the power to change or waive any requirements of the Plan to conform with Code Section 409A or other applicable law or to meet special circumstances not anticipated or covered in the Plan.

When making a determination or calculation, the Administrative Committee shall be entitled to rely upon all valuations, certificates and reports furnished by any funding agent or service provider, upon all certificates and reports made by an accountant, upon all opinions given by any legal counsel selected or approved by the Administrative Committee, and upon any information furnished by a Participant or Beneficiary (including the legal counsel or other representative thereof), an Employer, or the Trustee. The members of the Administrative Committee, the Committee, and the Company and its officers and directors shall, except as otherwise provided by law, be fully protected in respect of any action taken or suffered by them in good faith in reliance upon any such valuations, certificates, reports, opinions, advice, or other information.

Benefits under the Plan shall be paid only if the Administrative Committee (or its delegate) decides in its discretion that the applicant is entitled to such benefits under the Plan.

6.4 Statement of Participant's Account. The Administrative Committee shall, as soon as practicable after the end of each Plan Year, provide to each Participant a statement setting forth the Account of such Participant under Section 3.4 as of the end of such Plan Year. Such statement shall be deemed to have been accepted as correct unless written notice to the contrary is received by the Administrative Committee within 30 days after providing such statement to the Participant. Account statements may be provided more often than annually in the discretion of the Administrative Committee.

6.5 Filing Claims. Any Participant, Beneficiary or other individual (hereinafter the "claimant") entitled to benefits under the Plan, or otherwise eligible to participate herein, shall be required to make a claim with the Administrative Committee (or its designee) requesting payment or distribution of such Plan benefits (or written confirmation of Plan eligibility, as the case may be), on such form or in such manner as the Administrative Committee shall prescribe. Unless and until a claimant makes proper application for benefits in accordance with the rules and procedures established by the Administrative Committee, such claimant shall have no right to receive any distribution from or under the Plan. If a claimant's application is wholly or partially denied, the procedures set forth in Appendix A shall apply.

6.6 Payment of Expenses. All costs and expenses incurred in administering the Plan shall be paid from the Plan unless the Company elects to pay the costs and expenses.

ARTICLE VII

AMENDMENT AND TERMINATION

7.1 Amendment. The Company may amend the Plan at any time and in any respect through a written resolution adopted or approved by the Board, or by:

(a) the Administrative Committee, with respect to any amendment that: (i) is required to comply with a change in applicable law, or (ii) when aggregated with any other amendment or amendments approved on the same date, is reasonably expected to have an annual financial impact on the Company of $5 million or less;

(b) the CHRO of the Company, with respect to any amendment that, when aggregated with any other amendment or amendments approved on the same date, is reasonably expected to have an annual financial impact on the Company of $20 million or less; or

(c) the Chief Executive Officer of the Company.

However, no amendment shall operate retroactively so as to affect adversely any rights to which a Participant may be entitled under the provisions of the Plan as in effect prior to such action.

7.2 Termination. The Company reserves the right to suspend, discontinue or terminate the Plan, at any time in whole or in part; provided, however, that a suspension, discontinuance or termination of the Plan shall not accelerate the obligation to make payments to any person not otherwise currently entitled to payments under the Plan, unless otherwise specifically so determined by the Company and permitted by Code Section 409A (including a termination and liquidation of the Plan by the Company in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)) and applicable law, relieve the Company of its obligations to make payments to any person then entitled to payments under the Plan, or reduce any existing Account balance.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Employment Relationship. For purposes of determining if there has been a Separation from Service, the Employer is defined to include all members of a controlled group of corporations or other business entities within the meaning of Code Sections 414(b) and (c) that includes Cardinal Health, Inc. as modified by this Section. A Participant shall be considered to be in the employ of the Employer and its related affiliates and subsidiaries as long as he remains an employee of the Company, any subsidiary corporation of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. For this purpose, a subsidiary corporation of the Company is any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, as of the date such determination is to be made, each of the corporations other than the last corporation in the unbroken chain owns stock possessing greater than 50 percent of the total combined voting power of all classes of stock in one of the other corporations in such chain. Nothing in the adoption of the Plan or the crediting of deferred compensation shall confer on any Participant the right to continued employment by the Company or an affiliate or subsidiary corporation of the Company, or affect in any way the right of the Company or such affiliate or subsidiary to terminate his employment at any time. Any question as to whether and when there has been a Separation from Service of a Participant's employment, and the cause of such Separation from Service, shall be determined by the Administrative Committee, and its determination shall be final.

8.2 Facility of Payments. Whenever, in the opinion of the Administrative Committee, a person entitled to receive any payment, or installment thereof, is under a legal disability or is unable to manage his financial affairs, the Administrative Committee shall have the discretionary authority to direct payments to such person's legal representative or to a relative or friend of such person for his benefit; alternatively, the Administrative Committee may in its discretion apply the payment for the benefit of such person in such manner as the Administrative Committee deems advisable. Any such payment or application of benefits made in good faith in accordance with the provisions of this Section shall be a complete discharge of any liability of the Administrative Committee with respect to such payment or application of benefits.

8.3 Funding. All benefits under the Plan are unfunded and the Company shall not be required to establish any special or separate fund or to make any other segregation of assets in order to assure the payment of any amounts under the Plan; provided, however, that in order to provide a source of payment for its obligations under the Plan, the Company may establish a trust fund, provided that the assets of any such trust shall remain subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency, and further provided that no assets will be transferred to or set aside in any such trust at a time

or in a manner that would result in a violation of Section 409A. The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his Beneficiary shall have any rights in or against any amounts credited under the Plan or any other specific assets of the Company. All amounts credited under the Plan to the benefit of a Participant shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

8.4 Anti-Assignment. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge; and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit shall be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefits. If a Participant, a Participant's spouse, or any Beneficiary should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to benefits under the Plan, then those rights, in the discretion of the Administrative Committee, shall cease. In this case, the Administrative Committee may hold or apply the benefits at issue or any part thereof for the benefit of the Participant, the Participant's spouse, or Beneficiary in such manner as the Administrative Committee may deem proper.

8.5 Unclaimed Interests. If the Administrative Committee shall at any time be unable to make distribution or payment of benefits hereunder to a Participant or any Beneficiary of a Participant by reason of the fact that his whereabouts is unknown, the Administrative Committee shall so certify, and thereafter the Administrative Committee shall make a reasonable attempt to locate such missing person. If such person continues missing for a period of three years following such certification, the interest of such Participant in the Plan shall, in the discretion of the Administrative Committee, be distributed to the Beneficiary of such missing person.

8.6 References to Code, Statutes and Regulations. Any and all references in the Plan to any provision of the Code, ERISA, or any other statute, law, regulation, ruling or order shall be deemed to refer also to any successor statute, law, regulation, ruling or order.

8.7 Liability. The Company, and its directors, officers and employees, shall be free from liability, joint or several, for personal acts, omissions, and conduct, and for the acts, omissions and conduct of duly constituted agents, in the administration of the Plan, except to the extent that the effects and consequences of such personal acts, omissions or conduct shall result from willful misconduct. However, this Section shall not operate to relieve any of the aforementioned from any responsibility or liability for any responsibility, obligation, or duty that may arise under ERISA.

8.8 Tax Consequences of Compensation Reductions. The income tax consequences to Participants of Compensation reductions under the Plan shall be determined under applicable federal, state and local tax law and regulation. It is intended that the Plan will comply with the provisions of Code Section 409A, and the Plan will be construed, administered and governed in a manner that effects such intent. Although the Company shall use its best efforts to avoid the imposition of taxation, interest or penalties under Section 409A of the Code, the tax treatment of deferrals under the Plan is not warranted or guaranteed.

8.9 Company as Agent for Related Employers. Each employer which participates in the Plan by so doing shall be deemed to have appointed the Company its agent to exercise on its behalf all of the powers and authority hereby conferred upon the Company by the terms of the Plan, including but not limited to the power to amend and terminate the Plan. The Company's authority shall continue unless and until the employer terminates its participation in the Plan.

8.10 Governing Law; Severability. The Plan shall be construed according to the laws of the State of Ohio, including choice of law provisions, and all provisions hereof shall be administered according to the laws of that State, except to the extent preempted by federal law. A final judgment in any action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. In the event that any one or more of the provisions of the Plan shall for any reason be held to be invalid, illegal, or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of the Plan, but the Plan shall be construed as if such invalid, illegal, or unenforceable provisions had never been contained herein, and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties to the extent permitted by applicable law.

8.11 Taxes. The Company shall be entitled to withhold any taxes from any distribution hereunder or from other compensation then payable, or to require a Participant to pay or to make arrangements satisfactory to the Company for the payment of such taxes, as the Company believes necessary, appropriate, or required under relevant law.

Cardinal Health, Inc.

/s/ Ola Snow

By: Ola Snow
Title: Chief Human Resources Officer

Date: 12/18/2019

Appendix A - Claims and Appeals

A Participant or Beneficiary (hereinafter, the "claimant") or his or her authorized representative may file (or may be deemed to have filed) a claim under the Plan pursuant to rules and procedures established by the Administrative Committee. The claims reviewer designated by the Administrative Committee shall determine initial claims.

A. DENIAL OF CLAIM. If any claim under the Plan (other than a claim based on Total Disability) is wholly or partially denied by the claims reviewer, the claimant shall be given notice of the denial. This notice shall be furnished in writing or electronically, within a reasonable period of time after receipt of the claim by the claims reviewer. This period shall not exceed 90 days after receipt of the claim, except that if special circumstances require an extension of time, written notice of the extension (which shall not exceed an additional 90 days) shall be furnished to the claimant. The notice of denial shall be written in a manner calculated to be understood by the claimant and shall set forth the following information:

(i) the specific reasons for the denial;

(ii) specific references to the Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why this material or information is necessary;

(iv) an explanation that a full and fair review of the denial by the claims reviewer may be requested by the claimant or his or her authorized representative by filing with the Administrative Committee a written request for review within 60 days of the notice of denial;

(v) an explanation that if a review is requested, the claimant or his or her authorized representative may review pertinent documents and submit issues and comments in writing within the same 60-day period referenced in subsection (iv) above;

(vi) a statement of the claimant's right to bring a civil action under section 502 of ERISA; and

(vii) such other information as may be required to be included in the notice of denial under ERISA.

B. APPEAL OF DENIED CLAIM. If a claimant requests a review of a claim that was wholly or partially denied by the claims reviewer, such review shall be conducted by the Administrative Committee. The Administrative Committee's decision upon review shall be made no later than 60 days following receipt of the written request for review, unless special circumstances require an extension of time for processing, in which case the claimant shall be notified of the need for such extension of time prior to the expiration of such 60-day period. In no event shall the Administrative Committee's decision upon review be made later than 120 days following receipt of the written request for review. If a claim is wholly or partially denied upon review, the claimant shall be given written or electronic notice of the decision promptly. The notice shall be written in a manner calculated to be understood by the claimant and shall set forth the following information:

(i) the specific reasons for the denial;

(ii) specific references to the Plan provisions on which the denial is based;

(iii) a statement that the claimant is entitled to receive documents and information relevant to the claim;

(iv) a statement that the claimant may bring a civil action under section 502 of ERISA; and

(v) such other information as may be required under ERISA.

C. DENIAL OF CLAIM BASED ON TOTAL DISABILITY. If any claim under the Plan based on Total Disability is wholly or partially denied by the claims reviewer, the claimant shall be given notice of the denial. This notice shall be furnished in writing or electronically, within a reasonable period of time after receipt of the claim by the claims reviewer. This period shall not exceed 45 days after receipt of the claim, except that such 45-day period may be extended by 30 days if an extension is necessary to process the claim due to matters beyond the control of the claims reviewer. A written notice of the extension, and when the claims reviewer expects to decide the claim, will be furnished to the claimant within the initial 45-day period. This period may be extended for an additional 30 days beyond the original extension. If an additional 30-day extension is needed, a written notice of the additional extension, including the reason for the additional extension and when the claims reviewer expects to decide the claim, will be furnished to the claimant before the end of the first 30-day extension period. However, if a period of time is extended due to a claimant's failure to submit information necessary to decide a claim, the period for making a determination by the claims reviewer will be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information.

The notice of denial shall be written in a culturally and linguistically appropriate manner pursuant to the rules set forth at 29 C.F.R. § 2560.503-1(o), and in a manner calculated to be understood by the claimant, and shall set forth the following information:

(i) the specific reasons for the denial;

(ii) specific references to the Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why this material or information is necessary;

(iv) a description of the Plan's appeals procedures and applicable time limits, including a statement that a full and fair review of the denial by the claims reviewer may be requested by the claimant or his or her authorized representative by filing with the Administrative Committee a written request for review within 60 days of the notice of denial and, to the extent applicable, a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse determination on review;

(v) a discussion of the decision, including an explanation of the basis for disagreeing with, or not following: (i) the views presented by the claimant to the claims reviewer of

healthcare professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained on behalf of the claims reviewer in connection with a claimant's adverse determination, without regard to whether the advice was relied upon in making the determination; and (iii) a disability determination regarding the claimant presented by the claimant to the claims reviewer made by the Social Security Administration;

(vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request;

(vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist;

(viii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim;

(ix) an explanation that if a review is requested, the claimant or his or her authorized representative may review pertinent documents and submit issues and comments in writing within the same 60-day period referenced in subsection (iv) above;

(x) a statement of the claimant's right to bring a civil action under section 502 of ERISA; and

(xi) such other information as may be required to be included in the notice of denial under ERISA.

D. APPEAL OF DENIED CLAIM BASED ON TOTAL DISABILITY. If a claim based on Total Disability is denied, a claimant, or his or her representative, may appeal the denied claim in writing within 180 days of receipt of the written notice of denial. The claimant may submit any written comments, documents, records, and any other information relating to the claim. Upon request, the claimant will also have access to, and the right to obtain copies of, all documents, records and information relevant to his or her claim free of charge.

E.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted. The claim decision on review will be made by the Administrative Committee. The Administrative Committee will consist of individuals who were not involved in the initial claim determination, and who are not subordinate to any person involved in the initial claim determination. This review will not afford any deference to the initial claim determination.

If the initial adverse decision was based in whole or in part on a medical judgment, the Administrative Committee will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment, was not consulted in the initial adverse determination and is not a subordinate of the healthcare professional who was consulted in the initial adverse determination.

Before an adverse determination on review is issued, the Administrative Committee will provide the claimant, free of charge, with any new or additional evidence considered, relied upon, or generated by (or at the direction of) the Administrative Committee in connection with the review of the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the claimant a reasonable opportunity to respond prior to that date.

Before the Administrative Committee issues an adverse determination on review based on a new or additional rationale, the Administrative Committee will provide the claimant, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the claimant a reasonable opportunity to respond prior to that date.

The Administrative Committee will make a determination on an appealed claim within 45 days of the receipt of an appeal request. This period may be extended for an additional 45 days if the Administrative Committee determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Administrative Committee expects to render a decision will be furnished to the claimant within the initial 45-day period. However, if the period of time is extended due to a claimant's failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent until the date on which the claimant responds to the request for additional information.

If the claim on appeal is denied in whole or in part, a claimant will receive a written notification of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the claimant. The notice will include:

(i) the specific reason(s) for the adverse determination;

(ii) references to the specific Plan provisions on which the determination was based;

(iii) a statement regarding the right to receive upon request and free of charge reasonable access to, and copies of, all records, documents and other information relevant to the claim;

(iv) a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review;

(v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (i) the views presented by the claimant to the Administrative Committee of healthcare professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained by or on behalf of the Administrative Committee in connection with a claimant's adverse determination, without regard to whether the advice was relied upon in making the determination; and (iii) a disability determination regarding the claimant presented by the claimant to the Administrative Committee made by the Social Security Administration;

(vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

(vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist.

A claimant has the right to request a written explanation of any violation of these claims procedures. The Administrative Committee will provide an explanation within 10 days of any such request.

E. EXHAUSTION OF CLAIMS PROCEDURES AND STATUTE OF LIMITATIONS FOR CIVIL ACTIONS. Any Participant, Beneficiary, or other person made subject to these claims procedures must follow and exhaust such claims procedures before taking action in any other forum regarding a claim for benefits under the Plan or alleging a violation of or seeking any remedy under any provision of ERISA or other applicable law. No suit or legal action may be commenced after the earlier of (1) one year after the date of the notice of the final decision on appeal, or (2) one year after the date that a timely notice of final decision on appeal would have been required to be issued if a timely appeal had been filed.

Exhibit 31.1

I, Michael C. Kaufmann, certify that:

1. I have reviewed this Form 10-Q 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: February 6, 2020

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

Exhibit 31.2

I, David C. Evans, certify that:

1. I have reviewed this Form 10-Q 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: February 6, 2020

/s/ DAVID C. EVANS

David C. Evans

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 of Cardinal Health, Inc. (the "Company") and David C. Evans, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Periodic Report on Form 10-Q for the quarter ended December 31, 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: February 6, 2020

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

/s/ DAVID C. EVANS

David C. Evans

Chief Financial Officer

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;
- risks associated with the ongoing discussions regarding a potential global settlement of certain opioid lawsuits and investigations against us, including the risk that we could fail to reach a final settlement, that any final settlement reached could require us to pay more than we currently anticipate or could have a negative effect on our liquidity or ability to return money to shareholders and the risk that any injunctive or non-monetary remedies we may agree to could have unintended consequences;
- 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;
- costs or claims resulting from a quality issue related to the manufacture of some of our sterile surgical downs, or other 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 recalls, remediation efforts, and related product liability claims and lawsuits, including class action lawsuits;
- 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;
- 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;
- 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 or with our ability to meet contractual obligations 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, which may adversely affect our effective tax rate or tax payments;
- 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 and Form 10-Q for the three-months ended September 30, 2019.

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.