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 March 31, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

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

(614) 757-5000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

The number of the registrant's common shares, without par value, outstanding as of April 25, 2017, was the following: 315,882,555.

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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 hospital systems, pharmacies, ambulatory surgery centers, clinical laboratories and physicians' offices. We provide clinically proven 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.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (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 the document, which may be identified by the 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. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. The most significant of these risks, uncertainties and other factors are described in "Risk Factors" in this Form 10-Q, in Exhibit 99.1 to this Form 10-Q, in "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (our “2016 Form 10-K”), and in our other filings with the Securities and Exchange Commission ("SEC") since June 30, 2016. Forward-looking statements in this document 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

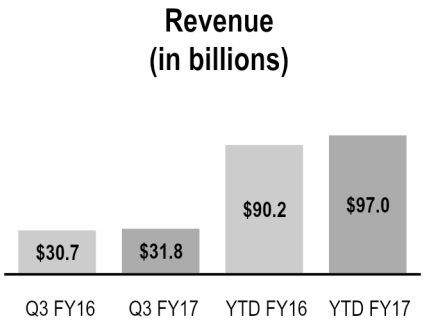
In the "Overview of Consolidated Results" section of MD&A, we use financial measures that are derived from our consolidated financial data but are not presented in our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the 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 March 31, 2017 and June 30, 2016, and in our condensed consolidated statements of earnings for the three and nine months ended March 31, 2017 and 2016. 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 2016 Form 10-K.

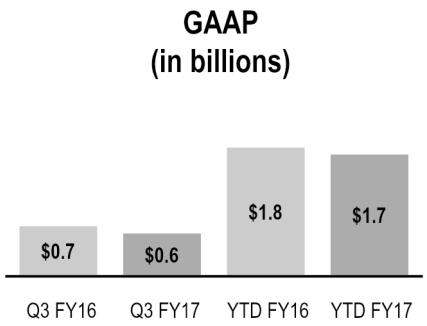
Overview of Consolidated Results

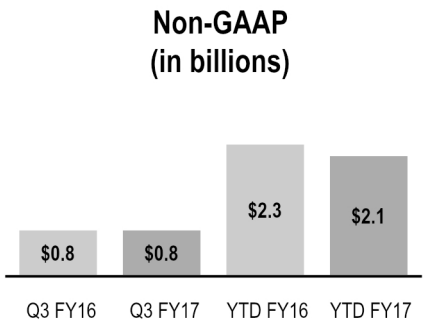
Revenue



During the three months ended March 31, 2017, revenue increased 4 percent to $31.8 billion primarily due to sales growth from specialty pharmaceutical and pharmaceutical distribution customers. During the nine months ended March 31, 2017, revenue increased 8 percent to $97.0 billion primarily due to sales growth from pharmaceutical distribution customers.

GAAP and Non-GAAP Operating Earnings



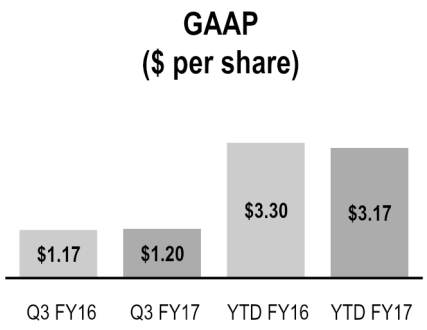


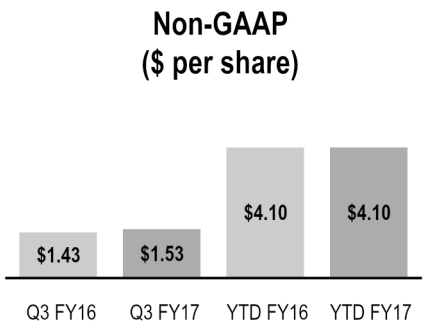
	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2017	2016	Change	2017	2016	Change
GAAP operating earnings	**$ 605**	$ 656	**(8)%**	**$ 1,681**	$ 1,839	**(9)%**
LIFO charges/(credits)	**(9)**	12		**—**	51	
Restructuring and employee severance	**15**	6		**31**	19	
Amortization and other acquisition-related costs	**128**	108		**365**	327	
Impairments and (gain)/loss on disposal of assets	**2**	—		**15**	17	
Litigation (recoveries)/charges, net	**18**	5		**37**	(3)	
Non-GAAP operating earnings	**$ 759**	$ 788	**(4)%**	**$ 2,129**	$ 2,251	**(5)%**

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

The decreases in both GAAP and non-GAAP operating earnings for the three and nine months ended March 31, 2017 were primarily due to generic pharmaceutical customer pricing changes and the loss of a large pharmaceutical distribution customer beginning April 1, 2016. For the nine months ended March 31, 2017, reduced levels of branded pharmaceutical inflation also contributed to the decreases in GAAP and non-GAAP operating earnings. The decreases were partially offset by the benefits of Red Oak Sourcing within our generics program and growth from our Medical segment.

GAAP and Non-GAAP Diluted EPS





	Three Months Ended March 31,			Nine Months Ended March 31,		
($ per share)	**2017**	2016	**Change**	**2017**	2016	**Change**
GAAP [1]	**$ 1.20**	$ 1.17	**3%**	**$ 3.17**	$ 3.30	**(4)%**
LIFO charges/(credits)	**(0.02)**	0.02		**—**	0.10	
Restructuring and employee severance	**0.03**	0.01		**0.06**	0.04	
Amortization and other acquisition-related costs	**0.27**	0.21		**0.76**	0.64	
Impairments and (gain)/loss on disposal of assets	**0.01**	—		**0.03**	0.03	
Litigation (recoveries)/charges, net	**0.03**	0.01		**0.07**	—	
Non-GAAP [1]	**$ 1.53**	$ 1.43	**7%**	**$ 4.10**	$ 4.10	**— %**

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

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

During the three months ended March 31, 2017, GAAP and non-GAAP diluted EPS increased primarily due to a lower effective tax rate and fewer outstanding shares as a result of share repurchases, partially offset by lower GAAP and non-GAAP operating earnings. During the nine months ended March 31, 2017 GAAP diluted EPS decreased and non-GAAP diluted EPS was flat compared to the prior-year period primarily due to lower GAAP and non-GAAP operating earnings, offset by fewer outstanding shares as a result of share repurchases and by a lower effective tax rate.

Cash and Equivalents

Our cash and equivalents balance was $1.4 billion at March 31, 2017 compared to $2.4 billion at June 30, 2016. The decrease in cash and equivalents during the nine months ended March 31, 2017 was driven by $600 million paid for share repurchases, $435 million paid for dividends and $293 million of capital expenditures, offset in part by $460 million net cash provided by operating activities. The $1.9 billion decrease in net cash provided by operating activities during the nine months ended March 31, 2017 compared to the prior-year period was primarily due to changes in working capital.

Acquisition of Certain Medtronic Businesses

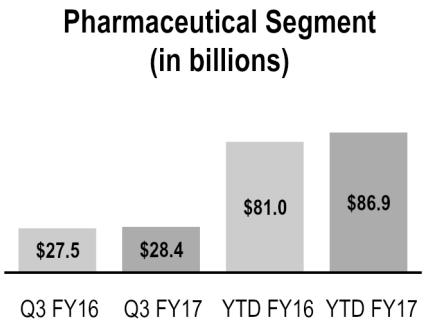
On April 18, 2017, we entered into an agreement with Medtronic plc (“Medtronic”) to acquire its Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses for $6.1 billion in cash, subject to certain adjustments. These Medtronic businesses manufacture 23 medical product categories sold into multiple healthcare channels, and include numerous industry-leading brands, such as Curity, Kendall, Dover, Argyle and Kangaroo. The acquisition will further expand the Medical segment's portfolio of self-manufactured products. We plan to fund the acquisition through $4.5 billion in new long-term debt, the use of existing cash and expected operating cash flows through closing. Additionally, if needed, we may access our commercial paper program and credit facilities, further discussed in the "Liquidity and Capital Resources" section of MD&A. We also obtained a bank commitment to provide a $4.5 billion unsecured bridge loan. We expect to close the acquisition in the first quarter of our fiscal 2018, subject to customary closing conditions, including regulatory clearances.

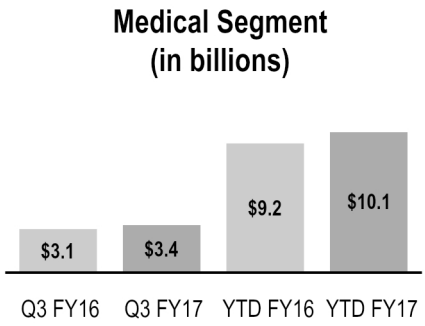
Trends

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

Results of Operations

Revenue





	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2017	2016	Change	2017	2016	Change
Pharmaceutical	$ 28,406	$ 27,527	3%	$ 86,911	$ 80,954	7%
Medical	3,418	3,138	9%	10,107	9,220	10%
Total segment revenue	31,824	30,665	4%	97,018	90,174	8%
Corporate	(3)	(3)	N.M.	(8)	(12)	N.M.
Total revenue	$ 31,821	$ 30,662	4%	$ 97,010	$ 90,162	8%

Pharmaceutical Segment

Pharmaceutical segment sales growth from specialty pharmaceutical customers and pharmaceutical distribution customers positively impacted revenue by $0.8 billion for the three months ended March 31, 2017.

Pharmaceutical segment revenue growth for the nine months ended March 31, 2017 was primarily due to $6.0 billion in sales growth from new and existing pharmaceutical distribution customers, including the on-boarding of a new mail order customer beginning in October 2015.

Medical Segment

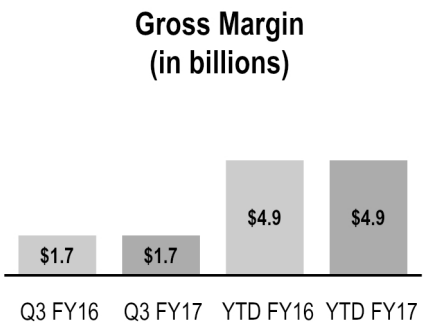
Medical segment revenue growth for the three months ended March 31, 2017 was primarily due to sales growth from new and existing customers.

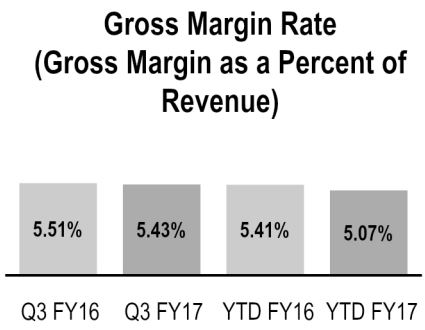
Medical segment revenue growth for the nine months ended March 31, 2017 was primarily due to sales growth from new and existing customers and $212 million in contributions from acquisitions.

Cost of Products Sold

Cost of products sold for the three and nine months ended March 31, 2017 increased $1.1 billion (4 percent) and $6.8 billion (8 percent) compared to the prior-year periods, respectively, as a result of the same factors affecting the changes in revenue and gross margin.

Gross Margin





	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2017	2016	Change	2017	2016	Change
Gross margin	$ 1,728	$ 1,689	2%	$ 4,921	$ 4,877	1%

Three Months Ended March 31, 2017

Gross margin increased $39 million during the three months ended March 31, 2017 compared to the prior-year period.

Sales growth from pharmaceutical distribution and specialty pharmaceutical customers, as well as from our Medical segment, positively impacted gross margin by $92 million. This was partially offset by the loss of a large pharmaceutical distribution customer beginning April 1, 2016.

Gross margin as a percent of revenue declined 8 basis points, primarily due to generic pharmaceutical customer pricing changes, partially offset by the benefits from Red Oak Sourcing within our generics program.

The increase in gross margin reflects a $21 million benefit from lower last-in first-out ("LIFO") charges. See Note 1 of the "Notes to Condensed Consolidated Financial Statements" for additional information on LIFO.

Nine Months Ended March 31, 2017

Gross margin increased $44 million during the nine months ended March 31, 2017 compared to the prior-year period.

Pharmaceutical distribution sales growth and acquisitions in both segments increased gross margin by $221 million and $133 million, respectively. These were partially offset by the loss of a large pharmaceutical distribution customer beginning April 1, 2016.

Gross margin as a percent of revenue declined 34 basis points, primarily due to generic pharmaceutical customer pricing changes, partially offset by the benefits from Red Oak Sourcing within our generics program.

The increase in gross margin reflects a $51 million benefit from lower LIFO charges.

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

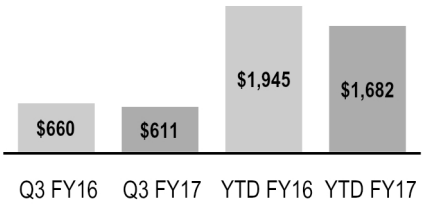
	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2017	2016	Change	2017	2016	Change
SG&A expenses	$ 960	$ 914	5%	$ 2,792	$ 2,678	4%

The increase in SG&A expenses during the three months ended March 31, 2017, compared to the prior-year period reflects costs related to a multi-year project to replace certain Pharmaceutical segment finance and operating information systems and an overall increase in new customer and product volume in our Medical segment, partially offset by reduced enterprise-wide incentive compensation. The increase in SG&A expenses during the nine months ended March 31, 2017 over the prior-year period was largely driven by acquisitions ($109 million).

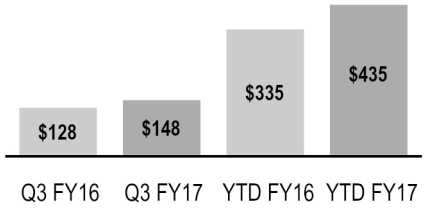
Segment Profit

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.

Pharmaceutical Segment Profit (in millions)



Medical Segment Profit (in millions)



	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2017	2016	Change	2017	2016	Change
Pharmaceutical	$ 611	$ 660	(7)%	$ 1,682	$ 1,945	(14)%
Medical	148	128	16 %	435	335	30 %
Total segment profit	759	788	(4)%	2,117	2,280	(7)%
Corporate	(154)	(132)	(17)%	(436)	(441)	1 %
Total consolidated operating earnings	$ 605	$ 656	(8)%	$ 1,681	$ 1,839	(9)%

Pharmaceutical Segment Profit

The decrease in Pharmaceutical segment profit during the three months ended March 31, 2017 was largely due to generic pharmaceutical customer pricing changes and the loss of a large pharmaceutical distribution customer beginning April 1, 2016, as well as incremental costs related to the project to replace certain Pharmaceutical segment finance and operating information systems. These were partially offset by the benefits of Red Oak Sourcing within our generics program.

The decrease in Pharmaceutical segment profit during the nine months ended March 31, 2017 was largely due to generic pharmaceutical customer pricing changes. The loss of a large pharmaceutical distribution customer beginning April 1, 2016 and reduced levels of branded pharmaceutical inflation also contributed to the decrease in Pharmaceutical segment profit. These were partially offset by the benefits of Red Oak Sourcing.

LIFO charges/(credits) are not allocated to segment profit as explained in Note 13 of the "Notes to Condensed Consolidated Financial Statements."

Medical Segment Profit

The increase in Medical segment profit during the three months ended March 31, 2017 was primarily due to performance from naviHealth, Cardinal Health Brand products (excluding Cordis), and distribution services, offset by a decline in Cordis profit. The decline in Cordis profit reflects increased SG&A expenses and the net favorable effect of inventory adjustments, which includes the prior-year unfavorable impact on cost of products sold from the Cordis inventory fair value step up.

Contributions from Cardinal Health Brand products, including the benefit of the Cordis inventory fair value step up, as well as the positive impact of acquisitions, increased Medical segment profit during the nine months ended March 31, 2017.

Corporate

The changes in Corporate during the three months ended March 31, 2017 were primarily due to higher amortization and other acquisition-related costs in the current year, offset by a $21 million benefit from lower LIFO charges.

The changes in Corporate during the nine months ended March 31, 2017 were primarily due a $51 million benefit from lower LIFO charges in the current year, partially offset by higher amortization and other acquisition-related costs.

Other Components of Consolidated Operating Earnings

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	**2017**	2016	**2017**	2016
Restructuring and employee severance	**$ 15**	$ 6	**$ 31**	$ 19
Amortization and other acquisition-related costs	**128**	108	**365**	327
Impairments and (gain)/loss on disposal of assets, net	**2**	—	**15**	17
Litigation (recoveries)/charges, net	**18**	5	**37**	(3)

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $96 million and $88 million for the three months ended March 31, 2017 and 2016, respectively. Amortization of acquisition-related intangible assets was $291 million and $255 million for the nine months ended March 31, 2017 and 2016, respectively.

Litigation (Recoveries)/Charges, Net
Litigation (recoveries)/charges, net for the three months ended March 31, 2017 increased primarily due to Cordis-related IVC filter product liability claims. The increase for the nine months ended March 31, 2017 was primarily due to settlement of the State of West Virginia matter and, to a lesser extent, Cordis-related IVC filter product liability claims. See Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

Earnings Before Income Taxes

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

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	**2017**	2016	**Change**	**2017**	2016	**Change**
Other (income)/expense, net	**$ (5)**	$ —	**N.M.**	**$ (2)**	$ 5	**N.M.**
Interest expense, net	**46**	44	**N.M.**	**134**	134	**N.M.**

Provision for Income Taxes

During the three months ended March 31, 2017 and 2016, the effective tax rate was 32.3 percent and 36.9 percent, respectively. The effective tax rate for the three months ended March 31, 2017 was impacted by net favorable discrete items of $31 million. Net favorable discrete items were immaterial for the three months ended March 31, 2016.

During the nine months ended March 31, 2017 and 2016, the effective tax rate was 34.4 percent and 35.5 percent, respectively. The effective tax rate for the nine months ended March 31, 2017 and 2016, included net favorable discrete items of $45 million and $27 million, respectively.

Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, dividends and share repurchases. If we decide to engage in one or more acquisitions in addition to the acquisition of the Medtronic businesses described below, 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 $1.4 billion at March 31, 2017 compared to $2.4 billion at June 30, 2016. At March 31, 2017, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During the nine months ended March 31, 2017, we deployed $600 million on share repurchases, $435 million for cash dividends and $293 million for capital expenditures; net cash provided by operating activities was $460 million, driven primarily by net earnings, partially offset by changes in working capital. The $1.9 billion decrease in net cash provided by operating activities during the nine months ended March 31, 2017 compared to the prior-year period was primarily due to changes in working capital.

The cash and equivalents balance at March 31, 2017 included $514 million of cash held by subsidiaries outside of the United States. Although the vast majority of cash is available for repatriation, bringing the cash into the United States could trigger U.S federal, state and local income tax obligations. Because the earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not practicable to evaluate the amount of U.S. tax that might be payable on the remittance of such earnings.

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

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $1.75 billion revolving credit facility and a $700 million committed receivables sales facility program. In November 2016, we renewed our committed receivables sales facility program through November 1, 2019. In December 2016, we increased our commercial paper program, which is backed by our revolving credit facility, from $1.5 billion to $1.75 billion. At March 31, 2017, we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of $14 million. We also had no amounts outstanding under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of $46 million at March 31, 2017. Under our commercial paper program, we had a maximum amount outstanding of $855 million and an average daily amount outstanding of $208 million during the three months ended March 31, 2017.

Our revolving credit facility and committed receivables sales facility program require us to maintain a consolidated leverage ratio of no more than 3.25-to-1. As of March 31, 2017, we were in compliance with this financial covenant. In the event of a "material acquisition," such as the planned acquisition of the Medtronic businesses, we have the ability to temporarily increase the leverage ratio to 4.25-to-1. We expect to be in compliance with this financial covenant after issuing the new long-term debt discussed below.

Funding for Acquisition of Certain Medtronic Businesses

On April 18, 2017, we entered into an agreement to acquire Medtronic's Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses for $6.1 billion in cash, subject to certain adjustments. We plan to fund the acquisition through $4.5 billion in new long-term debt, the use of existing cash and expected operating cash flows through closing. Additionally, if needed, we may access our commercial paper program and credit facilities, discussed above. On April 18, 2017, we obtained a commitment from a financial institution to provide us a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of up to $4.5 billion (the "Bridge Facility"), the proceeds of which may be used for the payment of the acquisition purchase price. We plan to terminate the Bridge Facility commitment following the issuance of new long-term debt. Neither the closing of the Bridge Facility nor the receipt of any other financing is a condition to the closing of the acquisition.

Available-for-Sale Securities

At March 31, 2017 and June 30, 2016, we held $197 million and $200 million, respectively of marketable securities, which are classified as available-for-sale.

Capital Deployment

Capital Expenditures

Capital expenditures during the nine months ended March 31, 2017 and 2016 were $293 million and $284 million, respectively.

Dividends

On February 2, 2017, our Board of Directors approved a quarterly dividend of $0.4489 per share, or $1.80 per share on an annualized basis, which was paid on April 15, 2017 to shareholders of record on April 3, 2017.

Share Repurchases

During the nine months ended March 31, 2017, we repurchased $600 million of our common shares. We funded the repurchases with available cash. At March 31, 2017, we had $443 million remaining under our existing share repurchase program.

Acquisition of Certain Medtronic Businesses

Described above under "Funding for Acquisition of Certain Medtronic Businesses."

Other Items

The MD&A in our 2016 Form 10-K addresses our contractual obligations, critical accounting policies and sensitive accounting estimates and off-balance sheet arrangements, as of and for the fiscal year ended June 30, 2016. Other than in connection with our proposed acquisition of the Medtronic businesses discussed above, there have been no subsequent material changes outside of the ordinary course of business to those items. See Note 15 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

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

Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this Form 10-Q for its own and for investors' assessment of the business for the reasons identified below:

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

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

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

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

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

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

GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings[1]	Net Earnings[1] Growth Rate	Diluted EPS[1]	Diluted EPS[1] Growth Rate
	Three Months Ended March 31, 2017							
GAAP	**$ 605**	**(8)%**	**$ 564**	**$ 182**	**$ 381**	**(1)%**	**$ 1.20**	**3 %**
LIFO charges/(credits)	(9)		(9)	(4)	(5)		(0.02)	
Restructuring and employee severance	15		15	6	9		0.03	
Amortization and other acquisition-related costs	128		128	41	87		0.27	
Impairments and loss on disposal of assets	2		2	—	2		0.01	
Litigation (recoveries)/charges, net	18		18	7	11		0.03	
Non-GAAP	**$ 759**	**(4)%**	**$ 718**	**$ 232**	**$ 485**	**3 %**	**$ 1.53**	**7 %**
	Three Months Ended March 31, 2016							
GAAP	$ 656	11 %	$ 612	$ 226	$ 386	6 %	$ 1.17	7 %
LIFO charges/(credits)	12		12	4	8		0.02	
Restructuring and employee severance	6		6	2	4		0.01	
Amortization and other acquisition-related costs	108		108	37	71		0.21	
Impairments and loss on disposal of assets	—		—	—	—		—	
Litigation (recoveries)/charges, net	5		5	2	3		0.01	
Non-GAAP	$ 788	20 %	$ 744	$ 272	$ 472	19 %	$ 1.43	20 %
	Nine Months Ended March 31, 2017							
GAAP	**$ 1,681**	**(9)%**	**$ 1,549**	**$ 533**	**$ 1,014**	**(7)%**	**$ 3.17**	**(4)%**
LIFO charges/(credits)	—		—	—	—		—	
Restructuring and employee severance	31		31	12	19		0.06	
Amortization and other acquisition-related costs	365		365	120	245		0.76	
Impairments and loss on disposal of assets	15		15	4	11		0.03	
Litigation (recoveries)/charges, net	37		37	14	23		0.07	
Non-GAAP	**$ 2,129**	**(5)%**	**$ 1,997**	**$ 684**	**$ 1,311**	**(4)%**	**$ 4.10**	**— %**
	Nine Months Ended March 31, 2016							
GAAP	$ 1,839	15 %	$ 1,700	$ 604	$ 1,095	19 %	$ 3.30	20 %
LIFO charges/(credits)	51		51	20	31		0.10	
Restructuring and employee severance	19		19	7	12		0.04	
Amortization and other acquisition-related costs	327		327	115	212		0.64	
Impairments and (gain)/loss on disposal of assets	17		17	7	10		0.03	
Litigation (recoveries)/charges, net	(3)		(3)	(3)	—		—	
Non-GAAP	$ 2,251	21 %	$ 2,112	$ 751	$ 1,361	20 %	$ 4.10	21 %

[1] attributable to Cardinal Health, Inc.

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

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2016 Form 10-K since the end of fiscal 2016 through March 31, 2017.

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 March 31, 2017. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of March 31, 2017, 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

The Pharmaceutical segment is in a multi-year project to replace certain finance and operating information systems, which is affecting internal control over financial reporting. During the quarter ended March 31, 2017, we began transitioning selected processes to the new systems. If these new systems are not effectively implemented or fail to operate as intended, it could adversely affect our internal control over financial reporting. Except for the changes made in connection with implementing the new systems described above, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Legal Proceedings

The legal proceedings described in Note 7 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

Risk Factors

You should carefully consider the information in this Form 10-Q, including the risk factor below, and the risk factors discussed in "Risk Factors" and other risks discussed in our 2016 Form 10-K and our filings with the SEC since June 30, 2016. 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.

Our pending acquisition of certain Medtronic businesses subjects us to various risks and uncertainties.

As discussed in the MD&A, on April 18, 2017, we entered into an agreement to acquire Medtronic's Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses for $6.1 billion in cash, subject to certain adjustments. The acquisition will further expand the Medical segment's portfolio of self-manufactured products. We plan to fund the acquisition through $4.5 billion in new long-term debt, the use of existing cash and expected operating cash flows through closing. Additionally, if needed, we may access our commercial paper program and credit facilities. Consummation of the pending acquisition is subject to various risks and uncertainties, including the following: the ability to successfully complete the acquisition on a timely basis, including receipt of required regulatory approvals and satisfaction of other closing conditions; and the conditions of the credit markets, which could affect our ability to issue debt to fund the acquisition on acceptable terms.

If we are successful in completing the acquisition, we will be subject to other risks, including the following: we may fail to realize the synergies and other benefits we expect from the acquisition; the use of a significant portion of our cash and the incurrence of substantial indebtedness in connection with the financing of the acquisition may have an adverse effect on our liquidity, limit our flexibility in responding to other business opportunities, and increase our vulnerability to adverse economic and industry conditions; we may fail to retain key personnel of the acquired businesses; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties establishing, integrating or combining operations and systems; we may face challenges retaining the customers of the acquired businesses; we may encounter unforeseen internal control, regulatory or compliance issues; and we may face other additional risks relating to regulatory matters, legal proceedings, tax laws or positions, supply interruptions, commodity price volatility and global operations, including the effects of local economic environments and currency volatility.

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	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (2) (in millions)
January 2017	191	$ 74.13	—	$ 443
February 2017	171	80.09	—	443
March 2017	215	81.53	—	443
Total	**577**	**$ 78.66**	**—**	**$ 443**

(1) Reflects 191, 171 and 215 common shares purchased in January, February and March 2017, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On May 4, 2016, our Board of Directors approved a $1.0 billion share repurchase program that expires on December 31, 2019.

Condensed Consolidated Statements of Earnings

(Unaudited)

(in millions, except per common share amounts)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Revenue	**$ 31,821**	$ 30,662	**$ 97,010**	$ 90,162
Cost of products sold	**30,093**	28,973	**92,089**	85,285
Gross margin	**1,728**	1,689	**4,921**	4,877
Operating expenses:				
Distribution, selling, general and administrative expenses	**960**	914	**2,792**	2,678
Restructuring and employee severance	**15**	6	**31**	19
Amortization and other acquisition-related costs	**128**	108	**365**	327
Impairments and loss on disposal of assets, net	**2**	—	**15**	17
Litigation (recoveries)/charges, net	**18**	5	**37**	(3)
Operating earnings	**605**	656	**1,681**	1,839
Other (income)/expense, net	**(5)**	—	**(2)**	5
Interest expense, net	**46**	44	**134**	134
Earnings before income taxes	**564**	612	**1,549**	1,700
Provision for income taxes	**182**	226	**533**	604
Net earnings	**382**	386	**1,016**	1,096
Less: Net earnings attributable to noncontrolling interests	**(1)**	—	**(2)**	(1)
Net earnings attributable to Cardinal Health, Inc.	**$ 381**	$ 386	**$ 1,014**	$ 1,095
Earnings per common share attributable to Cardinal Health, Inc.:				
Basic	**$ 1.21**	$ 1.18	**$ 3.19**	$ 3.33
Diluted	**1.20**	1.17	**3.17**	3.30
Weighted-average number of common shares outstanding:				
Basic	**316**	328	**318**	328
Diluted	**318**	331	**320**	331
Cash dividends declared per common share	**$ 0.4489**	$ 0.3870	**$ 1.3467**	$ 1.1610

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Net earnings	**$ 382**	$ 386	**$ 1,016**	$ 1,096
Other comprehensive loss:				
Foreign currency translation adjustments and other	**33**	16	**(47)**	(57)
Net unrealized gain/(loss) on derivative instruments, net of tax	**2**	(3)	**27**	(4)
Total other comprehensive income/(loss), net of tax	**35**	13	**(20)**	(61)
Total comprehensive income	**417**	399	**996**	1,035
Less: comprehensive income attributable to noncontrolling interests	(1)	—	**(2)**	(1)
Total comprehensive income attributable to Cardinal Health, Inc.	**$ 416**	$ 399	**$ 994**	$ 1,034

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)	March 31, 2017	June 30, 2016
Assets		
Current assets:		
Cash and equivalents	$ 1,368	$ 2,356
Trade receivables, net	7,505	7,405
Inventories, net	11,641	10,615
Prepaid expenses and other	1,769	1,580
Total current assets	22,283	21,956
Property and equipment, net	1,849	1,796
Goodwill and other intangibles, net	9,287	9,426
Other assets	755	944
Total assets	$ 34,174	$ 34,122
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 17,535	$ 17,306
Current portion of long-term obligations and other short-term borrowings	607	587
Other accrued liabilities	1,654	1,808
Total current liabilities	19,796	19,701
Long-term obligations, less current portion	4,854	4,952
Deferred income taxes and other liabilities	2,742	2,781
Redeemable noncontrolling interests	117	117
Shareholders' equity:		
Preferred shares, without par value:		
Authorized—**500 thousand** shares, Issued—**none**	—	—
Common shares, without par value:		
Authorized—**755 million** shares, Issued—**327 million** shares and 364 million shares at **March 31, 2017** and June 30, 2016, respectively	2,684	3,010
Retained earnings	4,842	6,419
Common Shares in treasury, at cost: **11 million** shares and 42 million shares at **March 31, 2017** and June 30 2016, respectively	(744)	(2,759)
Accumulated other comprehensive loss	(136)	(116)
Total Cardinal Health, Inc. shareholders' equity	6,646	6,554
Noncontrolling interests	19	17
Total shareholders' equity	6,665	6,571
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$ 34,174	$ 34,122

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)	Nine Months Ended March 31, 2017	2016
Cash flows from operating activities:		
Net earnings	**$ 1,016**	$ 1,096
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**525**	465
Impairments and loss on sale of other investments	**4**	—
Impairments and loss on disposal of assets, net	**15**	17
Share-based compensation	**73**	82
Provision for bad debts	**46**	51
Change in fair value of contingent consideration obligation	**—**	(16)
Change in operating assets and liabilities, net of effects from acquisitions:		
Increase in trade receivables	**(107)**	(721)
Increase in inventories	**(1,010)**	(1,457)
Increase in accounts payable	**225**	2,839
Other accrued liabilities and operating items, net	**(327)**	(26)
Net cash provided by operating activities	**460**	2,330
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	**(113)**	(3,383)
Additions to property and equipment	**(293)**	(284)
Purchase of available-for-sale securities and other investments	**(188)**	(150)
Proceeds from sale of available-for-sale securities and other investments	**115**	99
Proceeds from maturities of available-for-sale securities	**49**	37
Proceeds from divestitures and disposal of property and equipment and held for sale assets	**1**	—
Net cash used in investing activities	**(429)**	(3,681)
Cash flows from financing activities:		
Payment of contingent consideration obligation	**(3)**	(23)
Net change in short-term borrowings	**25**	34
Net purchase of noncontrolling interests	**(12)**	(10)
Reduction of long-term obligations	**(60)**	(5)
Proceeds from interest rate swap terminations	**14**	—
Net tax proceeds/(withholdings) from share-based compensation	**20**	(3)
Excess tax benefits from share-based compensation	**37**	33
Dividends on common shares	**(435)**	(386)
Purchase of treasury shares	**(600)**	(300)
Net cash used in financing activities	**(1,014)**	(660)
Effect of exchange rates changes on cash and equivalents	**(5)**	(7)
Net decrease in cash and equivalents	**(988)**	(2,018)
Cash and equivalents at beginning of period	**2,356**	4,616
Cash and equivalents at end of period	**$ 1,368**	$ 2,598

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. References to "we," "our," and similar pronouns in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (this "Form 10-Q") refer to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context requires otherwise.

Our condensed consolidated financial statements have been prepared in accordance with the U.S. 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. In addition, financial results presented for this fiscal 2017 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2017. 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, 2016 (the "2016 Form 10-K").

Inventories

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

Interim LIFO calculations are based on our estimates of the expected year-end inventory levels and costs, since the actual valuation of inventory under the LIFO method is computed at the end of the fiscal year based on the inventory levels, inventory mix and inventory cost inflation and deflation at that time. Based upon the year-to-date balance and expectations for the remainder of the fiscal year, we recorded a LIFO credit of $9 million in the three months ended March 31, 2017, which brings our year-to-date LIFO charges to zero. We recorded LIFO charges of $12 million and $51 million for the three and nine months ended March 31, 2016, respectively. These LIFO charges and credits are included in cost of products sold in the condensed consolidated financial statements.

Recent Financial Accounting Standards

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

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

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

In October 2016, the FASB issued amended accounting guidance that requires an entity to recognize the income tax effect of intercompany sales and transfers of assets other than inventory at the time that the transfer occurs rather than when the asset is sold to a third party. This amendment will be effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

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

In April 2015, the FASB issued amended accounting guidance that clarifies the circumstances under which a cloud computing customer

would account for the arrangement as a license of internal-use software. If it is determined that a software license does not exist in the arrangement, the customer would account for this arrangement as a service contract. We adopted this guidance in the first quarter of fiscal 2017. The adoption of this guidance did not have a material impact on our financial position or results of operations.

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

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

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

The amended guidance will be effective for us in the first quarter of fiscal 2019 and permits adoption under either the full retrospective approach (recognize effects of the amended guidance in each prior reporting period presented) or the modified retrospective approach (recognize the cumulative effect of adoption as an adjustment to retained earnings at the date of initial application). We are still evaluating our method of adoption.

2. Acquisitions

Cordis

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

Transaction and integration costs associated with the acquisition of Cordis were $16 million and $13 million during the three months ended March 31, 2017 and 2016, respectively, and $46 million and $54 million during the nine months ended March 31, 2017 and 2016, respectively, and are included in amortization and other acquisition-related costs in the condensed consolidated statements of earnings.

Fair Value of Assets Acquired and Liabilities Assumed

The allocation of the fair value of assets acquired and liabilities assumed for the acquisitions of Cordis, The Harvard Drug Group ("Harvard Drug"), and naviHealth Holdings, LLC ("naviHealth") were finalized during the nine months ended March 31, 2017, resulting in goodwill of $914 million, $634 million, and $322 million, respectively. There were no significant adjustments to the allocation of the fair value of assets acquired and liabilities assumed for the naviHealth and Harvard Drug acquisitions from those disclosed in our 2016 Form 10-K. During the nine months ended March 31, 2017, we recorded additional goodwill for Cordis of $53 million, net of tax, substantially all of which was to increase an accrual for assumed pre-acquisition product liability lawsuits. See Note 7 for further discussion of the product liability lawsuits.

3. Restructuring and Employee Severance

The following table summarizes restructuring and employee severance costs:

	Three Months Ended March 31,	
(in millions)	**2017**	2016
Employee-related costs (1)	**$ 14**	$ 6
Facility exit and other costs (2)	**1**	—
Total restructuring and employee severance	**$ 15**	$ 6

	Nine Months Ended March 31,	
(in millions)	**2017**	2016
Employee-related costs (1)	**$ 27**	$ 11
Facility exit and other costs (2)	**4**	8
Total restructuring and employee severance	**$ 31**	$ 19

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

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

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

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2016	$ 15	$ 1	$ 16
Additions	22	1	23
Payments and other adjustments	(13)	(1)	(14)
Balance at March 31, 2017	**$ 24**	**$ 1**	**$ 25**

4. Goodwill and Other Intangible Assets

Goodwill

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

(in millions)	Pharmaceutical	Medical	Total
Balance at June 30, 2016	$ 2,919	$ 4,248	$ 7,167
Goodwill acquired, net of purchase price adjustments	21	36	57
Foreign currency translation adjustments and other	(11)	(4)	(15)
Balance at March 31, 2017	**$ 2,929**	**$ 4,280**	**$ 7,209**

Other Intangible Assets

The following tables summarize other intangible assets by class at:

	March 31, 2017			
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
Indefinite-life intangibles:				
IPR&D, trademarks and other	$ 71	$ —	$ 71	N/A
Total indefinite-life intangibles	71	—	71	N/A
Definite-life intangibles:				
Customer relationships	1,957	908	1,049	9
Trademarks, trade names and patents	507	181	326	14
Developed technology and other	905	273	632	9
Total definite-life intangibles	3,369	1,362	2,007	10
Total other intangible assets	$ 3,440	$ 1,362	$ 2,078	N/A

	June 30, 2016		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 72	$ —	$ 72
Total indefinite-life intangibles	72	—	72
Definite-life intangibles:			
Customer relationships	1,946	737	1,209
Trademarks, trade names and patents	508	140	368
Developed technology and other	808	198	610
Total definite-life intangibles	3,262	1,075	2,187
Total other intangible assets	$ 3,334	$ 1,075	$ 2,259

Total amortization of intangible assets was $96 million and $88 million for the three months ended March 31, 2017 and 2016, respectively, and $291 million and $255 million for the nine months ended March 31, 2017 and 2016, respectively. For acquisitions closed on or before March 31, 2017, estimated annual amortization of intangible assets for the remainder of fiscal 2017 through 2021 is as follows: $98 million, $363 million, $294 million, $264 million and $214 million.

5. Available-for-Sale Securities

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

(in millions)	March 31, 2017	June 30, 2016
Current available-for-sale securities:		
Commercial paper	**$ 2**	$ —
Treasury bills	**8**	3
International bonds	**2**	2
Corporate bonds	**70**	58
U.S. agency bonds	**5**	6
Asset-backed securities	**27**	28
International equity securities	**1**	2
U.S. agency mortgage-backed securities	**13**	14
Total current available-for-sale securities	**128**	113
Long-term available-for-sale securities:		
Treasury bills	**14**	10
International bonds	**3**	1
Corporate bonds	**19**	36
U.S. agency bonds	**—**	9
Asset-backed securities	**16**	17
U.S. agency mortgage-backed securities	**17**	14
Total long-term available-for-sale securities	**69**	87
Total available-for-sale securities	**$ 197**	$ 200

Gross unrealized gains and losses on available-for-sale securities were immaterial at both March 31, 2017 and June 30, 2016. During the three and nine months ended March 31, 2017 and 2016, gross realized gains and losses on available-for-sale securities were immaterial and we did not recognize any other-than-temporary impairments. At March 31, 2017, the weighted-average effective maturity of our current and long-term marketable securities was approximately 6 months and 16 months, respectively.

6. Income Taxes

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

During the three months ended March 31, 2017 and 2016, the effective tax rate was 32.3 percent and 36.9 percent, respectively.

During the nine months ended March 31, 2017 and 2016, the effective tax rate was 34.4 percent and 35.5 percent, respectively.

At March 31, 2017 and June 30, 2016, we had $394 million and $527 million of unrecognized tax benefits, respectively. The March 31, 2017 and June 30, 2016, balances include $258 million and $355 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At March 31, 2017 and June 30, 2016, we had $105 million and $145 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the provision for income taxes in the condensed consolidated statements of earnings. 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 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 $45 million, exclusive of penalties and interest.

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.

During the nine months ended March 31, 2017, the IRS closed audits of fiscal years 2006 and 2007, which is reflected in our condensed consolidated financial statements and in our evaluation of uncertain tax positions. The result of the settlement had an immaterial impact to our provision for income taxes. The IRS is currently conducting audits of fiscal years 2008 through 2014.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), which has been acquired by Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was $140 million and $172 million at March 31, 2017 and June 30, 2016, respectively, and is included in other assets in the condensed consolidated balance sheets.

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

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters that we investigate internally, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption, or anti-bribery laws. In addition, from time to time, we receive subpoenas or requests for information from various government agencies relating to our business or to the business of a customer, supplier, or other industry participant. While we do not believe that the outcomes of any current internal investigation or third-party subpoena or request for information will be material to our financial statements, they could lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

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

issue or product recall, we have become subject to product liability claims and lawsuits.

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

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

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

State of West Virginia vs. Cardinal Health, Inc.

In January 2017, we agreed, without admitting liability, to pay $20 million to the State of West Virginia to settle a lawsuit filed against us by the West Virginia Attorney General in June 2012. As previously disclosed, the West Virginia Attorney General had filed complaints in the Circuit Court of Boone County, West Virginia against a number of pharmaceutical wholesale distributors, including us, alleging, among other things, that the distributors had failed to maintain effective controls to guard against diversion of controlled substances in West Virginia, had failed to report suspicious orders of controlled substances in accordance with the West Virginia Uniform Controlled Substances Act, and were negligent in distributing controlled substances. During the nine months ended March 31, 2017, we settled the matter for $20 million.

Other Controlled Substance Distribution Lawsuits

As of April 28, 2017, 11 West Virginia counties and municipalities and the Cherokee Nation have filed lawsuits against pharmaceutical wholesale distributors, including us, and certain retail chains in various federal, state and other courts. The lawsuits make claims similar to those made in the State of West Virginia's lawsuit against us, which, as discussed above, we have resolved. Specifically, they allege violations of various statutes related to controlled substances and common law violations, and seek equitable relief and monetary damages. We are vigorously defending ourselves in these lawsuits. Since these lawsuits are at early stages, we are unable to predict the outcome of these lawsuits or estimate a range of reasonably possible losses.

Product Liability Lawsuits

As of April 28, 2017, we and our Cordis business have been named as defendants in 58 product liability lawsuits involving claims by approximately 500 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. These lawsuits seek a variety of remedies, including unspecified monetary damages. We are vigorously defending ourselves in these lawsuits.

As of September 30, 2016, we had recorded an accrual of $79 million for losses and legal defense costs as an adjustment to pre-acquisition liabilities assumed in the Cordis acquisition. Refer to Note 2 for further information regarding this adjustment. We record additional accruals for losses and legal defense costs as litigation (recoveries)/charges, net in our condensed consolidated statements of earnings. At March 31, 2017, we had a total of $93 million, net of expected insurance recoveries, accrued for losses and legal defense costs.

8. Fair Value Measurements

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

	March 31, 2017			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 6	$ —	$ —	$ 6
Forward contracts (1)	—	13	—	13
Available-for-sale securities (2)	—	197	—	197
Other investments (3)	111	3	—	114
Liabilities:				
Contingent Consideration (4)	—	—	(38)	(38)

	June 30, 2016			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 516	$ —	$ —	$ 516
Forward contracts (1)	—	19	—	19
Available-for-sale securities (2)	—	200	—	200
Other investments (3)	103	—	—	103
Liabilities:				
Contingent Consideration (4)	—	—	(19)	(19)

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

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

(3) Level 1 other investments balance includes investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities. These mutual funds primarily invest in the equity securities of companies with large market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices. Level 2 other investments are comprised of warrants for stock valued by utilizing observable inputs in a Black-Scholes model.

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

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

(in millions)	Contingent Consideration Obligation
Balance at June 30, 2016	$ 19
Additions from acquisitions	22
Changes in fair value of contingent consideration (1)	—
Payment of contingent consideration	(3)
Balance at March 31, 2017	**$ 38**

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

9. 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. Our derivative and hedging programs are consistent with those described in the 2016 Form 10-K. The amount of ineffectiveness associated with these derivative instruments was immaterial for the three and nine months ended March 31, 2017 and 2016.

During the nine months ended March 31, 2017, we entered into forward interest rate swaps with a total notional amount of $200 million to hedge probable, but not firmly committed, future transactions associated with our debt.

During the nine months ended March 31, 2017 and 2016, we entered into pay-floating interest rate swaps with a total notional amounts of $100 million and $300 million, respectively. These swaps have been designated as fair value hedges of our fixed rate debt and are included in other assets in the condensed consolidated balance sheet.

During the nine months ended March 31, 2017, we terminated notional amounts of $200 million of pay-floating interest rate swaps. We received net settlement proceeds of $14 million related to the pay-floating interest rate swaps terminated during the nine months ended March 31, 2017 and the pay-floating interest rate swaps terminated in fiscal 2016, as previously disclosed in our 2016 Form 10-K. These swaps were previously designated as fair value hedges. There was no immediate impact to the condensed consolidated statements of earnings; however, the fair value adjustment to debt is being amortized over the life of the underlying debt as a reduction to interest expense, net in the condensed consolidated statements of earnings.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, accounts payable and other accrued liabilities at March 31, 2017 and June 30, 2016 approximate fair value due to their short-term maturities.

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

(in millions)	March 31, 2017	June 30, 2016
Estimated fair value	**$ 5,628**	$ 5,780
Carrying amount	**5,461**	5,539

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

10. Redeemable Noncontrolling Interests

Redeemable noncontrolling interest represents the third parties' share of the net assets of naviHealth. The third-party noncontrolling interest holders hold an option that allows them to sell their noncontrolling interests to us at any time after the two-year anniversary of the closing, or earlier if a trigger event occurs. The terms of the agreement also provide us with the option to acquire any remaining noncontrolling interests at any time after the two-year anniversary of the closing, which is August 26, 2017. Our ownership interest in naviHealth was 82 percent at March 31, 2017.

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

(in millions)	Redeemable Noncontrolling Interest
Balance at June 30, 2016	$ 117
Net earnings attributable to redeemable noncontrolling interests	3
Net purchase of redeemable noncontrolling interests	(3)
Balance at March 31, 2017	**$ 117**

11. Shareholders' Equity

During the nine months ended March 31, 2017, we repurchased 8.1 million common shares having an aggregate cost of $600 million. The average price paid per common share was $74.08.

During the nine months ended March 31, 2016, we repurchased 3.7 million common shares having an aggregate cost of $300 million. The average price paid per common share was $80.72.

We funded the repurchases with available cash.

During the nine months ended March 31, 2017, the Company retired 37 million common shares in treasury. The retirement of these shares had no impact on total shareholders' equity; however, it did impact certain individual components of shareholders' equity as follows: $2.5 billion decrease in common shares in treasury, $302 million decrease in common shares, and $2.2 billion decrease in retained earnings. Other 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, 2016	$ (123)	$ 7	$ (116)
Other comprehensive income/ (loss), before reclassifications	(47)	24	(23)
Amounts reclassified to earnings	—	3	3
Other comprehensive income/(loss), net of tax	(47)	27	(20)
Balance at March 31, 2017	**$ (170)**	**$ 34**	**$ (136)**

Activity related to realized and unrealized gains and losses on available-for-sale securities, as described in Note 5, was immaterial during the nine months ended March 31, 2017.

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 March 31,	
(in millions)	**2017**	2016
Weighted-average common shares–basic	**316**	328
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**2**	3
Weighted-average common shares–diluted	**318**	331

	Nine Months Ended March 31,	
(in millions)	**2017**	2016
Weighted-average common shares–basic	**318**	328
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**2**	3
Weighted-average common shares–diluted	**320**	331

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive were 3 million and 2 million for the three months ended March 31, 2017 and 2016, respectively, and 3 million and 2 million for the nine months ended March 31, 2017 and 2016, respectively.

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.

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

	Three Months Ended March 31,	
(in millions)	**2017**	2016
Pharmaceutical	**$ 28,406**	$ 27,527
Medical	**3,418**	3,138
Total segment revenue	**31,824**	30,665
Corporate (1)	**(3)**	(3)
Total revenue	**$ 31,821**	$ 30,662

	Nine Months Ended March 31,	
(in millions)	**2017**	2016
Pharmaceutical	**$ 86,911**	$ 80,954
Medical	**10,107**	9,220
Total segment revenue	**97,018**	90,174
Corporate (1)	**(8)**	(12)
Total revenue	**$ 97,010**	$ 90,162

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

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

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

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. We encourage our segments and corporate functions to identify investment projects that will promote innovation and provide future returns. As approval decisions for such projects are dependent upon executive management, the expenses for such projects are often retained at Corporate. Investment spending within Corporate was $2 million and $9 million for the three months ended March 31, 2017 and 2016, respectively, and $4 million and $20 million for the nine months ended March 31, 2017 and 2016, respectively.

The following table presents segment profit by reportable segment and Corporate:

	Three Months Ended March 31,	
(in millions)	**2017**	2016
Pharmaceutical	**$ 611**	$ 660
Medical	**148**	128
Total segment profit	**759**	788
Corporate	**(154)**	(132)
Total operating earnings	**$ 605**	$ 656

	Nine Months Ended March 31,	
(in millions)	**2017**	2016
Pharmaceutical	**$ 1,682**	$ 1,945
Medical	**435**	335
Total segment profit	**2,117**	2,280
Corporate	**(436)**	(441)
Total operating earnings	**$ 1,681**	$ 1,839

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

(in millions)	**March 31, 2017**	June 30, 2016
Pharmaceutical	**$ 21,469**	$ 20,662
Medical	**10,645**	10,236
Corporate	**2,060**	3,224
Total assets	**$ 34,174**	$ 34,122

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 March 31,	
(in millions)	**2017**	2016
Restricted share unit expense	**$ 18**	$ 18
Employee stock option expense	**4**	6
Performance share unit expense	**3**	2
Total share-based compensation	**$ 25**	$ 26

(in millions)	Nine Months Ended March 31, 2017	2016
Restricted share unit expense	$ 53	$ 53
Employee stock option expense	14	16
Performance share unit expense	6	13
Total share-based compensation	**$ 73**	$ 82

The total tax benefit related to share-based compensation was $9 million for both the three months ended March 31, 2017 and 2016, and $25 million and $28 million for the nine months ended March 31, 2017 and 2016, respectively.

Restricted Share Units

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

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

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2016	2	$ 71.73
Granted	1	82.37
Vested	(1)	68.81
Canceled and forfeited	—	—
Nonvested at March 31, 2017	**2**	**$ 76.96**

At March 31, 2017, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $95 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 periods ranging from seven to ten years from the grant date. All stock options are exercisable at a price equal to the market value of the common shares underlying the option on the grant date.

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

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2016	7	$ 54.09
Granted	1	83.11
Exercised	(1)	37.46
Canceled and forfeited	—	—
Outstanding at March 31, 2017	**7**	**$ 62.99**
Exercisable at March 31, 2017	**4**	**$ 52.28**

At March 31, 2017, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was $26 million, which is expected to be recognized over a weighted-average period of 2 years. The following tables provide additional detail related to stock options:

(in millions)	March 31, 2017	June 30, 2016
Aggregate intrinsic value of outstanding options at period end	$ 130	$ 181
Aggregate intrinsic value of exercisable options at period end	127	161

(in years)	March 31, 2017	June 30, 2016
Weighted-average remaining contractual life of outstanding options	7	6
Weighted-average remaining contractual life of exercisable options	6	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 200 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

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

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2016	0.8	$ 63.96
Granted	0.2	83.19
Vested (1)	(0.4)	51.49
Canceled and forfeited	—	—
Nonvested at March 31, 2017	**0.6**	**$ 77.86**

(1) Vested based on achievement of 139 percent of the target performance goal.

At March 31, 2017, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was $17 million, which is expected to be recognized over a weighted-average period of two years.

15. Subsequent Events

On April 18, 2017, we entered into an agreement with Medtronic plc ("Medtronic") to acquire its Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses for $6.1 billion in cash, subject to certain adjustments. The Medtronic businesses manufacture 23 medical product categories sold into multiple healthcare channels, and include numerous industry-leading brands, such as Curity, Kendall, Dover, Argyle and Kangaroo. The acquisition will further expand the Medical segment's portfolio of self-manufactured products. We expect to close the acquisition in the first quarter of our fiscal 2018, subject to customary closing conditions, including regulatory clearances.

We plan to fund the acquisition through $4.5 billion in new long-term debt, the use of existing cash and expected operating cash flows

through closing. Additionally, if needed, we may access our commercial paper program and credit facilities. On April 18, 2017, we obtained a commitment from a financial institution to provide us a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of up to $4.5 billion (the "Bridge Facility"), the proceeds of which may be used for the payment of the acquisition purchase price. Neither the closing of the Bridge Facility nor the receipt of any other financing is a condition to the closing of the acquisition.

Exhibits

Exhibit Number	Exhibit Description
2.1	Stock and Asset Purchase Agreement, dated April 18, 2017, by and between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on June 30, 2016, File No. 1-11373)
10.1	Commitment Letter, dated April 18, 2017, by and among Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC and Cardinal Health, Inc. (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
10.2	Amendment No. 1, dated as of May 1, 2017, to Amended and Restated Five-Year Credit Agreement as of June 16, 2016
12.1	Computation of Ratio of Earnings to Fixed Charges
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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: May 2, 2017

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 10.2

AMENDMENT NO. 1 TO AMENDED AND RESTATED FIVE-YEAR CREDIT AGREEMENT

This Amendment (this "Amendment") is entered into as of May 1, 2017 by and among Cardinal Health, Inc., an Ohio corporation (the "Company"), JPMorgan Chase Bank, N. A., individually and as administrative agent (the "Administrative Agent"), and the other financial institutions signatory hereto.

RECITALS

A. The Company, the Subsidiary Borrowers from time to time party thereto, the Administrative Agent and the Lenders are party to that certain Amended and Restated Five-Year Credit Agreement dated as of June 16, 2016 (the "Credit Agreement"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement.

B. The Company, the Administrative Agent and the undersigned Lenders wish to amend the Credit Agreement on the terms and conditions set forth below.

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Amendment to Credit Agreement. Upon the "Effective Date" (as defined below), the Credit Agreement shall be amended as follows:

(a) The definition of "Consolidated Funded Indebtedness" in Section 1.1 of the Credit Agreement is hereby amended by inserting the following proviso at the end thereof, before the period: "; *provided* that Consolidated Funded Indebtedness shall be deemed to not include any Pre-Funded Acquisition Debt until the date the relevant Material Acquisition is consummated".

(b) The definition of "Consolidated Leverage Ratio" in Section 1.1 of the Agreement is hereby amended by adding the text marked with double-underlining as set forth below:

> "Consolidated Leverage Ratio" means, as of any date of determination, the ratio of (a) the sum of (i) Consolidated Funded Indebtedness as of such date plus (ii) without duplication, the outstanding principal amount of Securitization Obligations as of such date (provided that if such Securitization Obligations are accounted for as a sale of accounts receivable, chattel paper, general intangibles, or the like under GAAP, the outstanding principal amount of such Securitization Obligations shall be determined as the amount

which would have been considered outstanding at such date had such Securitization Obligations been accounted for as a borrowing at such date) *to* (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended, *provided* that, for such purpose, Consolidated EBITDA for any such period of four fiscal quarters shall be calculated giving *pro forma* effect to any Material Acquisition or any Material Disposition consummated during such period, as if such Material Acquisition or Material Disposition had occurred on the first day of such period. *Pro forma* calculations made pursuant to the proviso to the immediately preceding sentence shall be determined in good faith by an Authorized Officer of the Company.

(c) Section 1.1 of the Credit Agreement is amended by adding the following definitions in the appropriate alphabetical order:

"Disposition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the disposition (by sale, transfer, license, lease or otherwise) of all or substantially all of the assets of a Person, or of any business or division of a Person, (b), the disposition of in excess of 50% of the equity interests of any Person, or otherwise causing any Person to cease being a subsidiary, or (c) a merger or consolidation or any other combination with another person (other than a Person that is a Subsidiary of the Borrowers) in which a Borrower or a Subsidiary of a Borrower is not the surviving entity.

"Material Disposition" means the Disposition by the Company or one of its Subsidiaries for aggregate cash consideration of $500,000,000 or more.

"Pre-Funded Acquisition Debt" means Indebtedness incurred for the purpose of financing a Material Acquisition, which Indebtedness is issued in advance of the date of consummation of such Material Acquisition, so long as the indenture or agreement governing such Indebtedness provides that such Indebtedness shall be repaid or redeemed within a specified period after the incurrence of such Indebtedness if such Material Acquisition is not consummated within such period.

(d) Section 6.12 of the Credit Agreement is hereby amended by adding the text marked with double-underlining and deleting the ~~struck-through~~ text, in each case as set forth below:

6.12 Consolidated Leverage Ratio.

The Company shall not permit the Consolidated Leverage Ratio ~~at any time~~as of the last day of any fiscal quarter of the Company (each such date, a "Test Date") to be greater than 3.25 to 1.00 ~~of the Company~~; provided that if a Material Acquisition is consummated, then, upon the written request of the Company given to the Administrative Agent within five (5) Business Days after such consummation (and including such details regarding such Material Acquisition as the Administrative Agent may reasonably request), (x) solely for the first four Test Dates occurring on or after~~period commencing on~~ the date such Material Acquisition is consummated ~~(including the fiscal quarter in which such Material Acquisition occurs) and continuing until and including the last day of the fiscal quarter of the Company which is the fourth fiscal quarter ending on or after the date of such Material Acquisition~~, in lieu of the foregoing, the Company shall not permit the Consolidated Leverage Ratio on any such Test Date~~at any time during such period~~ to be greater than 4.25~~3.75~~ to 1.00 and (y) solely for the fifth and sixth Test Dates occurring on or after the date such Material Acquisition is consummated, the Company shall not permit the Consolidated Leverage Ratio on any such Test Date to be greater than 3.75 to 1.00 (each such period specified in clauses (x) and (y), a "Leverage Holiday"); and provided, further, if the Company requests a Leverage Holiday, then the Company shall not be permitted to request a subsequent Leverage Holiday until at least one full fiscal quarter has transpired thereafter where no Leverage Holiday was in effect at any time during such fiscal quarter.

2. Representations and Warranties of the Company. The Company represents and warrants that as of the Effective Date:

(a) The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate action and that this Amendment is a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or similar Laws affecting creditors' rights generally;

(b) Each of the representations and warranties contained in the Credit Agreement (treating this Amendment as a Loan Document for purposes thereof) is true and correct in all material respects on and as of the Effective Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all material respects on and as of such earlier date; and

(c) No Default or Unmatured Default has occurred and is continuing, nor would a Default or Unmatured Default result from this Amendment.

3. Effective Date. This Amendment shall become effective upon the execution and delivery of this Amendment by the Company, the Administrative Agent and Lenders collectively constituting Required Lenders.

4. Reference to and Effect Upon the Credit Agreement; Other.

(a) Except as specifically amended above, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall constitute a Loan Document.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any other Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby and each reference in any other Loan Document to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

5. Costs and Expenses. The Borrower hereby affirms its obligation under Section 9.6 of the Credit Agreement to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of attorneys for the Administrative Agent with respect thereto.

6. Governing Law. This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of New York, including Section 5-1401 and Section 5-1402 of the general obligation law of the State of New York, without reference to any other conflicts of law principles thereof.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be effective as delivery of manually executed counterpart hereof.

[Remainder of page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

CARDINAL HEALTH, INC., as the Company

By: /s/ Michael Kaufmann
Name: Michael Kaufmann
Title: Chief Financial Officer

JPMORGAN CHASE BANK, N.A,
individually and as Administrative Agent

By: /s/ Erik Barragan
Name: Erik Barragan
Title: Authorized Officer

Bank of America, N.A., as a Lender

By: /s/ Joseph L. Corah
Name: Joseph L. Corah
Title: Director

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Jaime Johnson
Name: Jaime Johnson
Title: Director

Barclays Bank PLC, as a Lender

By: /s/ Christopher Aitkin
Name: Christopher Aitkin
Title: Assistant Vice President

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Ming K. Chu
Name: Ming K. Chu
Title: Director

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Robert Ehudin
Name: Robert Ehudin
Title: Authorized Signatory

HSBC BANK USA, as a Lender

By: /s/ Jason Fuqua
Name: Jason Fuqua
Title: Vice President

Morgan Stanley Bank N.A., as a Lender

By: /s/ Alice Lee
Name: Alice Lee
Title: Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Andrea S. Chen
Name: ANDREA S CHEN
Title: MANAGING DIRECTOR

U.S. Bank National Association, as a Lender

By: /s/ Joseph M. Schnorr
Name: Joseph M. Schnorr
Title: Senior Vice President

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as a Lender

By: /s/ Gordon Yip
Name: Gordon Yip
Title: Director

By: /s/ Mark Koneval
Name: Mark Koneval
Title: Managing Director

The Bank of Nova Scotia, as a Lender

By: /s/ Michelle Phillips
Name: Michelle Phillips
Title: Execution Head & Director

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/ Peter M Kakoules
Name: Peter M Kakoules
Title: Vice President

PNC Bank, National Association, as a Lender

By: /s/ Steven P. Shepard
Name: Steven P. Shepard
Title: Senior Vice President

Standard Chartered Bank, as a Lender

By: /s/ Daniel Mattern
Name: Daniel Mattern
Title: Associate Director
Standard Chartered Bank

SunTrust Bank, as a Lender

By: /s/ Dave Felty
Name: Dave Felty
Title: Managing Director

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	Fiscal Year Ended June 30, 2012	2013	2014	2015	2016	**Nine Months Ended March 31, 2017**
Earnings from continuing operations before income taxes	$ 1,698.1	$ 888.3	$ 1,798.3	$ 1,967.3	$ 2,275.6	**$ 1,549.2**
Plus fixed charges:						
Interest expense	92.3	119.2	129.4	137.0	178.2	**132.3**
Capitalized interest	6.0	1.7	1.2	1.8	5.6	**7.6**
Amortization of debt offering costs	2.8	3.5	3.6	7.6	5.6	**4.3**
Interest portion of rent expense	7.8	8.3	9.8	9.6	11.5	**9.9**
Fixed charges	108.9	132.7	144.0	156.0	200.9	**154.1**
Plus: amortization of capitalized interest	3.2	3.4	2.9	2.4	2.5	**2.5**
Less: capitalized interest	(6.0)	(1.7)	(1.2)	(1.8)	(5.6)	**(7.6)**
Earnings	$ 1,804.2	$ 1,022.7	$ 1,944.0	$ 2,123.9	$ 2,473.4	**$ 1,698.2**
Ratio of earnings to fixed charges (1)	16.6	7.7	13.5	13.6	12.3	**11.0**

(1) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings from continuing operations before income taxes plus fixed charges and capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense that is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

Exhibit 31.1

I, George S. Barrett, 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: May 2, 2017

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

Exhibit 31.2

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: May 2, 2017

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Michael C. Kaufmann, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 2, 2017

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

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 our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the “2016 Form 10-K”), our quarterly reports on Form 10-Q and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution 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 branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- uncertainties relating to the frequency or magnitude of branded pharmaceutical price appreciation;
- 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 agencies, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- risks arising from possible violations of healthcare fraud and abuse laws;
- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls and related product liability claims and lawsuits, including class actions;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in state Medicaid programs, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased through federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, non-renewal or early termination of contracts, or delinquencies or defaults by key customers;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- adverse changes in U.S. or foreign tax laws, including proposals relating to a U.S. "border adjustment tax" or import tariffs, or unfavorable challenges to our tax positions and payments to settle these challenges;
- uncertainties due to government healthcare reform, including possible modifications to, or repeal of, the Patient Protection and Affordable Care Act;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in regulatory policies regarding pharmaceutical manufacturer product pricing practices;
- changes in hospital buying groups or hospital buying practices;

- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- the risks of counterfeit products in the supply chain;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- disruption or damage to, or failure of, our information systems, critical facilities, including our national logistics center, or distribution networks;
- risks to our business and information and controls systems in the event that the Pharmaceutical segment's multi-year systems replacement project or other business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- any compromise of our information systems or of those of a third-party with whom we do business, including unauthorized access to or use or disclosure of sensitive information;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, product liability claims or lawsuits, patent infringement claims, *qui tam* actions or other legal proceedings;
- possible losses relating to product liability claims regarding products for which we cannot obtain product liability insurance or for which such insurance is not adequate to cover our losses;
- our ability to maintain adequate intellectual property protections;
- 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;
- risks and uncertainties relating to the consummation of our pending acquisition of Medtronic plc's Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses, including our ability to successfully complete the acquisition on a timely basis, including receipt of required regulatory approvals and satisfaction of other closing conditions, and the conditions of the credit markets, which could affect our ability to issue debt to fund the acquisition on acceptable terms;
- risks and uncertainties if the pending acquisition of Medtronic plc's Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses is consummated, including the following: we may fail to realize the synergies and other benefits we expect from the acquisition; the use of a significant portion of our cash and the incurrence of substantial indebtedness in connection with the financing of the acquisition may have an adverse effect on our liquidity, limit our flexibility in responding to other business opportunities, and increase our vulnerability to adverse economic and industry conditions; we may fail to retain key personnel of the acquired businesses; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties establishing, integrating or combining operations and systems; we may face challenges retaining the customers of the acquired businesses; we may encounter unforeseen internal control, regulatory or compliance issues; and we may face other additional risks relating to regulatory matters, legal proceedings, tax laws or positions, supply interruptions, commodity price volatility and global operations, including the effects of local economic environments and currency volatility;
- risks and uncertainties relating to the acquisition of Cordis, including the ability to achieve the expected synergies and positive impact to operating results and the additional risks the Cordis acquisition subjects us to relating to regulatory matters, legal proceedings, tax laws or positions and global operations, including the effects of local economic environments and currency volatility;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil-based resins, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- risks associated with volatility and disruption to the global capital and credit markets, which may adversely affect our ability to access credit, our cost of credit and the financial soundness of our customers and suppliers;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the “Risk Factors” section of the 2016 Form 10-K.

The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue,” “likely,” and similar expressions generally identify “forward-looking statements,” which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.