UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

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

(614) 757-5000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Documents Incorporated by Reference:

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

Cardinal Health

Fiscal 2017 Form 10-K

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Introduction

References to Cardinal Health and Fiscal Years

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

Non-GAAP Financial Measures

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

Important Information Regarding Forward-Looking Statements

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

Available Information

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

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

About Cardinal Health

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

Pharmaceutical Segment

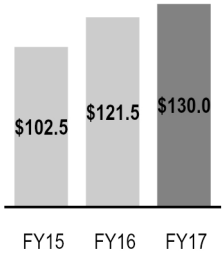
Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical, and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers to support the development, marketing,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

Medical Segment

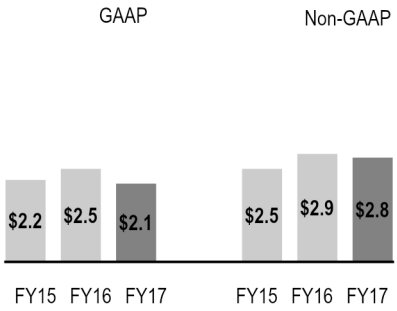
Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad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

Consolidated Results

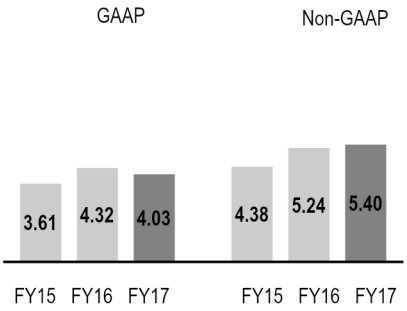
Revenue (in billions)



Operating Earnings (in billions)



Diluted EPS ($ per share)



Fiscal 2017 Overview

Revenue

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

GAAP and Non-GAAP Operating Earnings

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

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

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

GAAP and Non-GAAP Diluted EPS

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

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

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

Cash and Equivalents

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

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

Significant Developments in Fiscal 2017 and Trends

Acquisition of Medtronic's Patient Recovery Business

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

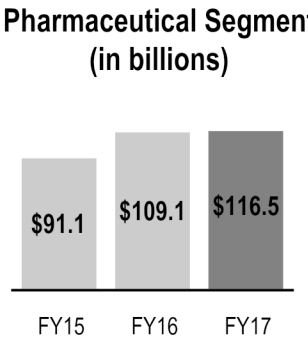
Trends

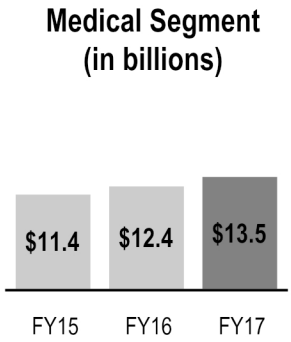
Within our Pharmaceutical segment, we expect fiscal 2018 segment profit to be less than our fiscal 2017 segment profit due primarily to generic pharmaceutical customer pricing changes, which also negatively impacted Pharmaceutical segment profit during fiscal 2017. However, as is generally the case,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

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

Results of Operations

Revenue





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

Fiscal 2017 Compared to Fiscal 2016

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

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

Fiscal 2016 Compared to Fiscal 2015

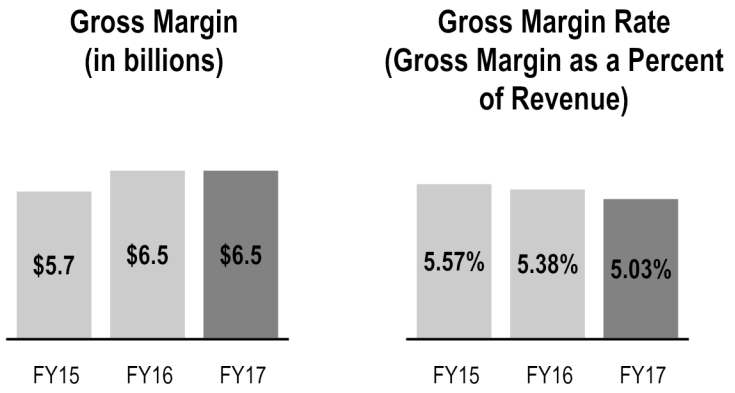
Pharmaceutical Segment
Fiscal 2016 Pharmaceutical segment revenue grew primarily due to sales growth from the addition of OptumRx and from other pharmaceutical distribution customers, including continued branded pharmaceutical price appreciation, all of which increased revenue by $16.9 billion. Acquisitions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

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

Cost of Products Sold

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

Gross Margin



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

Fiscal 2017 Compared to Fiscal 2016

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

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

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

Fiscal 2016 Compared to Fiscal 2015

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

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

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

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

Fiscal 2017 Compared to Fiscal 2016

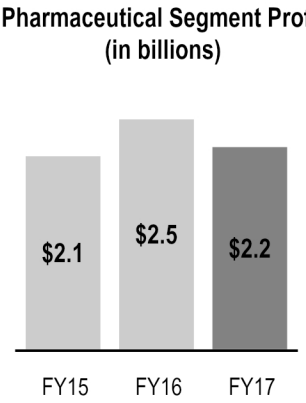
Fiscal 2017 SG&A expenses increased primarily due to acquisitions ($112 million) and costs related to a multi-year project to replace certain Pharmaceutical segment finance and operating information systems, partially offset by reduced enterprise-wide incentive compensation.

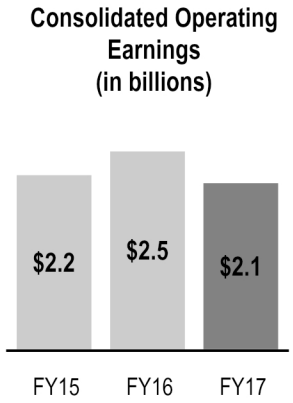
Fiscal 2016 Compared to Fiscal 2015

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

Segment Profit

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





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

Fiscal 2017 Compared to Fiscal 2016

Pharmaceutical Segment Profit

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

Medical Segment Profit

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

Corporate

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

Fiscal 2016 Compared to Fiscal 2015

Pharmaceutical Segment Profit

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

Medical Segment Profit

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

Corporate

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

Other Components of Consolidated Operating Earnings

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

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

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

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

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

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

Earnings From Continuing Operations Before Income Taxes

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

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

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

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

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

Provision for Income Taxes

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

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

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

Fiscal 2017

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

Ongoing Audits

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

Fiscal 2016 and Fiscal 2015

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

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

Liquidity and Capital Resources

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

Cash and Equivalents

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

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

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

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

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

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

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

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

Long-Term Obligations

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

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

Funding for Acquisition of Medtronic's Patient Recovery Business

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

Available-for-Sale Securities

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

Risk Management

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

Capital Deployment

Capital Expenditures

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

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

Dividends

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

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

Share Repurchases

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

Acquisition of Medtronic's Patient Recovery Business

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

Long-Term Obligations Repayment Plans

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

Contractual Obligations

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

Recent Financial Accounting Standards

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

Critical Accounting Policies and Sensitive Accounting Estimates

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

Allowance for Doubtful Accounts

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

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

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

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

Inventories

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

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

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

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

Business Combinations

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

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

Goodwill and Other Intangible Assets

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

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

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

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

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

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

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

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

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

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

Vendor Reserves

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

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

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

Loss Contingencies and Self-Insurance

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

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

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

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

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

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

Provision for Income Taxes

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

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

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

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

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

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

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

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

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

Share-Based Compensation

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

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

Explanation and Reconciliation of Non-GAAP Financial Measures

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

Exclusions from Non-GAAP Financial Measures

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

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

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

Definitions

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

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

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

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

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

GAAP to Non-GAAP Reconciliations

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

1 from continuing operations

2 attributable to Cardinal Health, Inc.

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

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

Selected Financial Data

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

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

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

Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Exchange Rate Sensitivity

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

Transactional Exposure

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

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

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

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

Translational Exposure

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

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

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

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

Interest Rate Sensitivity

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

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

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

Commodity Price Sensitivity

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

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

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

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

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

Business

General

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

Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

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

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

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

Pharmaceutical Distribution

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

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

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

Sourcing Venture With CVS Health Corporation

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

Specialty Pharmaceutical Products and Services

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

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

Medical Segment

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

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

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

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

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

Acquisitions

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

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

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

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

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

Customers

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

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

Suppliers

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

Competition

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

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

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

Employees

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

Intellectual Property

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

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

Regulatory Matters

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

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

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

Distribution

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

Manufacturing and Marketing

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

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

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

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

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

Nuclear Pharmacies and Related Businesses

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

Product Tracing and Supply Chain Integrity

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

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

Government Healthcare Programs

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

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

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

Health and Personal Information Practices

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

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

Antitrust Laws

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

Environmental, Health and Safety Laws

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

Laws Relating to Foreign Trade and Operations

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

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

Other Information

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

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

We offer market payment terms to our customers.

Revenue and Long-Lived Assets by Geographic Area

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

Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CVS is a large customer that generates a significant amount of our revenue.

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

We could be subject to adverse changes in the tax laws or challenges to our tax positions.

We are a large multinational corporation with operations in the United States and many foreign countries. As a result, we are subject to the tax laws of many jurisdictions.

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

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

Changes to the U.S. healthcare environment may not be favorable to us.

In recent years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include adoption of the Patient Protection and Affordable Care Act, a general decline in Medicare and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models, and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

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

Consolidation in the U.S. healthcare industry may negatively impact our results of operations.

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

Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks. Our business could be adversely affected if we experience a cyber-attack or other systems breach.

We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

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

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

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

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

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

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

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

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

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

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

Acquisitions can have unanticipated results.

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

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

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

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

Our results of operations may suffer upon the bankruptcy, insolvency, or other credit failure of a customer that has a substantial amount owed to us.

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

Recent acquisitions have increased the extent of our exposure to the economic, political and currency risks of international operations.

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

Our goodwill may become impaired, which would require us to record a significant charge to earnings in accordance with generally accepted accounting principles.

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

Economic conditions may adversely affect demand for our products and services.

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

Properties

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

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

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

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

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

Legal Proceedings

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

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

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

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

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

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

Issuer Purchases of Equity Securities

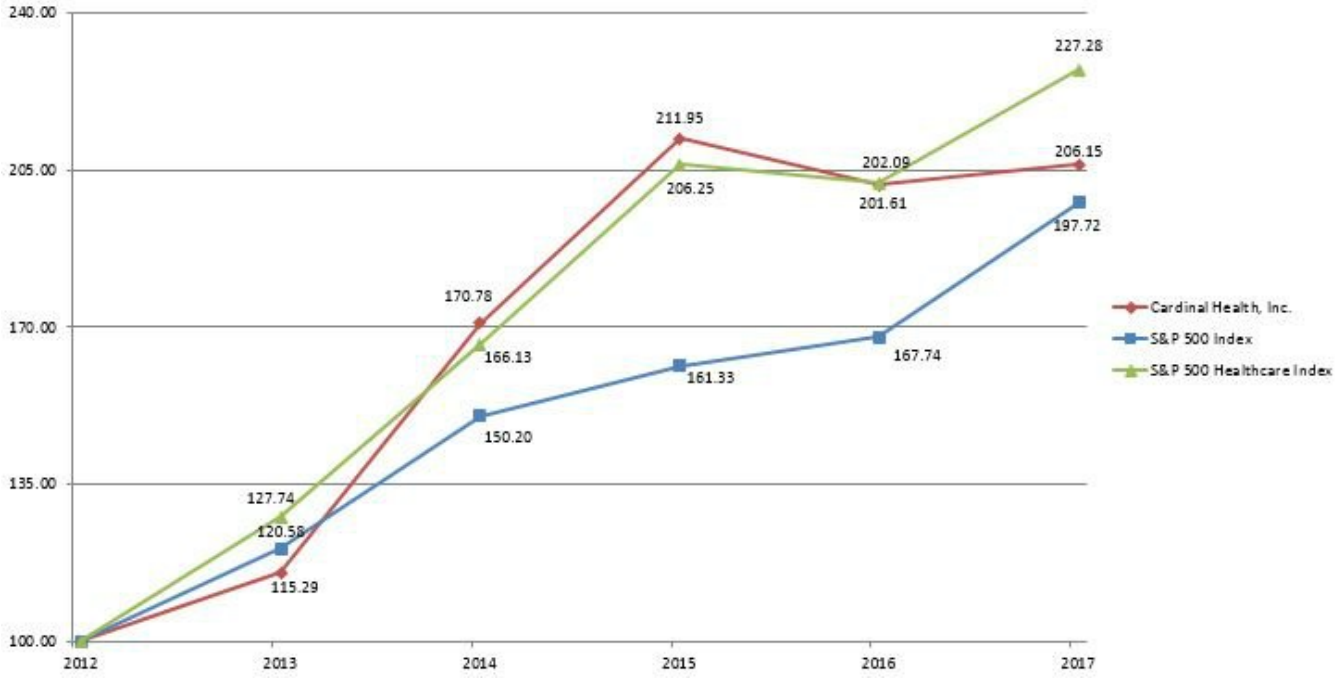
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2) (in millions)
April 2017	104	$ 72.21	—	$ 443
May 2017	104	72.33	—	443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

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

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

Five Year Performance Graph

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



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

Management Reports

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

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

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

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

Changes in Internal Control Over Financial Reporting

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

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

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

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

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

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

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

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

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

/s/ Ernst & Young LLP

Columbus, Ohio
August 10, 2017

Report of Independent Registered Public Accounting Firm

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

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

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

/s/ Ernst & Young LLP

Columbus, Ohio

August 10, 2017

Financial Statements and Supplementary Data

Consolidated Statements of Earnings

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

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

Consolidated Statements of Comprehensive Income

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

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

Consolidated Balance Sheets

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

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

Consolidated Statements of Shareholders' Equity

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

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

Consolidated Statements of Cash Flows

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

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

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

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

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

Basis of Presentation

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

Use of Estimates

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

Cash Equivalents

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

Receivables and Allowance for Doubtful Accounts

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

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

Concentrations of Credit Risk

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

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

Major Customers

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

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

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

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

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

Inventories

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

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

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

Cash Discounts

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

Property and Equipment

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

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

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

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

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

Business Combinations

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

Goodwill and Other Intangible Assets

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

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

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

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

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

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

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

Investments

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

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

Vendor Reserves

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

Distribution Services Agreement and Other Vendor Fees

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

Loss Contingencies and Self-Insurance

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

Income Taxes

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

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

Other Accrued Liabilities

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

Noncontrolling Interests and Redeemable Noncontrolling Interests

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

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

Share-Based Compensation

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

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

Dividends

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

Revenue Recognition

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

Pharmaceutical Segment

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

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

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

Medical Segment

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

Sales Returns and Allowances

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

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

Third-Party Returns

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

Shipping and Handling

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

Restructuring and Employee Severance

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

Amortization and Other Acquisition-Related Costs

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

Note 10 for additional information regarding contingent consideration.

Translation of Foreign Currencies

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

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

Interest Rate, Currency and Commodity Risk

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

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

Fair Value Measurements

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

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

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

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

See Note 10 for additional information regarding fair value measurements.

Recent Financial Accounting Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Acquisitions

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

Cordis

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

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

naviHealth

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

Harvard Drug

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

Fair Value of Assets Acquired and Liabilities Assumed

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

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

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

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

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

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

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

3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

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

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

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

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

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

4. Goodwill and Other Intangible Assets

Goodwill

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

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

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

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

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

See Note 2 for further discussion of these acquisitions.

Other Intangible Assets

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

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

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

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

5. Available-for-Sale Securities

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

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

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

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

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

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

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

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

Long-Term Debt

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

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

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

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

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

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

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

Other Financing Arrangements

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

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

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

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

7. Income Taxes

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

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

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

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

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

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

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

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities and operating loss and tax credit carryforwards for tax purposes. The following table presents the components of the deferred income tax assets and liabilities at June 30:

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Commitments, Contingent Liabilities and Litigation

Commitments

Operating Leases

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

Generic Sourcing Venture With CVS Health Corporation

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

Legal Proceedings

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

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

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

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

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

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

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

State of West Virginia vs. Cardinal Health, Inc.

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

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

Opioid Lawsuits

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

Product Liability Lawsuits

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

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

Antitrust Litigation Proceeds

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

9. Guarantees

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

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

10. Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

11. Financial Instruments

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

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

Interest Rate Risk Management

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

Currency Exchange Risk Management

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

Commodity Price Risk Management

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

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

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

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

Fair Value Hedges

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

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

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

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

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

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

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

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

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

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

Cash Flow Hedges

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic (Non-Designated) Hedges

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

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

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

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

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

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

12. Redeemable Noncontrolling Interests

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

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

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

13. Shareholders' Equity

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

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

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

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

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

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

Accumulated Other Comprehensive Income/(Loss)

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

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

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

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

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

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

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

15. Segment Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Share-Based Compensation

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

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

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

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

Restricted Share Units

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

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

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

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

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

Stock Options

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

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

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

The following table provides additional detail related to stock options:

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

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

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

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

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

Performance Share Units

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

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

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

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

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

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

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

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

Employee Retirement Savings Plans

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

17. Selected Quarterly Financial Data (Unaudited)

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

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

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

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

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

18. Subsequent Events

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

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

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

Cardinal Health, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts [1]

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

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

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

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

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

Directors, Executive Officers and Corporate Governance

The following is a list of our executive officers:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity Compensation Plan Information

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

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

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

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

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

Exhibits, Financial Statement Schedules

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

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

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

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

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

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

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

* Management contract or compensatory plan or arrangement.

Form 10-K Cross Reference Index

N/A Not applicable

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

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

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

Signatures

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

Cardinal Health, Inc.

By: /s/ GEORGE S. BARRETT
George S. Barrett
Chairman and Chief Executive Officer

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

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

AMENDMENT NO. 1

TO

STOCK AND ASSET PURCHASE AGREEMENT

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

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

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

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

RECITALS

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

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

ARTICLE 1
Purchase Agreement; Disclosure Letter; Other Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> "'Cardinal Merger Sub Common Stock' means common stock, par value $0 per share, of Cardinal Merger Sub."
>
> "'Deferred Beneficiary' means Buyer or its applicable Affiliate designated in accordance with Section 2.02(f) that will be entitled to receive the relevant Deferred Assets and the relevant Deferred Liabilities at the applicable Deferred Closing."
>
> "'Deferred Business' means the part of the Business in respect of which a Deferred Title Holder has Deferred Assets or Deferred Liabilities. For the avoidance of doubt, the portion of the Business conducted by any of the Transferred Companies shall not be part of the Deferred Business in any country."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> "(a) Notwithstanding anything to the contrary in this Agreement, conveyance, assignment, transfer and delivery by Seller or its Affiliates, and acceptance by Buyer, of InnerDyne Holdings, Inc., a Delaware corporation ("InnerDyne Holdings"), shall be effected by the merger of Cardinal Health 527, Inc., a Delaware corporation and a wholly owned subsidiary of Buyer ("Cardinal Merger Sub"), with and into InnerDyne Holdings. On the terms and subject to the conditions set forth in this Agreement and the U.S. Merger Agreement, and in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), on the Closing Date, the parties shall cause Cardinal Merger Sub to be merged with and into InnerDyne Holdings (the "U.S. Merger"), as provided in this Section 2.10. At the U.S. Merger Effective Time, the separate corporate existence of Cardinal Merger Sub shall cease, and InnerDyne Holdings shall continue as the surviving corporation in the U.S. Merger (the "U.S. Surviving Corporation").
>
> (b) On the last business day before the Closing Date, Buyer and Seller shall, pursuant to Section 103(c)(4) of the DGCL, through Buyer's counsel, deliver to (but not file with) the Secretary of State of the State of Delaware (the "Delaware Secretary") a certificate of merger in the form set forth as Exhibit S hereto (or otherwise as mutually agreed by Seller and Buyer), dated as of the Closing Date, relating to the U.S. Merger (the "U.S. Certificate of Merger") with instructions that the Delaware Secretary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Section 7.01 of the Purchase Agreement (Certain IP Matters) is hereby amended and supplemented by adding a new Section 7.01(d), which provides as follows:

> "Buyer hereby grants, and shall cause its Affiliates to grant, to Seller and its subsidiaries a non-exclusive, royalty free, fully paid-up, irrevocable and worldwide license under all of Buyer's and its Affiliates' IP Rights to the Transferred IP to (A) make, have made, import, use, offer to sell, sell, distribute and otherwise commercialize any Products and services, and (B) use, copy, distribute, disclose, display, sublicense and otherwise exploit in any manner any technology, Products and services, in each case to the extent necessary to own and operate the applicable Deferred Business in the applicable Deferred Closing Countries for Buyer's or its Affiliates' benefit. If Buyer or any of its Affiliates incorporates any of Buyer or its Affiliates' other IP Rights into any of the Products or services being sold or provided by Seller or any of its Affiliates on Buyer's or any of its Affiliates' behalf in connection with the operation of the Deferred Business, Buyer grants (and shall cause its applicable Affiliates to grant) to Seller and its subsidiaries a non-exclusive, royalty free, fully paid-up, irrevocable, worldwide and non-sublicenseable (except to distributors of the Products) license under such other IP Rights to make, have made, import, use, offer to sell, sell, distribute and otherwise commercialize any such Products and services, and to own and operate the applicable Deferred Business, in each case to the extent necessary to provide services to Buyer or its Affiliates with respect to the applicable Deferred Business in the applicable Deferred Closing Countries for Buyer's or its Affiliates' benefit until the applicable Deferred Closing. Buyer and Seller shall in good faith cooperate with the objective that all products and all materials using the Buyer and its Affiliates' IP Rights as described in this paragraph in the operation of the Deferred Business meet at least the same

high standards of quality, appearance, service and other standards that are observed immediately prior to the Closing Date by Seller and its Affiliates (or Buyer and its Affiliates with respect to Buyer's and its Affiliates' other IP Rights). Seller's use of any Transferred IP or Buyer's and its Affiliates' other IP Rights and any goodwill generated thereby will inure to the benefit of Buyer and its Affiliates. Seller's rights hereunder shall terminate immediately, fully and completely, upon the final Deferred Closing."

(ii) Section 7.04 of the Purchase Agreement (Insurance) is hereby amended and restated in its entirety as follows:

"(a) Except (1) with respect to insurance proceeds that constitute Transferred Assets pursuant to clause (xiv) of Annex 2.02(a), or (2) as provided in Section 7.04(b) or Section 7.04(c), the coverage under all insurance policies related to the Business and arranged or maintained by Seller or its Affiliates is only for the benefit of Seller and its Affiliates, and not for the benefit of Buyer or the Business. Except as set forth in Section 7.04(b) or Section 7.04(c), as of the Closing Date (or, solely with respect to the Deferred Business, the applicable Deferred Closing Date), Buyer agrees to arrange for its own insurance policies (including self-insurance or similar arrangements funded directly or indirectly by Buyer or any of its Affiliates) with respect to the Business covering all periods following the Closing (or, solely with respect to the Deferred Business, the applicable Deferred Closing Date) and, without prejudice to any right to indemnification pursuant to this Agreement or any other Transaction Document, agrees not to seek, through any means, to benefit from any of Seller's or its Affiliates' insurance policies which may provide coverage for claims relating in any way to the Business.

(b) Solely to the extent required for Buyer and its Affiliates to comply with applicable Law that requires Buyer and its Affiliates to maintain workers compensation insurance coverage for Transferred Employees for the period prior to the Closing (or with respect to the Deferred Employees, the applicable Deferred Closing), with respect to claims relating to acts, omissions, events or circumstances relating to Transferred Employees that occurred or existed prior to the Closing (or solely with respect to the Deferred Employees, the applicable Deferred Closing) ("Pre-Closing WC Claims") that are covered by Seller's or its Affiliates' workers compensation insurance policies relating to Transferred Employees (or the Deferred Employees, as applicable) ("Workers Compensation Policies"), Seller hereby authorizes Buyer, to the extent permitted by such Workers Compensation Policies, to report Pre-Closing WC Claims directly to the provider of such Workers Compensation Policies and shall use commercially reasonable efforts (at Buyer's expense), to the extent permitted by such Workers Compensation Policies, to assist Buyer's efforts to obtain the benefit of such insurance coverage with respect to such Pre-Closing WC Claims; provided that Buyer shall keep Seller reasonably informed of

each claim and Buyer shall exclusively bear and shall promptly either directly pay (in lieu of Seller or its Affiliates having to first pay) or repay or reimburse Seller or its Affiliates for the amount of each claim and related costs or expenses (including increased premiums) and for the amount of any deductibles or self-insured retentions (including captive insurance amounts) associated with any such claims under the Workers Compensation Policies and Buyer and its Affiliates shall be liable for any and all uninsured, uncovered, unavailable or uncollectible amounts of such payments; and provided further that Buyer and its Affiliates shall use commercially reasonable efforts (including prior to the Closing) to obtain, as soon as reasonably practicable, replacement insurance policies (including self-insurance) such that Buyer and its Affiliates are no longer legally required to have access to the Workers Compensation Policies. For the avoidance of doubt, nothing in this Agreement shall require Seller or its Affiliates to extend or purchase any insurance policy.

(c) Solely to the extent required for Buyer and its Affiliates to comply with applicable Law that requires Buyer and its Affiliates to maintain automobile liability insurance coverage for the Business or the Transferred Employees for the period prior to the Closing (or solely with respect to the Deferred Business or Deferred Employees, the applicable Deferred Closing), with respect to claims relating to events or incidents relating to the Business or the Transferred Employees that occurred prior to the Closing (or solely with respect to the Deferred Business or Deferred Employees, the applicable Deferred Closing) ("Pre-Closing Auto Claims") that are covered by Seller's or its Affiliates' automobile liability insurance policies relating to the Business or the Transferred Employees ("Auto Policies"), Seller hereby authorizes Buyer, to the extent permitted by such Auto Policies, to report Pre-Closing Auto Claims directly to the provider of such Auto Policies and shall use commercially reasonable efforts (at Buyer's expense), to the extent permitted by such Auto Policies, to assist Buyer's efforts to obtain the benefit of such insurance coverage with respect to such Pre-Closing Auto Claims; provided that Buyer shall keep Seller reasonably informed of each claim and Buyer shall exclusively bear and shall promptly either directly pay (in lieu of Seller or its Affiliates having to first pay) or repay or reimburse Seller or its Affiliates for the amount of each claim and related costs or expenses (including increased premiums) and for the amount of any deductibles or self-insured retentions (including captive insurance amounts) associated with any such claims under the Auto Policies and Buyer and its Affiliates shall be liable for any and all uninsured, uncovered, unavailable or uncollectible amounts of such payments; and provided further that Buyer and its Affiliates shall use commercially reasonable efforts (including prior to the Closing) to obtain, as soon as reasonably practicable, replacement insurance policies (including self-insurance) such that Buyer and its Affiliates are no longer legally required to have access to the Auto Policies. For the avoidance of doubt, nothing in this

Agreement shall require Seller or its Affiliates to extend or purchase any insurance policy.

(d) Buyer or its Affiliates may from time to time during the Deferred Period arrange for its own insurance with respect to Deferred Assets pursuant to this Agreement. Seller and its Affiliates shall use commercially reasonable efforts, at Buyer's sole cost and expense, to assist Buyer's or its Affiliates' efforts to obtain the benefits of any such insurance with respect to claims relating to any loss or damage of any such Deferred Assets."

(iii) Section 7.06 of the Purchase Agreement (Assurances) is hereby amended and restated in its entirety as follows:

"From and after the Closing Date or the applicable Deferred Closing Date, as applicable, if either Buyer or Seller becomes aware that any of the Transferred Assets has not been transferred to Buyer or that any of the Excluded Assets has been transferred to Buyer, it shall promptly notify the other and the parties hereto shall, as soon as reasonably practicable and, subject to Section 2.02(g) and Section 2.06, ensure that such property is transferred, with any necessary prior third-party consent or approval, to:

(a) Buyer, in the case of any Transferred Asset which was not transferred at the Closing or the applicable Deferred Closing, as applicable; or

(b) Seller, in the case of any Excluded Asset which was transferred at the Closing or the applicable Deferred Closing, as applicable.

With respect to any Pre-Closing Accounts Receivable held by Buyer at Closing pursuant to Section 6.07, (A) Buyer and Seller shall cooperate in good faith to establish reasonable payment mechanics for Buyer to comply with this Section 7.06 upon its or its Affiliates' (including the Transferred Companies') receipt of cash received in respect of Pre-Closing Account Receivable and (B) Buyer's obligations under this Section 7.06 with respect to any Pre-Closing Accounts Receivable shall terminate one (1) year after the Closing Date."

(iv) Section 7.07 of the Purchase Agreement (Further Assurances) is hereby amended and restated in its entirety as follows:

"Subject to the terms and conditions of this Agreement, from and after the Closing Date or the Deferred Closing Date, as applicable, each party will execute and deliver, or cause its Affiliates to execute and deliver, all such documents and instruments and will take, or cause its Affiliates to take, all such further actions, in each case as may be reasonably necessary to consummate the transactions contemplated by this Agreement."

(v) Section 7.08(a)(i) of the Purchase Agreement (Preparation and Filing of Tax Returns; Payment of Taxes) is hereby amended and restated in its entirety as follows:

"Seller shall prepare and file all Tax Returns of the Transferred Companies or in respect of the Transferred Assets or the Business, in each case, that are due (including applicable extensions) before the Closing. Seller shall prepare (x) all income Tax Returns of the Transferred Companies for all taxable periods ending on or before the Closing Date that are due after the Closing ("Pre-Closing Entity Tax Returns"), (y) all income Tax Returns of the Seller or any of its subsidiaries and (z) all Tax Returns in respect of the Deferred Assets, the Deferred Liabilities, the Deferred Business, and the Deferred Inventory for all taxable periods (or portions thereof) beginning on or prior to (A) the applicable Deferred Closing Date (in the case of any Tax Return reflecting Deferred Business Taxes) or (B) the applicable Deferred Inventory Closing Date (in the case of any Tax Return reflecting Deferred Inventory Taxes) ("Deferred Period Tax Returns"). Seller shall prepare all Tax Returns (other than Tax Returns of the Transferred Companies) in respect of the Transferred Assets or the Business for all taxable periods ending on or before the Closing Date that are due after the Closing ("Pre-Closing Business Tax Returns" and, together with Pre-Closing Entity Tax Returns and Deferred Period Tax Returns, "Pre-Closing Tax Returns"). Seller shall also prepare and file all Tax Returns for Transferred Companies that are required to be included in (or filed with) a Tax Return of an affiliated, consolidated, combined, unitary or aggregate group of which Seller or any of its Affiliates (other than a Transferred Company) is parent for Pre-Closing Tax Periods. With respect to any Pre-Closing Tax Return required to be prepared by Seller pursuant to this Section 7.08(a)(i), (1) such Pre-Closing Tax Returns shall be prepared on a basis consistent with the past practices of the Transferred Companies or with respect to the Transferred Assets or the Business, respectively, unless a different position is required by Law and the parties mutually agree on the resolution of such issue (and each party shall reasonably endeavor to reach such mutual agreement), (2) Seller shall deliver to Buyer for its review and comment, at least thirty (30) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate income Tax Return of the Transferred Companies, and at least ten (10) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate non-income Tax Return of the Transferred Companies or in respect of the Transferred Assets or the Business (in each case taking into account any applicable extensions), a copy of such Tax Return, together with any additional information that Buyer may reasonably request, and (3) Seller shall consider in good faith any reasonable comments submitted by Buyer at least fifteen (15) days prior to the due date of such Pre-Closing Tax Return in the case of a separate income Tax Return of the Transferred Companies, and at least five (5) days prior to the due date for the filing of such Pre-Closing Tax Return in the case of a separate non-income Tax Return of the Transferred Companies or

in respect of the Transferred Assets or the Business (in each case taking into account any applicable extensions). If applicable, Seller shall deliver a revised Pre-Closing Tax Return to Buyer before the due date for the filing of such Pre-Closing Tax Return (taking into account any applicable extensions), and Buyer shall timely file or cause to be timely filed any Pre-Closing Tax Returns."

(vi) Section 7.08(b)(i) of the Purchase Agreement (Refunds) is hereby amended and restated in its entirety as follows:

"Seller shall be entitled to retain, or receive prompt payment from Buyer or any of its subsidiaries or Affiliates (including the Transferred Companies) of, any refund (including any credit in lieu of a refund, which credit arises as a result of an overpayment and which otherwise would have been payable in cash by the relevant Taxing Authority at the election of the taxpayer) received or realized in cash with respect to (x) Taxes attributable to any Transferred Company, the Transferred Assets or the Business for any Pre-Closing Tax Period (other than Transfer Taxes, but including any VAT for which Seller is responsible pursuant to Section 2.06(e)) or (y) Excluded Deferred Taxes, including any such amounts arising by reason of amended Tax Returns filed after the Closing Date, but only to the extent that (A) such refund (or credit) is not the result of an event that occurred after the Closing Date (or after the applicable Deferred Closing Date, in the case of any such refund (or credit) in respect of Excluded Deferred Business Taxes, or after the applicable Deferred Inventory Closing Date, in the case of any such refund (or credit) in respect of Excluded Deferred Inventory Taxes), and (B) such refund (or credit) is not attributable to, and does not result from, a carry back or other use of any item of loss, deduction, credit or other similar item arising in a Post-Closing Tax Period (or in a taxable period beginning after the applicable Deferred Closing Date, in the case of any item arising with respect to Excluded Deferred Business Taxes, or in a taxable period beginning after the applicable Deferred Inventory Closing Date, in the case of any item arising with respect to Excluded Deferred Inventory Taxes) or, in the case of a refund (or credit) of Taxes for a Straddle Period, the use of any such item arising in a Post-Closing Tax Period (or in the case of a refund (or credit) of Excluded Deferred Business Taxes for a taxable period beginning on or prior to the applicable Deferred Closing Date and ending after the applicable Deferred Closing Date, the use of any such item arising in a taxable period beginning after the applicable Deferred Closing Date; or in the case of a refund (or credit) of Excluded Deferred Inventory Taxes for a taxable period beginning on or prior to the applicable Deferred Inventory Closing Date and ending after the applicable Deferred Inventory Closing Date, the use of any such item arising in a taxable period beginning after the applicable Deferred Inventory Closing Date). In connection with the foregoing, if Seller determines that any of the Transferred Companies is entitled to file or make a formal or informal claim

for a refund (to which Seller would be entitled under the first sentence of this Section 7.08(b)(i)) of (x) Taxes (including by filing an amended Tax Return) with respect to a Pre-Closing Tax Period (other than Transfer Taxes or VAT, but including any VAT for which Seller is responsible pursuant to Section 2.06(e)) or (y) Excluded Deferred Taxes, Seller shall be entitled, at Seller's expense, to file or make, or to request that Buyer cause the applicable Transferred Company to file or make, such formal or informal claim for refund, and Seller shall be entitled to control the prosecution of such claim for refund, provided that Seller shall not take any action in connection therewith that would bind Buyer or any of its Affiliates (including any Transferred Company) for a Post-Closing Tax Period (or a taxable period beginning after the applicable Deferred Closing Date, in the case of any refund (or credit) of Excluded Deferred Business Taxes, or a taxable period beginning after the applicable Deferred Inventory Closing Date, in the case of any refund (or credit) of Excluded Deferred Inventory Taxes) or otherwise adversely affect Buyer or any of its Affiliates (including any Transferred Company). Buyer will cooperate, and cause the Transferred Companies to cooperate, with respect to such claim for refund, and will pay, or cause the relevant Transferred Company to pay, to Seller the amount (including interest received from any Taxing Authority) of any related refund (including any credit in lieu of a refund, which credit arises as a result of an overpayment and which otherwise would have been payable in cash by the relevant Taxing Authority at the election of the taxpayer) (to which Seller would be entitled under the first sentence of this Section 7.08(b)(i)) received or realized in cash by Buyer or any Affiliate thereof (including any Transferred Company), net of any unreimbursed costs incurred by Buyer and its Affiliates in respect of such refund and reduced by the amount of any Taxes arising or that would arise as a result of the receipt of such refund or interest thereon, within five (5) days of receipt (or realization in cash) thereof. Buyer and the Transferred Companies shall be entitled to retain, or receive prompt payment from Seller with respect to, any other refund, credit, offset or other similar benefit received or realized with respect to Taxes attributable to any Transferred Company, the Transferred Assets or the Business (other than any such refund, credit, offset or other similar benefit received or realized with respect to Income Taxes of Seller or any of its subsidiaries, but only to the extent such Income Taxes were not Deferred Taxes borne by Buyer as part of the NEB Services Reimbursement Amount, under the Undisclosed Agency Agreement, or otherwise under this Agreement). Notwithstanding any other provision, (x) Seller shall be entitled to any refund, credit or reimbursement for any Transfer Taxes arising from, or relating to, the Internal Restructuring Steps, (y) Buyer shall be entitled to any refund, credit or reimbursement for any Transfer Taxes or VAT arising from, or relating to, any Transfer Taxes or VAT imposed on the transfer of the Transferred Equity Interests and the Transferred Assets to Buyer and assumption of the Assumed Liabilities by Buyer and (z) Buyer shall be entitled to any refund, credit or reimbursement for any Deferred Taxes borne

by Buyer."

(vii) Section 7.08(c)(ii) of the Purchase Agreement (Tax Indemnification) is hereby amended and restated in its entirety as follows:

"Buyer and its Affiliates (including the Transferred Companies) shall indemnify, defend and hold Seller and its Affiliates harmless from and against: (A) for any Post-Closing Tax Period (x) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) of the Transferred Companies and (y) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) with respect to the Transferred Assets or the Business (including, for the avoidance of doubt, any Deferred Taxes), in the case of each of clauses (x) and (y), other than any such Tax liabilities that are Excluded Taxes or Excluded Deferred Taxes, (B) all liability for Transfer Taxes for which Buyer is responsible pursuant to Section 2.06(a), (C) all Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) attributable to a Buyer Tax Act, unless such Buyer Tax Act is effected with the written consent of Seller, (D) Tax liabilities (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Tax liabilities) attributable to any breach by Buyer or its Affiliates (including, after the Closing, any Transferred Company) of any covenant or other agreement hereunder, or (E) any Taxes (which shall include any costs and expenses, including reasonable legal fees and expenses, attributable to such Taxes) imposed with respect to the excess of, if any, (x) any amount required to be included by Seller or any of its Affiliates in income under Section 951(a) of the Code with respect to a Transferred Company for the tax year of Seller or such Affiliate that includes the Closing Date, over (y) the amount that would have been required to be included by Seller or any of its Affiliates in income under Section 951(a) of the Code with respect to a Transferred Company for the tax year of Seller or such Affiliate that includes the Closing Date had the taxable year of such Transferred Company ended on the Closing Date;"

(viii) Section 7.08(d) of the Purchase Agreement (Tax Contests) is hereby amended and restated in its entirety as follows:

"(i) Buyer shall notify Seller within ten (10) business days of a Tax Proceeding for a Pre-Closing Tax Period with respect to a Transferred Company, provided that the failure to so notify Seller shall not affect Seller's indemnification obligation under Section 7.08(c) except to the extent of any material prejudice actually incurred by Seller.

(ii) With respect to any Tax Proceeding relating to (A) a Pre-Closing Tax Period with respect to a Transferred Company, the Transferred Assets or

the Business (other than a Straddle Period or a Tax Proceeding with respect to any Transfer Taxes or VAT, but including any Tax Proceeding with respect to any VAT for which Seller is responsible pursuant to Section 2.06(e)), (B) a consolidated Tax Return of which Seller or any of its subsidiaries (other than a Transferred Company) is the common parent, or (C) an Income Tax Return (other than a Deferred Period Tax Return) of Seller of any of its subsidiaries (other than a Transferred Company), Seller may choose in its sole discretion (at its expense) to control all Tax Proceedings and may make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Tax Proceeding, provided that, to the extent such Tax Proceeding or the resolution or settlement thereof could have an impact on Buyer or any of its Affiliates (including the Transferred Companies) after the Closing Date, (x) Seller shall provide Buyer with a timely and reasonably detailed account of each phase of such Tax Proceeding and shall consult with Buyer before taking any significant action in connection with such Tax Proceeding and (y) Seller shall not settle, compromise or abandon any such Tax Proceeding without obtaining the prior written consent of Buyer, which consent shall not be unreasonably withheld.

(iii) With respect to any Tax Proceeding relating to a Straddle Period with respect to a Transferred Company, the Transferred Assets or the Business, Buyer may choose in its sole discretion (at its expense) to control all Tax Proceedings and may make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Tax Proceeding, provided that, to the extent such Tax Proceeding or the resolution or settlement thereof could have an impact on Seller or any of its Affiliates with respect to the Pre-Closing Tax Period resulting in an increase of Seller's liability for Taxes pursuant to this Agreement, (x) Buyer shall provide Seller with a timely and reasonably detailed account of each phase of such Tax Proceeding and shall consult with Seller before taking any significant action in connection with such Tax Proceeding and (y) Buyer shall not settle, compromise or abandon any such Tax Proceeding without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld.

(iv) With respect to any Tax Proceeding relating to both (A) any Deferred Taxes and (B) any Excluded Taxes or Excluded Deferred Taxes (any such Tax Proceeding, a "Joint Tax Proceeding") (it being understood that a Tax Proceeding relating to a Tax Return that reflects both Deferred Taxes, on the one hand, and Excluded Taxes or Excluded Deferred Taxes, on the other hand, is a Joint Tax Proceeding), Seller may choose in its sole discretion to control all Joint Tax Proceedings and may make all decisions taken in connection with any such Joint Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Joint Tax Proceeding, provided that, to the extent such Joint Tax Proceeding relates to Deferred Taxes, (v) Seller shall provide Buyer with a timely and reasonably detailed account of each phase of such Joint Tax Proceeding and shall consult with Buyer before taking any significant action in connection with such Joint Tax Proceeding, (w) Seller shall consult with Buyer and offer Buyer an opportunity to comment before submitting any written materials prepared or furnished in connection with such Joint Tax Proceeding, (x) Seller shall defend such Joint Tax Proceeding diligently and in good faith as if it were the only party in interest in connection with such Joint Tax Proceeding, (y) Buyer shall be entitled to participate (at its expense) in such Joint Tax Proceeding and, to the extent permitted by the relevant Taxing Authority, attend any meetings or conferences with the relevant Taxing Authority, and (z) Seller shall not settle, compromise or abandon any such Joint Tax Proceeding without obtaining the prior written consent of Buyer, which consent shall not be unreasonably withheld. Buyer and Seller shall bear the expenses of conducting such Joint Tax Proceeding in proportion to the amount of Deferred Taxes, on the one hand, and Excluded Taxes and Excluded Deferred Taxes, on the other hand, at issue in such Joint Tax Proceeding.

(v) Except as otherwise provided in Section 7.08(d)(iv), with respect to any Tax Proceeding relating to Deferred Taxes (such Tax Proceeding, a "Deferred Tax Proceeding"), Buyer may choose in its sole discretion (at its expense) to control all Deferred Tax Proceedings and may make all decisions taken in connection with any such Deferred Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may, in its sole discretion, pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may, in its sole discretion, either pay the applicable Tax liability and sue for a refund or contest the Tax at issue in such Deferred Tax Proceeding, provided that, to the extent any such Deferred Tax Proceeding relates to a taxable period (or portion thereof) beginning on or prior to (1) the applicable Deferred Closing Date (in the case of any Deferred Tax Proceeding with respect to

Deferred Business Taxes) or (2) the applicable Deferred Inventory Closing Date (in the case of any Deferred Tax Proceeding with respect to Deferred Inventory Taxes), (v) Buyer shall provide Seller with a timely and reasonably detailed account of each phase of such Deferred Tax Proceeding and shall consult with Seller before taking any significant action in connection with such Deferred Tax Proceeding, (w) Buyer shall consult with Seller and offer Seller an opportunity to comment before submitting any written materials prepared or furnished in connection with such Deferred Tax Proceeding, (x) Buyer shall defend such Deferred Tax Proceeding diligently and in good faith as if it were the only party in interest in connection with such Deferred Tax Proceeding, (y) Seller shall be entitled to participate (at its expense) in such Deferred Tax Proceeding and, to the extent permitted by the relevant Taxing Authority, attend any meetings or conferences with the relevant Taxing Authority, and (z) Buyer shall not settle, compromise or abandon any such Deferred Tax Proceeding without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld.

(vi) Except as otherwise provided in Section 7.08(d)(ii), Section 7.08 (d)(iii), Section 7.08(d)(iv) and Section 7.08(d)(v), Buyer shall exclusively control all Tax Proceedings with respect to the Transferred Companies or otherwise relating to the Transferred Assets or the Business. Notwithstanding anything in Section 7.08(d)(ii) and Section 7.08(d)(iv) to the contrary, Buyer shall have the exclusive right to control any Tax Proceeding described in Section 7.08(d)(i) if Seller fails to, or notifies Buyer in writing that Seller elects not to, defend such Tax Proceeding.

(vii) Buyer, the Transferred Companies and each of their respective Affiliates, on the one hand, and Seller and its respective Affiliates, on the other hand, shall cooperate in contesting any Tax Proceeding, which cooperation shall include the retention and, upon request, the provision to the requesting party of records and information which are reasonably relevant to such Tax Proceeding, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at proceedings relating to such Tax Proceeding. Buyer and Seller shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 7.08(d)."

(ix) Section 7.09 of the Purchase Agreement (Ancillary Agreements) is hereby amended and restated in its entirety as follows:

"At the Closing, Buyer and Seller shall enter into, execute and deliver the Transition Services Agreement, substantially in the form attached as Exhibit G-1 (the "Transition Services Agreement"), the Master Manufacturing and Supply Agreement, substantially in the form attached as Exhibit H (the

"Master Manufacturing and Supply Agreement"), the Trademark License Agreement (Buyer as Licensee), substantially in the form attached as Exhibit I-1 (the "Trademark License Agreement 1"), the Trademark License Agreement (Seller as Licensee), substantially in the form attached as Exhibit I-2 (the "Trademark License Agreement 2"), the Sorting Service Agreement, substantially in the form attached as Exhibit N (the "Sorting Service Agreement"), the Escrow Agreement, substantially in the form attached as Exhibit O (the "Escrow Agreement") and the Undisclosed Agency Agreement, substantially in the form attached as Exhibit P (the "Undisclosed Agency Agreement"). Trademark License Agreement 1 and Trademark License Agreement 2 are collectively referred to as the "Trademark License Agreements". Between the date hereof and the Closing, the parties shall negotiate in good faith to agree on the fees for the services to be provided pursuant to the Transition Services Agreement based on the principles set forth in Exhibit G-2."

(x) Section 7.11(c)(iv) of the Purchase Agreement (Non-Solicitation of Employees; Non-Competition) is hereby amended and restated in its entirety as follows:

"exercising its rights or performing or complying with its obligations under or as contemplated by this Agreement or any of the Transaction Documents, including the provision of the Distribution Services and the ownership and/or operation of the Deferred Business in accordance with this Agreement or any Ancillary Agreement; or"

(xi) Section 7.12 of the Purchase Agreement (Confidentiality) is hereby amended and restated in its entirety as follows:

"(a) Each party acknowledges that the information being provided to it in connection with the Transaction and the other transactions contemplated hereby is subject to the terms of each of (1) that certain confidentiality agreement between Buyer and Seller, dated as of December 2, 2016 (the "Business Confidentiality Agreement"), and (2) that certain confidentiality agreement between Buyer and Seller, dated as of April 5, 2017 (together with the Business Confidentiality Agreement, the "Confidentiality Agreements"), the terms of which are incorporated herein by reference in their entirety and shall, subject to the following sentence, survive the Closing; provided that actions taken by the parties to the extent necessary in order to comply with their respective obligations under Section 6.05 hereunder shall not be deemed to be in violation of this Section 7.12 or of the Confidentiality Agreements; provided that the foregoing shall not affect Section 6.05(b) to the extent that Section 6.05(b) specifies that it is subject to this Section 7.12 or the Confidentiality Agreements. Effective upon, and only upon, the Closing, the Business Confidentiality Agreement shall terminate with respect to information relating solely to the Business, the Transferred Companies, the

Transferred Assets and the Assumed Liabilities (including, for avoidance of doubt, any Deferred Assets or Deferred Liabilities); provided, further, that Buyer acknowledges that its obligations of confidentiality and non-disclosure with respect to any and all other information provided to it by or on behalf of Seller, the Selling Affiliates, the Transferred Companies or any of their respective Affiliates or Representatives, concerning Seller or any of its Affiliates (other than solely with respect to the Business, the Transferred Companies, the Transferred Assets and the Assumed Liabilities, including, for avoidance of doubt, the Deferred Business, Deferred Assets and Deferred Liabilities) shall continue to remain subject to the terms and conditions of the Business Confidentiality Agreement (but subject to the term therein).

(b) For two (2) years after the Closing, unless Buyer has otherwise consented in writing, Seller agrees to, and shall cause its subsidiaries and shall instruct its Representatives to, retain in confidence, and not use, any and all confidential or proprietary information to the extent relating to the Business and the Transferred Assets (collectively, "Confidential Business Information"), and not disclose such Confidential Business Information to any other Person; provided that Confidential Business Information shall not include any information (i) which is or becomes generally available to the public other than as a result of disclosure in violation of this Section 7.12(b), (ii) that Seller or any of its Affiliates receives after the Closing from a source that is not, to the knowledge of Seller, under any obligation of confidentiality with respect to such information, or (iii) that is independently developed by or on behalf of Seller or any of its Affiliates without reference to or use of such Confidential Business Information. In addition, the foregoing will not prohibit Seller or its Affiliates from disclosing Confidential Business Information which is required by applicable Law or order of a Governmental Entity or rule or policy of any securities exchange to be disclosed. The parties acknowledge and agree that (x) Seller and its Affiliates currently, and, subject to Section 7.11(c), may continue following the Closing to, maintain and expand business and commercial relationships (whether as a customer, supplier or otherwise) with the same Persons, and engage in commercial relationships with such Persons and with Buyer and the other Transferred Companies, and, subject to Section 7.11(c), may employ, or continue to employ, individuals who previously worked in or with the Business and possess knowledge and Know-How used in, relating to, or arising from the Business and (y) nothing in this Section 7.12(b) shall prohibit or restrict the maintenance or expansion of any such relationships or employment of any such individuals. In addition, the foregoing shall not prohibit the use or disclosure of such Confidential Business Information to the extent reasonably necessary to comply with the terms of, or perform under, any of the Transaction Documents or any Transferred Contract or Commingled Contract that has not been assigned or transferred to Buyer or its Affiliates, or to provide the Distribution Services or operate Deferred Business in accordance

with this Agreement or any Ancillary Agreement. Furthermore, the provisions of this Section 7.12(b) will not prohibit any use or disclosure in connection with the preparation and filing of financial statements with a Governmental Entity (including the U.S. Securities and Exchange Commission) or Tax Returns of Seller or its Affiliates or in connection with the enforcement of any right or remedy relating to this Agreement, the other Transaction Documents or the transactions contemplated hereby and thereby."

(xii) Section 7.13(b) of the Purchase Agreement (Replacement of Guarantees) is hereby amended and restated in its entirety as follows:

"Following the Closing (or a Deferred Closing, as applicable), Buyer and Seller will reasonably cooperate with one another so that Buyer will obtain, or cause an Affiliate of Buyer to provide or obtain, replacement Guarantees with respect to each Guarantee issued by Seller or an Affiliate of Seller for the benefit of any Transferred Company or with respect to any Transferred Asset or Assumed Liability that was not replaced on or prior to the Closing Date (or a Deferred Closing Date, as applicable) (each, an "Existing Guarantee"). Buyer and Seller shall reasonably cooperate to obtain any necessary release of Seller and its Affiliates from such Existing Guarantees in form and substance reasonably satisfactory to Buyer and Seller."

Section 1.07 Employees. Article VIII of the Purchase Agreement (Employees) is hereby amended as follows:

(i) Section 8.01(a) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"From and after the date of this Agreement until the Closing Date or the applicable Deferred Closing Date, as applicable, Buyer shall consult with Seller and obtain Seller's consent (which consent shall not be unreasonably withheld, conditioned or delayed) before distributing any communications to any Employee of the Business whether relating to employee benefits, post-Closing or post the applicable Deferred Closing, as applicable, terms of employment or otherwise; provided that this sentence shall not apply to any (i) offer letters or other individual communications regarding post-Closing or post the applicable Deferred Closing, as applicable, employment of Employees of the Business (including proposed terms of employment, compensation and employee benefits, or role and organizational structure) or (ii) individual conversations or communications regarding matters not covered by any of the Transaction Documents."

(ii) Section 8.01(b) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

> "To the extent permitted by applicable Law and as soon as practicable, but in no event later than five (5) business days after the date of this Agreement, Seller shall provide Buyer with a list on Schedule 8.01(b)(i) to the Disclosure Letter containing an identification number (with the corresponding names tying to these identification numbers to be provided concurrently to one person Buyer specifies), date of hire, position, location, and base salary, wage rate and bonus opportunity (and, in no event later than thirty (30) calendar days after the date of this Agreement, for sales employees, sales incentive targets, as well as actual sales incentive paid during the prior fiscal year), employee benefit plan participation, outstanding equity awards (including vesting schedule and exercise price, as applicable), expatriate status and any additional information that is necessary for Buyer to establish payroll systems or employee benefit plans as of the Transfer Time, as applicable, of each individual identified by Seller as expected to be an Employee of the Business, and Seller shall update such information periodically prior to the Closing Date (or the applicable Deferred Closing Date, as applicable, to the extent such employment actions are permitted by this Agreement, including the next succeeding sentence), to reflect new hires, leaves of absence and employment terminations and any other material changes thereto and provide copies of such updated lists and information to Buyer. In addition, Seller shall periodically update Schedule 1.01(b) to the Disclosure Letter (including during the Deferred Period with respect to employees in a Deferred Closing Country) to reflect (i) any new hires and employment terminations permitted pursuant to Section 6.01(b)(iii), and (ii) any other employee of Seller and its Affiliates proposed by Seller to be an "Employee of the Business"; provided that, in the case of clause (ii), if Buyer objects to any such addition proposed to be made to such schedule by Seller, such addition shall be reviewed and agreed by the Vice President of Human Resources, MITG of Seller and the Senior Vice President, HR Bus Partner Medical of Buyer and if the Vice President of Human Resources, MITG of Seller and the Senior Vice President, HR Bus Partner Medical of Buyer cannot agree, then such addition shall not be included. With respect to those Transferred Companies set forth on Schedule 8.01(b)(ii) to the Disclosure Letter, Buyer and Seller will use commercially reasonable efforts to establish or ensure continuation of (as applicable) for each such Transferred Company payroll, human resources and employee benefit administration Contracts and processes, effective as of or prior to the Closing. On the Closing Date and the applicable Deferred Closing Date, Seller shall provide Buyer with an updated Schedule 8.01(b)(i) to the Disclosure Letter reflecting the applicable information as of such date."

(iii) Section 8.01(c) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

> "Prior to the Closing or the applicable Deferred Closing, as applicable, Seller shall, or shall cause its Affiliates to, take all actions necessary to transfer the employment of any individual who is employed by a Transferred Company and who is not an Employee of Business to Seller or any of its Affiliates (other than the Transferred Companies), as designated by Seller. In the event the employment of an Employee of the Business does not automatically transfer to Buyer or its Affiliates upon the occurrence of the Closing or the applicable Deferred Closing, as applicable, by operation of Law or pursuant to the transfer (directly or indirectly) of the Transferred Equity Interests to Buyer or its Affiliates, (i) Seller shall take, or cause its respective Affiliates to take, all actions required in accordance with applicable Law in respect of the transfer of employment of such Employees of the Business to Buyer or one of its Affiliates, and Seller shall encourage each Employee of the Business to accept any offers of employment pursuant to this Section 8.01(c) in its communications with such individuals; provided that, for the avoidance of doubt, nothing herein shall be interpreted as requiring Seller or any of its subsidiaries to provide any such Employee of the Business with any additional compensation or benefits or otherwise incur any material liability; and (ii) not less than ten (10) business days prior to the Closing or the applicable Deferred Closing, as applicable, Buyer or one of its Affiliates will offer employment, effective at 12:01 a.m., local time, on the Closing Date or the applicable Deferred Closing Date, as applicable (the "Transfer Time"), to such Employee of the Business in accordance with this Agreement. Offers pursuant to this Section 8.01(c) shall (A) be for a position commensurate with the skills and experience of such Employee of the Business and at a geographic work location within fifty (50) miles of the applicable Employee of the Business' primary work location immediately prior to the Closing Date or the applicable Deferred Closing Date, as applicable (or, to the extent applicable in jurisdictions other than the United States, within such lesser radius as is necessary to ensure severance is not due in connection with such relocation), and (B) otherwise comply in all respects with applicable Law (including with respect to compensation and benefits). With respect to any Employee of the Business to whom Buyer or one of its Affiliates is required to make an offer of employment pursuant to this Section 8.01(c), and who, as of the Closing Date or the applicable Deferred Closing Date, as applicable, is on approved leave of absence from work with Seller or its Affiliates (each, an "Inactive Employee"), Buyer shall offer employment to such individual on the earliest practicable date following the return of such individual to work with Seller and its Affiliates and otherwise on terms and conditions consistent with this Section 8.01; provided that such employee returns to work within one hundred eighty (180) days following the Closing Date or the applicable Deferred Closing Date, as applicable, or such later time as required by applicable Law

or the terms of the applicable Collective Bargaining Agreement upon presenting themselves for duty to the Business. Seller shall promptly notify Buyer of the occurrence and end of any such leave of absence. In the case of any Inactive Employee who becomes a Transferred Employee following the Closing Date or the applicable Deferred Closing Date, as applicable, all references in this Agreement to (1) the Closing Date or the applicable Deferred Closing Date, as applicable, shall be deemed to be references to the date on which such individual becomes a Transferred Employee and (2) the Transfer Time shall be deemed to be references to 12:01 a.m., local time, on the date that such individual becomes a Transferred Employee. In any jurisdiction where the employment of an Employee of the Business can transfer automatically to Buyer and its Affiliates upon the occurrence of the Closing or Deferred Closing, as applicable, by operation of Law or pursuant to the transfer (directly or indirectly) of the Transferred Equity Interests to Buyer, Buyer and Seller agree to take, or cause their respective Affiliates to take, all actions required under applicable Law and all other actions as are necessary or appropriate such that the employment of such Employee of the Business will transfer to Buyer or its Affiliates automatically as of the Transfer Time. Seller shall provide a list to Buyer of each Inactive Employee no later than ten (10) business days prior to the Closing or Deferred Closing Date, as applicable, and shall update such list as of the Closing or Deferred Closing Date, as applicable. The Employee of the Business employed in France for whom the transfer of employment contemplated by this Section 8.01(c) is subject to the authorization of the *inspection du travail* shall transfer to Buyer or its Affiliates automatically on the day after such authorization is given. If such authorization is not granted within four (4) months following the Closing Date, such Employee of the Business shall not become a Transferred Employee. Seller shall use commercially reasonable efforts to obtain such authorization following the Closing and shall keep Buyer and its Affiliates informed of the status of such procedure."

(iv) Section 8.01(d) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Buyer or its Affiliates shall bear all the liabilities, obligations and costs relating to, and shall indemnify and hold harmless Seller and the Selling Affiliates from and against, any claims made by any Employee of the Business for any statutory or common law severance or other separation benefits, any contractual or other severance or separation benefits and any other legally mandated payment obligations (including any compensation payable during a mandatory termination notice period and any payments pursuant to a Judgment of a court having jurisdiction over the parties) and for any other claim, cost, liability or obligation (whether related to compensation, benefits or otherwise), in each case, arising out of (i) Buyer's breach of its obligations under this Article VIII, including any failure of Buyer to provide

to U.S. Transferred Employees the benefits described in Section 8.01(e), (ii) Buyer making an offer to an Employee of the Business that does not meet the requirements of (A) Section 8.01(e) with respect to an Employee of the Business in the United States or (B) Section 8.01(j)(i) with respect to an Employee of the Business outside of the United States (whether or not located in a Specified Non-U.S. Jurisdiction), or (iii) any claims for severance or other separation benefits in connection with the involuntary termination of employment by Buyer or its Affiliates of any Transferred Employee after the Transfer Time. Seller or its Affiliates shall bear all the liabilities, obligations and costs relating to, and shall indemnify and hold harmless Buyer and its Affiliates from and against, any claims made by any Employee of the Business for any statutory or common law severance or other separation benefits, any contractual or other severance or separation benefits and any other legally mandated payment obligations (including any compensation payable during a mandatory termination notice period and any payments pursuant to a Judgment of a court having jurisdiction over the parties) and for any other claim, cost, liability or obligation (whether related to compensation, benefits or otherwise), in each case, not arising out of Buyer's breach of its obligations under this Article VIII or under clause (ii) or (iii) above, including (A) any such claim arising out of the applicable Employee of the Business' refusal to accept an offer of employment made in compliance with this Article VIII from (or to commence employment with), or objection to the automatic transfer of employment to, Buyer or its Affiliates, and (B) any claims made by any Employee of the Business in China or other jurisdictions for any statutory severance or other separation benefits (including statutory economic compensation and statutory compensation payable in respect of accrued but not yet taken vacation days or other paid time off for the calendar year in which the Closing Date or the applicable Deferred Closing Date, as applicable, occurs) that arise as a result of any such employee who accepts an offer of employment from Buyer or any of its Affiliates making a request that such severance or other separation benefits be paid or provided by Seller or any of its subsidiaries. Buyer shall not encourage any Employee of the Business regarding a request described in the immediately preceding sentence, and in the event an Employee of the Business asks Buyer a question regarding such request, Buyer shall refer such Employee of the Business to an applicable representative of Seller with respect to such request."

(v) Section 8.01(i) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Subject to Seller providing all reasonably necessary support and information in a timely manner, no later than the Closing Date or the applicable Deferred Closing Date, as applicable, Buyer shall establish or cause to be established (or utilize existing Buyer Plans), at its own expense, all necessary retirement, pension, employee welfare and employee benefit plans for Transferred

Employees, as applicable. Effective as of the Transfer Time, each Transferred Employee shall cease to be an employee of Seller or the applicable Affiliate and shall cease to participate in any Business Employee Benefit Plan (other than any Assumed Benefit Plan) as an active employee. Other than with respect to a government-sponsored benefit plan, (i) Seller shall be, or shall cause its Affiliates to be, responsible for all (A) medical, vision, dental and prescription drug claims for expenses incurred by any Transferred Employee or his or her dependents, (B) claims for short-term and long-term disability income benefits incurred by any Transferred Employee, (C) claims for group life, travel and accident, and accidental death and dismemberment insurance benefits incurred by any Transferred Employee and (D) claims relating to COBRA coverage attributable to "qualifying events" with respect to any Transferred Employee and his or her beneficiaries and dependents, in each case, prior to or as of the Transfer Time and (ii) Buyer shall be, or shall cause its Affiliates to be, responsible for all (A) medical, vision, dental and prescription drug claims for expenses incurred by any Transferred Employee or his or her dependents, (B) claims for short-term and long-term disability income benefits incurred by any Transferred Employee, (C) claims for group life, travel and accident, and accidental death and dismemberment insurance benefits incurred by any Transferred Employee and (D) claims relating to COBRA coverage attributable to 'qualifying events' with respect to any Transferred Employee and his or her beneficiaries and dependents, in each case, after the Transfer Time. Except in the event of any claim for workers compensation benefits, for purposes of this Agreement, the following claims and liabilities shall be deemed to be incurred as follows: (1) medical, vision, dental and/or prescription drug benefits (including hospital expenses), upon provision of the services, materials or supplies comprising any such benefits and (2) short and long-term disability, life, accidental death and dismemberment and business travel accident insurance benefits, upon the death, illness, injury or accident giving rise to such benefits. Seller and its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred prior to the Transfer Time by any Transferred Employee. Buyer and its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred on or after the Transfer Time by any Transferred Employee. A claim for workers compensation benefits shall be deemed to be incurred on the date the injury giving rise to the claim occurs."

(vi) Section 8.01(m) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"To the extent (i) permitted by applicable Law and (ii) that doing so would not require the consent of any other Person, as soon as reasonably practicable following the Closing or the applicable Deferred Closing Date, as applicable, Seller and its Affiliates shall use their commercially reasonable efforts to

assign to Buyer and its Affiliates any nondisclosure and confidentiality agreements, non-competition agreements or other restrictive covenant agreements applicable to any Transferred Employee to the extent that such agreements relate exclusively to the Business."

(vii) Section 8.01(q) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"No later than forty-five (45) business days following the Closing or the applicable Deferred Closing Date, as applicable, Seller or its applicable Affiliate shall pay (i) an annual bonus (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on the lesser of (A) the amount accrued with respect to such bonus and (B) the target amount to each Transferred Employee who is or would be eligible as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, to receive an annual bonus under any Business Employee Benefit Plan pursuant to the terms thereof); and (ii) sales incentives or commissions (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on actual performance through the Closing Date or the applicable Deferred Closing Date, as applicable) to each Transferred Employee who participated in any Business Employee Benefit Plan that provides for sales incentives or commissions as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and who was eligible to earn sales incentives or commissions for the applicable performance period in which the Closing or the applicable Deferred Closing, as applicable, occurs."

(viii) Section 8.01(r) of the Purchase Agreement (Employee Benefits Matters) is hereby amended and restated in its entirety as follows:

"Prior to the Closing or the applicable Deferred Closing, as applicable, Seller shall take all actions as are necessary to provide as follows:

(i) Each outstanding option (each, a "Seller Option") to purchase ordinary shares, par value $0.0001 ("Seller Ordinary Shares"), other than any Integration Incentive Stock Option, that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, shall, effective as of the Closing or the applicable Deferred Closing, as applicable, become fully vested and exercisable and shall remain outstanding for the remainder of the term of such Seller Option.

(ii) Each outstanding Integration Incentive Stock Option held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, shall remain outstanding and shall vest at the end of the performance period applicable to such Integration Incentive Stock Option to the extent the applicable performance criteria are satisfied.

(iii) Each outstanding restricted share unit award in respect of Seller Ordinary Shares (each, a "Seller RSU Award") that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and vests solely based on continued service shall, as of the Closing or the applicable Deferred Closing, as applicable, become fully vested and shall be settled by Seller in accordance with its terms.

(iv) Each outstanding Seller RSU Award that is held by a Transferred Employee as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, and subject to performance-based vesting conditions shall remain outstanding, shall vest at the end of the performance period applicable to such Seller RSU Award to the extent the applicable performance criteria are satisfied and shall be settled by Seller in accordance with its terms.

(v) As of the Closing or the applicable Deferred Closing, as applicable, each Employee of the Business who is eligible to receive a long-term cash retention bonus under Seller's Retention Bonus Plan shall become fully vested in his or her long-term cash retention bonus, which amount shall be paid by Seller or its applicable Affiliate in accordance with such plan.

(vi) No later than forty-five (45) business days following the Closing or the applicable Deferred Closing, as applicable, Seller or its applicable Affiliate shall pay a bonus under Seller's Long-Term Performance Plan (prorated through the Closing Date or the applicable Deferred Closing Date, as applicable, and based on actual performance through the Closing Date or the applicable Deferred Closing Date, as applicable, as determined by Seller) to each Transferred Employee who is or would be eligible to receive a bonus under such plan pursuant to the terms thereof."

(ix) Section 8.01 of the Purchase Agreement (Employee Benefits Matters) is hereby amended and supplemented by adding a new Section 8.01(v), which provides:

"The parties agree to and covenant to perform the matters set forth in Schedule 8.01(v) of the Disclosure Letter."

(x) Section 8.02(a) of the Purchase Agreement (Pension Plan Adjustment) is hereby amended and restated in its entirety as follows:

"Within six (6) months following the Closing Date, Seller and Buyer shall determine the aggregate value of the underfunded pension liabilities as of the Closing Date under the Assumed Benefit Plans set forth on Schedule 8.02(a) to the Disclosure Letter (the absolute value of such underfunded liabilities, the "Aggregate Underfunded Amount"). The Aggregate Underfunded Amount shall be calculated on the same basis that was used to determine the estimate referred to in Section 3.13(b)(iii) and, if applicable, the conversion rate from the applicable Foreign Currency to U.S. dollars shall be the closing rate

provided by Bloomberg at 7:00 a.m. New York City time on the Closing Date."

Section 1.08 Indemnification. Section 10.03 of the Purchase Agreement (Indemnification by Buyer) is hereby amended and restated in its entirety as follows:

"Subject to the provisions of this Article X, from and after the Closing Date, in addition to the indemnification set forth in Section 6.06(a), Section 7.08(c) and Section 8.01(d), Buyer shall indemnify and hold harmless Seller against and from any and all Damages which Seller and any of its directors, officers, employees, Affiliates (other than the Transferred Companies), agents and representatives (collectively, the "Seller Indemnitees" and, together with the Buyer Indemnitees, the "Indemnitees") may incur or suffer to the extent such Damages arise out of or result from (a) the breach of any representation or warranty made by Buyer in this Agreement as if made on the Closing Date, (b) any breach by Buyer or any of its Affiliates of its covenants or agreements contained herein or (c) without limiting the indemnification obligations of Seller pursuant to Section 10.02, any of the Assumed Liabilities (including any Deferred Liabilities). Notwithstanding that a claim for Damages may fall into multiple categories of this Section 10.03, a Seller Indemnitee may recover such Damages one time only."

Section 1.09 Miscellaneous. The first sentence of Section 11.04 of the Purchase Agreement (Waivers) is amended by inserting the words "or after" between "prior to" and "the Closing."

Section 1.10 Transferred Assets. Annex 2.02(a) of the Purchase Agreement (Transferred Assets) is hereby amended as follows:

(i) The lead-in to Annex 2.02(a) is hereby amended by inserting at the end of the lead-in section the words "or, solely with respect to the applicable Deferred Business, the applicable Deferred Closing:"

(ii) Annex 2.02(a)(ii) of the Purchase Agreement (Inventory) is hereby amended by inserting to the end of the section the words "or the applicable Deferred Closing, as applicable;"

(iii) Annex 2.02(a)(v) of the Purchase Agreement (Permits) is hereby amended by inserting to the end of the section the words "or the applicable Deferred Closing Date, as applicable;"

(iv) Annex 2.02(a)(xi) of the Purchase Agreement (Contracts) is hereby amended and restated in its entirety as follows:

"Contracts. All leases, licenses (other than Transferred Real Property Leases and Transferred IP Licenses which are identified separately on this Annex

2.02(a)), bids, tenders, purchase orders, consulting agreements, supply agreements, distribution contracts, manufacturing contracts, maintenance contracts, agreements, commitments and other contracts, whether or not reduced to writing (collectively, "Contracts") exclusively relating to the Business or any of the Transferred Assets, and the Commingled Contracts set forth on Schedule 2.02(a)(xi) of the Disclosure Letter, but specifically excluding the Excluded Contracts (collectively, the "Transferred Contracts");"

(v) Annex 2.02(a)(xiv) of the Purchase Agreement (Insurance Proceeds) is hereby amended and restated in its entirety as follows:

"Insurance Proceeds. All insurance proceeds actually received by Seller or any of its Affiliates prior to or after the Closing under any insurance policy written prior to the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) in connection with (i) the damage or destruction of any of the Transferred Assets from and after the date hereof and prior to the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) that is, or would have been but for such damage or destruction, included in the Transferred Assets or (ii) any Assumed Liability (other than, in the case of this clause (ii), where insurance proceeds are directly or indirectly funded by Seller or any of its Affiliates through self-insurance or other similar arrangement);"

(vi) Annex 2.02(a)(xv) of the Purchase Agreement (Cash Amount; Cash Proceeds of Sales and Dispositions) is hereby amended and restated in its entirety as follows:

"Cash Amount; Cash Proceeds of Sales and Dispositions. (1) Cash and cash equivalents of the Transferred Companies to the extent included in the Cash Amount and (2) all net cash proceeds actually received by Seller or any of its Affiliates prior to or after the Closing in connection with any sales or other dispositions from and after the date hereof through the Closing (or, solely with respect to Deferred Assets, the applicable Deferred Closing) of any asset that would have been included in the Transferred Assets but for such sale or disposition, other than with respect to sales of Inventory in the ordinary course of business consistent with past practice;"

(vii) Annex 2.02(a)(xvi) of the Purchase Agreement (Claims; Settlement Proceeds) is hereby amended and restated in its entirety as follows:

"Claims; Settlement Proceeds. Any and all claims, causes of action, defenses and rights of offset or counterclaim, or settlement agreements (in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) arising out of the Transferred Contracts (other than any Pre-Closing Accounts Receivable) and all proceeds of any settlement from and after the date hereof through the Closing (or, solely with respect to

Deferred Assets, the applicable Deferred Closing) of any such claims, causes of action, defenses and rights of offset or counterclaim that would have been included in the Transferred Assets but for such settlement;"

Section 1.11 Excluded Assets. Annex 2.02(b) of the Purchase Agreement (Excluded Assets) is hereby amended as follows:

(i) Annex 2.02(b)(i) of the Purchase Agreement (Accounts Receivable/Other Current Assets) is hereby amended and restated in its entirety as follows:

"Accounts Receivable/Other Current Assets. (1) All accounts receivable, notes receivable and similar rights to receive payments of Seller or any of its Affiliates existing on the Closing Date or the applicable Deferred Closing Date, as applicable ("Pre-Closing Accounts Receivable"), (2) all other assets as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, arising out of the operation or conduct of the Business before the Closing or the applicable Deferred Closing, as applicable, that would be classified as current assets under GAAP on a balance sheet of the Business as of immediately prior to the Closing or the applicable Deferred Closing, as applicable, calculated in a manner consistent with the Financial Information;"

(ii) Annex 2.02(b)(ii) of the Purchase Agreement (Cash and Cash Equivalents) is hereby amended and restated in its entirety as follows:

"Cash and Cash Equivalents. All cash and cash equivalents and marketable securities and other investment assets, other than cash and cash equivalents in respect of clauses (xiv), (xv) and (xvi) of Annex 2.02(a), held by Seller or any of its Affiliates on the Closing Date or the applicable Deferred Closing Date, as applicable;"

(iii) Annex 2.02(b)(iii) of the Purchase Agreement (Hedging or Other Currency Exchange Agreements) is hereby amended and restated in its entirety as follows:

"Hedging or Other Currency Exchange Agreements. All rights to receive payments of Seller or any of its Affiliates pursuant to a hedging or other currency exchange agreement existing before, on or after the Closing Date;"

(iv) Annex 2.02(b)(v) of the Purchase Agreement (Certain Records) is hereby amended and restated in its entirety as follows:

"Certain Records. Any records and files not identified as Transferred Records, including (A) the personnel records maintained by Seller or any of its Affiliates, (B) Tax Returns (other than Tax Returns solely related to any Transferred Company), (C) records (including accounting records) relating to Taxes paid or payable by Seller or any of its Affiliates and all financial and Tax records relating to the Business that form part of Seller's or any of its

Affiliates' general ledger or otherwise constitute accounting records, (D) records prepared in connection with the Transactions, including bids received from other Persons and analyses relating to the Business and (E) file copies of the Transferred Records retained by Seller, in each case whether generated before, on or after the Closing Date;"

(v) Annex 2.02(b)(vi) of the Purchase Agreement (Certain Contracts and Contract Rights) is hereby amended and restated in its entirety as follows:

"Certain Contracts and Contract Rights. All rights of Seller and its Affiliates under (A) this Agreement and the Ancillary Agreements, (B) the Commingled Contracts (subject to Section 2.02(g)), except for those Commingled Contracts set forth on Schedule 2.02(a)(xi) of the Disclosure Letter, (C) those Contracts related to Shared Services, and (D) any contracts between Seller and any of its Affiliates or between Affiliates of Seller, whether arising before, on or after the Closing Date (collectively, the "Excluded Contracts");"

(vi) Annex 2.02(b)(vii) of the Purchase Agreement (Insurance) is hereby amended and restated in its entirety as follows:

"Insurance. Other than insurance proceeds specified in clause (xiv) of Annex 2.02(a), all current and prior insurance policies arranged or maintained by Seller or any of its Affiliates and all rights of any nature with respect thereto, including all rights to insurance recoveries thereunder and to assert claims with respect to any such insurance recoveries, whether arising before, on or after the Closing Date;"

Section 1.12 Assumed Liabilities. Annex 2.02(c) of the Purchase Agreement (Assumed Liabilities) is hereby amended as follows:

(i) The lead-in to Annex 2.02(c) is hereby amended by inserting the phrase "(including the Deferred Business and Deferred Assets but without duplication of any amounts included in the NEB Services Reimbursement Amount)" between "any Transferred Asset" and ", in each case other than the Excluded Liabilities".

(ii) Annex 2.02(c)(ii) of the Purchase Agreement (Transferred Contract Liabilities) is hereby amended and restated in its entirety as follows:

"Transferred Contract Liabilities. All liabilities and obligations under the Transferred Contracts, whether arising before, on or after the Closing Date, but excluding those in respect of the Pre-Closing Accounts Payable;"

(iii) Annex 2.02(c)(iv) of the Purchase Agreement (Product Claims) is hereby amended and restated in its entirety as follows:

"Product Claims. Liabilities and obligations to the extent arising from or

relating to lawsuits or other claims, regardless of when commenced or made and irrespective of the legal theory asserted, with respect to the design, manufacture, testing, advertising, marketing, distribution or sale of the Products, whether prior to or after the Closing, including all liabilities and obligations to the extent arising from or relating to (A) warranty obligations, (B) infringement, dilution, misappropriation or other violation of IP Rights, (C) alleged or actual hazard or defect in design, manufacture, materials or workmanship, including any failure to warn or alleged or actual breach of express or implied warranty or representation or (D) the return after the Closing of any Product sold prior to, on or after the Closing (collectively, "Product Claims"), in each case other than any Excluded Liability;"

(iv) Annex 2.02(c)(v) of the Purchase Agreement (Environmental Liabilities) is hereby amended and restated in its entirety as follows:

"Environmental Liabilities. All liabilities and obligations to the extent arising from or relating to the Transferred Real Property, the Business or any Transferred Asset (or, in each case, the ownership or operation thereof) and arising under any Environmental Law, or with respect to any Environmental Claim or Hazardous Materials, in each case, whether arising before, on or after the Closing Date;"

(v) Annex 2.02(c)(vi) of the Purchase Agreement (Business Claims) is hereby amended and restated in its entirety as follows:

"Business Claims. Except as otherwise set forth in this Agreement and except for the matters specifically identified as Excluded Liabilities, all obligations and liabilities in respect of any criminal, civil or administrative suit, action or proceeding, pending or threatened, and claims, whether or not presently asserted, to the extent arising from or relating to the Business before, on or after the Closing Date (collectively, "Business Claims");"

Section 1.13 Excluded Liabilities. Annex 2.02(d) of the Purchase Agreement (Excluded Liabilities) is hereby amended as follows:

(i) Annex 2.02(d)(iii) of the Purchase Agreement (Excluded Asset Liabilities) is hereby amended and restated in its entirety as follows:

"Excluded Asset Liabilities. Each liability, obligation or commitment to the extent arising from or relating to any Excluded Asset or the distribution to, or ownership by, Seller or any of the Selling Affiliates of any Excluded Asset or associated with the realization of the benefits of any Excluded Asset, whether arising before, on or after the Closing Date;"

Section 1.14 Disclosure Letter. The Disclosure Letter is hereby amended as set forth on Exhibit A hereto.

Section 1.15 Exhibits. The Exhibits of the Purchase Agreement are hereby amended as follows:

(i) Exhibit 1 of the Purchase Agreement (Maximum Cash Amount of Transferred Companies) is hereby amended and restated in its entirety in the form set forth as Annex B attached hereto.

(ii) Exhibit L of the Purchase Agreement (Closing Structure) is hereby amended and restated in its entirety in the form set forth as Annex C attached hereto.

(iii) Exhibit M of the Purchase Agreement (Allocation Method) is hereby amended and restated in its entirety in the form set forth as Annex D attached hereto.

(iv) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit O titled "Form of Escrow Agreement" in the form set forth as Annex E attached hereto.

(v) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit P titled "Form of Undisclosed Agency Agreement" in the form set forth as Annex F attached hereto.

(vi) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit Q titled "Form of Merger Authorization" in the form set forth as Annex G attached hereto.

(vii) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit R titled "Form of U.S. Merger Agreement" in the form set forth as Annex H attached hereto.

(viii) The Purchase Agreement is hereby amended and supplemented by inserting a new Exhibit S titled "Form of U.S. Certificate of Merger" in the form set forth as Annex I attached hereto.

ARTICLE 2
General Provisions

Section 2.01 Effect of Amendment. This Amendment shall not constitute an amendment or waiver of any provision of the Purchase Agreement not expressly amended or waived herein and shall not be construed as an amendment, waiver or consent to any action that would require an amendment, waiver or consent except as expressly stated herein. The Purchase Agreement, as amended by this Amendment, is and shall continue to be in full force and effect.

Section 2.02 Counterparts. This Amendment may be executed in counterparts and such counterparts may be delivered in electronic format (including by fax or in portable

document format (.pdf)), each of which shall be deemed to be an original and all of which shall be deemed to constitute the same Amendment.

Section 2.03 Other Miscellaneous Terms. The provisions of Article XI (Miscellaneous) of the Purchase Agreement shall apply *mutatis mutandis* to this Amendment, and to the Purchase Agreement, taken together as a single agreement, reflecting the terms as modified hereby.

[SIGNATURE PAGES FOLLOW]

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

CARDINAL HEALTH, INC.

By: /s/ Donald M. Casey, Jr.
Name: Donald M. Casey, Jr.
Title: Chief Executive Officer - Medical Segment

MEDTRONIC PLC

By: /s/ Christopher Cleary
Name: Christopher Cleary
Title: Vice President - Corporate Development

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

1. Effective June 29, 2017, Section 2(ii) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

> ""**Retirement**" means, unless the Administrator determines otherwise, Termination of Employment (other than by death or Disability and other than in the event of Termination for Cause) of an Awardee from the Company and its Affiliates after attaining either (i) age 55 and at least 10 years of continuous service with the Company and its Affiliates or (ii) solely with respect to Awards granted on or after July 1, 2017, age 60 and at least five years of continuous service with the Company and its Affiliates, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company."

2. Effective August 8, 2017, Section 4(b)(x) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

> (x) "to modify or amend each Award, including, but not limited to, providing for the continuation or acceleration of vesting and/or exercisability; provided, however, that any such modification or amendment is subject to (A) the minimum vesting provisions set forth in Sections 8(e), 11(a) and 12(a) of the Plan, and (B) the Plan amendment provisions set forth in Section 17 of the Plan;"

3. Effective August 8, 2017, the first three sentences of Section 8(e) of the Plan are hereby deleted in their entirety and in replacement thereof shall be the following:

> (e) "Options granted under the Plan will vest and/or be exercisable at such time and in such installments during the period prior to the expiration of the Option's term as determined by the Administrator, except that no Option may first become exercisable within one year from its Grant Date, other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Option Agreement, or (iii) for up to a number of Shares subject to Options that, when added to the number of Shares subject to Stock Awards and Other Stock-Based Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan. The Administrator has the right to make the timing of the ability to exercise any Option granted under the Plan subject to continued active employment, the passage of time, and/or such performance requirements as deemed appropriate by the Administrator. At any time after the grant of an Option, the Administrator may reduce or eliminate any restrictions surrounding any Participant's right to exercise all or part of the Option, subject to the restrictions set forth above."

4. Effective August 8, 2017, the following sentence is hereby inserted at the end of Section 11(a) of the Plan:

> "No condition that is based upon performance criteria and level of achievement versus such criteria shall be based on performance over a period of less than one year and no condition that is based solely upon continued employment or the passage of time shall provide for vesting in full of a Stock Award in less than one year from its Grant Date,

other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Stock Award Agreement, or (iii) for up to a number of Shares subject to Stock Awards that, when added to the number of Shares subject to Options and Other Stock-Based Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan."

5. Effective August 8, 2017, the following sentence is hereby inserted at the end of Section 12(a) of the Plan:

"No condition that is based upon performance criteria and level of achievement versus such criteria shall be based on performance over a period of less than one year and no condition that is based solely upon continued employment or the passage of time shall provide for vesting in full of an Other Stock-Based Award in less than one year from its Grant Date, other than (i) upon a Change of Control as specified in Section 16(b) of the Plan, (ii) upon the death or Disability of the Awardee, in each case as specified in the Other Stock-Based Award Agreement, or (iii) for up to a number of Shares subject to Other Stock-Based Awards that, when added to the number of Shares subject to Options and Stock Awards granted under the Plan that on or after August 8, 2017 vest within less than one year, does not in the aggregate exceed 5% of the total number of Shares provided in Section 3(a) of the Plan."

6. Effective June 29, 2017, Section 13(d) of the Plan is hereby deleted in its entirety and in replacement thereof shall be the following:

"(d) *Termination of Employment*. The following provisions shall apply to Cash Awards upon Termination of Employment unless the Administrator determines otherwise.

(i) *Termination of Employment Due to Disability, Retirement or Death*. In the event that a Participant's Termination of Employment occurs by reason of Disability, Retirement or death before the date the Cash Award is paid for the applicable performance period, the Cash Award determined by the Administrator to be paid will be prorated based upon the length of time that the Participant was employed by the Company during the applicable performance period. In the case of a Participant's Disability, Termination of Employment will be deemed to occur as of the date that the Administrator determines was the date on which the definition of Disability was satisfied. The Cash Award will be paid at the same time payments are made to Participants who did not terminate employment during the applicable performance period and will be based on the level of financial, business or operational performance actually achieved, to the extent applicable to such Award. The right of the Participant to receive any payment under this Plan will pass to the Participant's estate in the event of the Participant's death.

(ii) *Certain Involuntary Terminations of Employment (Not Disability or Retirement Eligible)*. In the event that (A) a Participant's Termination

of Employment by the Company (other than as a Termination for Cause) occurs on or after the first day of the last one-fourth of the applicable performance period and before the date the Cash Award is paid for the applicable performance period, or (B) solely with respect to Cash Award opportunities granted on or after July 1, 2017, (1) Sections 13(d)(i) and 13(d)(ii)(A) of the Plan are not applicable, but the Participant has attained either (a) age 53 and at least eight years of continuous service with the Company and its Affiliates or (b) age 59 and at least four years of continuous service with the Company and its Affiliates, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, and (2) a Participant's Termination of Employment by the Company (other than as a Termination for Cause) occurs and no later than 45 days after the Termination of Employment, the Participant enters into a written separation agreement and general release of claims with the Company and its Affiliates (in such form as may reasonably be presented by the Company) (a "Separation Agreement") and the Participant does not timely revoke such Separation Agreement, in each case the Cash Award determined by the Administrator to be paid will be prorated based upon the length of time that the Participant was employed by the Company during the applicable performance period. The Cash Award will be paid at the same time payments are made to Participants who did not terminate employment during or after completion of the applicable performance period and will be based on the level of financial, business or operational performance actually achieved, to the extent applicable to such Award.

(iii) *Other Terminations of Employment*. Except as set forth in Sections 13(d)(i) and (ii) above, in the event that a Participant's Termination of Employment occurs before the date the Cash Award is paid for the applicable performance period, all of the Participant's rights to any Cash Award for that performance period will be forfeited."

7. Effective August 8, 2017, the following sentence is hereby inserted before the last sentence of Section 20 of the Plan:

"Further, the Administrator may, in its discretion, require that all or any portion of any Cash Award paid or payable after June 30, 2018 to a Participant who is or was an "executive officer" (as that term is defined under Rule 3b-7 under the Exchange Act) be repaid or forfeited to the Company upon a determination by the Administrator that the Participant engaged in a material violation of law or of the Company's Standards of Business Conduct during the performance or vesting period of the Cash Award and that this conduct caused material financial harm to the Company."

CARDINAL HEALTH, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [date of grant] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee"), a Nonqualified Stock Option (the "Option") to purchase [# of shares] common shares, without par value, of the Company (the "Shares") for an exercise price of [$X.XX] per share. The Option has been granted under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and will include and be subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and will be subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined will have the meanings ascribed to such terms in the Plan. [CLIFF ALTERNATIVE: This Option vests and becomes exercisable on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: This Option vests and becomes exercisable in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Option scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] This Option will expire on [date of expiration] (the "Grant Expiration Date").

1. Method of Exercise and Payment of Price.

(a) Method of Exercise. At any time when all or a portion of the Option is exercisable under the Plan and this Agreement, some or all of the exercisable portion of the Option may be exercised from time to time by written notice to the Company, or such other method of exercise as may be specified by the Company, including without limitation, exercise by electronic means on the web site of the Company's third-party equity plan administrator, which will:

(i) state the number of whole Shares with respect to which the Option is being exercised; and

(ii) if the Option is being exercised by anyone other than Awardee, if not already provided, be accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise the Option under the Plan and all applicable laws and regulations.

(b) Payment of Price. The full exercise price for the portion of the Option being exercised shall be paid to the Company as provided below:

(i) in cash;

(ii) by check acceptable to the Company or wire transfer (denominated in U.S. Dollars);

(iii) subject to any conditions or limitations established by the Administrator, other Shares owned by Awardee that have a Fair Market Value on the date of surrender equal to or greater than the aggregate exercise price of the Shares as to which said Option is exercised (it being agreed that the excess of the Fair Market Value over the aggregate exercise price will be refunded to Awardee, with any fractional Share being repaid in cash);

(iv) if permitted by the Administrator, consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator;

(v) if permitted by the Administrator, and subject to any conditions or limitations established by the Administrator, the Company's withholding Shares otherwise issuable upon exercise of the Option pursuant to a "net exercise" arrangement; or

(vi) any combination of the foregoing methods of payment.

2. Transferability. The Option is transferable (a) at Awardee's death, by Awardee by will or pursuant to the laws of descent and distribution, and (b) by Awardee during Awardee's lifetime, without payment of consideration, to (i) the spouse, former spouse, parents, stepparents, grandparents, parents-in-law, siblings, siblings-in-law, children, stepchildren, children-in-law, grandchildren, nieces or nephews of Awardee, or any other persons sharing Awardee's household (other than tenants or employees) (collectively, "Family Members") or (ii) a trust, partnership or other entity controlled by Awardee or Awardee's Family Members and in which Awardee or Awardee's Family Members have 100% of the pecuniary interest; provided, however, that subsequent transfers of the transferred Option are prohibited, except (X) if the transferee is an individual, at the transferee's death by the transferee by will or pursuant to the laws of descent and distribution, and (Y) without payment of consideration to the individuals or entities listed in Paragraphs (b)(i) or (ii) above, with respect to the original Awardee. The Administrator may, in its discretion, permit transfers to other persons and entities as permitted by the Plan. Neither a transfer under a domestic relations order in settlement of marital property rights nor a transfer to an entity in which more than 50% of the voting interests are owned by Awardee or Family Members in exchange for an interest in that entity will be considered to be a transfer for consideration. Within 10 days of any transfer, Awardee shall notify the Company in writing of the transfer. Following transfer, the Option continues to be subject to the same terms and conditions as were applicable immediately prior to transfer and, except as otherwise provided in the Plan or this Agreement, references to the original Awardee are deemed to refer to the transferee. The events of a Termination of Employment of Awardee provided in Paragraph 3 continue to be applied with respect to the original Awardee, following which the Option is exercisable by the transferee only to the extent, and for the periods, specified in Paragraph 3. The Company has no obligation to notify any transferee of Awardee's Termination of Employment with the Cardinal Group for any reason. The conduct prohibited of Awardee in Paragraph 5 continues to be prohibited of Awardee following transfer to the same extent as immediately prior to transfer and the Option (or its economic value, as applicable) is subject to forfeiture by the transferee and recoupment from Awardee to the same extent as would have been the case of Awardee had the Option not been transferred. Awardee remains subject to the recoupment provisions of Paragraphs 5 and 15 of this Agreement and tax withholding provisions of Section 31 of the Plan following transfer of the Option.

3. Termination of Employment.

(a) Termination of Employment by Reason of Death or Disability. If a Termination of Employment by reason of death or Disability occurs at least six months after the Grant Date, then any outstanding unvested portion of the Option vests upon and becomes exercisable in full from and after such Termination of Employment. The Option may thereafter be exercised by Awardee, any transferee of Awardee, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from the date of such Termination of Employment until the Grant Expiration Date.

(b) Termination of Employment by Reason of Retirement. If a Termination of Employment by reason of Retirement occurs at least six months after the Grant Date, then a Ratable Portion of each

unvested installment of the outstanding Option immediately vests and becomes exercisable. Such "Ratable Portion," with respect to the applicable installment, is an amount equal to such installment of the Option scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after Retirement, but before the Grant Expiration Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date.[1]

(c) Involuntary Termination of Employment with Severance. If (i) Paragraph 3(b) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group, or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least six months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Cardinal Group) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Option immediately vests and becomes exercisable. The Option, to the extent vested, may be exercised by Awardee (or any transferee, if applicable) until the Grant Expiration Date. If Awardee dies after such Termination of Employment, but before the Grant Expiration Date, the Option, to the extent vested, may be exercised by any transferee of the Option, if applicable, or by the legal representative of the estate or by the legatee of Awardee under the will of Awardee from and after such death until the Grant Expiration Date.

(d) Change of Control. In the event of a Change of Control prior to the Participant's Termination of Employment, any outstanding unvested portion of the Option vests in full, except to the extent a Replacement Award is provided to the Participant in accordance with Section 16(b) of the Plan.

(e) Other Termination of Employment. Except as set forth in Paragraphs 3(a), (b), (c) and (d), if a Termination of Employment occurs, any unexercised portion of the Option that has not vested on such date of Termination of Employment is automatically forfeited. Unless a longer period is applicable as specified in Section 16(b)(iv) of the Plan or Paragraphs 3(a) through (c), Awardee (or any transferee, if applicable) has 90 days from the date of Termination of Employment or until the Grant Expiration Date, whichever period is shorter, to exercise any portion of the Option that is vested and exercisable on the date of Termination of Employment; provided, however, that if the Termination of Employment was a Termination for Cause, as determined by the Administrator, the Option may be immediately canceled by the Administrator (whether then held by Awardee or any transferee).

4. Restrictions on Exercise. The Option is subject to all restrictions in this Agreement and in the Plan. As a condition of any exercise of the Option, the Company may require Awardee or his or her transferee or successor to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters (including Awardee's compliance with the terms of Paragraph

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

5 or any employment or severance agreement between the Cardinal Group and Awardee) reasonably requested by the Company. The Option is not exercisable if such exercise would involve a violation of any Applicable Law.

5. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct. During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, "**Misconduct**" means

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

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

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

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

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

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

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Option (or any part of the Option that has not been exercised) which automatically terminates, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee or any transferee from each and every exercise of the Option at any time since the earlier of one year prior to the date the Competitor Conduct first occurred and one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is calculated by subtracting the exercise price paid for the Shares from the Fair Market Value of the Shares on the exercise date.

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General.

(i) Nothing in this Paragraph 5 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 5 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor prior to one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 5, including Awardee's receipt of the Option. Awardee further acknowledges that the Company would not provide the Option to Awardee without Awardee's promise to abide by the terms of this Paragraph 5. The parties also acknowledge that the provisions contained in this Paragraph 5 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 5 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

6. Right of Set-Off. By accepting the Option, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

7. Withholding Tax.

(a) Generally. Awardee is liable and responsible for all taxes owed in connection with the exercise of the Option, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Option. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the exercise of the Option. The Company does not commit and is under no obligation to structure the Option or the exercise of the Option to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes. Concurrently with the payment of the exercise price pursuant to Paragraph 1, Awardee is required to arrange for the satisfaction of the minimum amount of any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation") in a manner acceptable to the Company. Any manner provided for in Paragraph 1(b) is an acceptable manner to satisfy the Tax Withholding Obligation unless otherwise determined by the Administrator.

8. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Option and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 5 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in

connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

9. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

10. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including without limitation whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

11. Prompt Acceptance of Agreement. The Option grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

12. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Option grant under and participation in the Plan or future options that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of option grants and the execution of option agreements through electronic signature.

13. Notices. All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

14. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to (a) vesting of the Option on Termination of Employment by reason of specified events or (b) exercisability of the Option following Termination of Employment, than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Option on Termination of Employment by reason of such specified events or exercisability of the Option following Termination of Employment supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

15. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 15 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 15 will not apply after a Change of Control.

16. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment will impair the rights of Awardee with respect to an outstanding Award unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Option to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Option, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

17. Adjustments. The number of Shares issuable subject to the Option and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

18. No Right to Future Awards or Employment. The grant of the Option under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not

constitute a commitment to make any future awards. The grant of the Option and any related payments made to Awardee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right with respect to continuance of employment or other service with the Company or any Affiliate, nor interferes in any way with any right the Company or any Affiliate would otherwise have to terminate Awardee's employment or other service at any time.

19. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Option granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 5 and "Recoupment" set forth in Paragraph 15; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Option may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[_____

Awardee's Signature

_____

Date]

CARDINAL HEALTH, INC.
RESTRICTED SHARE UNITS AGREEMENT

This Restricted Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [# of shares] Stock Units (the "Restricted Share Units" or "Award"), representing an unfunded unsecured promise of the Company to deliver common shares, without par value, of the Company (the "Shares") to Awardee as set forth in this Agreement. The Restricted Share Units have been granted pursuant to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to such terms in the Plan.

1. Vesting of Restricted Share Units.

(a) General. [CLIFF ALTERNATIVE: The Restricted Share Units vest on the [ ] anniversary of the Grant Date (the "Vesting Date"), subject to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").] [INSTALLMENT ALTERNATIVE: The Restricted Share Units vest in [ ] installments, which will be as nearly equal as possible, on the [ ] anniversaries of the Grant Date (each a "Vesting Date" with respect to the portion of the Restricted Share Units scheduled to vest on such date), subject in each case to the provisions of this Agreement, including those relating to Awardee's continued employment with the Company and its Affiliates (collectively, the "Cardinal Group").]

(b) Change of Control. In the event of a Change of Control prior to a Termination of Employment, the Restricted Share Units (to the extent not previously vested or forfeited) vest in full, except to the extent that a Replacement Award is provided to Awardee in accordance with Section 16(b) of the Plan. Any Replacement Award must vest in full upon (i) a Termination for Good Reason by Awardee, (ii) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (iii) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control. In addition, if a Replacement Award is provided, any Restricted Share Units that would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if Awardee's Termination of Employment occurred on the date of the Change of Control will for purposes of this Agreement vest at the time of the Change of Control.

2. Transferability. The Restricted Share Units are not transferable.

3. Termination of Employment.

(a) General. Except as set forth in Paragraphs 1(b) and 3(b), (c) and (d), if a Termination of Employment occurs, then any unvested Restricted Share Units are forfeited by Awardee immediately after such Termination of Employment.

(b) Death or Disability. If a Termination of Employment by reason of Awardee's death or Disability occurs at least 6 months after the Grant Date, then any outstanding unvested Restricted Share Units immediately vest in full and are not forfeited.

(c) Retirement. If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then a Ratable Portion of each unvested installment of the

outstanding Restricted Share Units immediately vests and is not forfeited. Such "Ratable Portion," with respect to the applicable installment, is an amount equal to such installment of the Restricted Share Units scheduled to vest on a future Vesting Date multiplied by a fraction, the numerator of which is the number of days from the Grant Date through the date of the Termination of Employment, and the denominator of which is the number of days from the Grant Date through such Vesting Date.[1]

(d) Involuntary Termination with Severance. If (i) Paragraph 3(c) is not applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Cardinal Group or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into a written separation agreement and general release of claims with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then a Ratable Portion of each unvested installment of the outstanding Restricted Share Units immediately vests and is not forfeited.

4. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct. During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, "**Misconduct**" means

(A) disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization

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

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

(B) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

(D) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

(E) directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

(F) any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Restricted Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 5, and those forfeited Restricted Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to (A) the gross gain to Awardee resulting from the payment of Restricted Share Units pursuant to Paragraph 5 that had vested at any time since the

earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Restricted Share Units on the date of receipt.

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct will be limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General.

(i) Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days' written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Restricted Share Units. Awardee further acknowledges that the Company would not provide the Restricted Share Units to Awardee without Awardee's promise to abide by the terms of this Paragraph 4. The parties also acknowledge that the provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Payment.

(1) General. Subject to the provisions of Paragraph 4 and Paragraphs 5(b), (c), (d) and (e), Awardee is entitled to receive from the Company (without any payment by or on behalf of Awardee other than as described in Paragraph 9) the Shares represented by the vested Restricted Share Units on the Vesting Date.

(a) Death. To the extent that Restricted Share Units are vested on the date of Awardee's Termination of Employment due to death, Awardee is entitled to receive the corresponding Shares from the Company on the date of death.

(b) Disability, Retirement and Other Separations from Service. To the extent that Restricted Share Units are vested as the result of Disability, Retirement or otherwise on the date of Awardee's "separation from service" (determined in accordance with Section 409A of the Code), Awardee is entitled to receive the corresponding Shares from the Company on the date that is 60 days after Awardee's "separation from service"; provided, however, that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), to the extent necessary to avoid the imposition of tax under Section 409A of the Code, Awardee is entitled to receive the corresponding Shares from the Company on the first day of the seventh month after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

(c) Change of Control. To the extent that Restricted Share Units are vested on the date of a Change of Control, Awardee is entitled to receive the corresponding Shares from the Company on the date of the Change of Control; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 5(a), (b) or (c).

(d) Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the date of payment provided in this Agreement may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code.

6. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Restricted Share Units, but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Restricted Share Units if it had been outstanding between the Grant Date and the payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt as permitted under Paragraph 5(e), the Company shall pay dividend equivalent payments in cash as soon as reasonably practicable after the payment date of the Restricted Share Units to which such dividend equivalents relate.

7. Right of Set-Off. By accepting the Restricted Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

8. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Restricted Share Units, including no right to vote the Shares represented by the Restricted Share Units, until such Shares vest and are paid to Awardee.

9. Withholding Tax.

(a) Generally. Awardee is liable and responsible for all taxes owed in connection with the Restricted Share Units (including taxes owed with respect to the cash payments described in Paragraph 6), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Restricted Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the

grant, vesting or payment of the Restricted Share Units or the subsequent sale of Shares issuable pursuant to the Restricted Share Units. The Company does not commit and is under no obligation to structure the Restricted Share Units to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Restricted Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required, and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 6 the amount of any taxes which the Company is required to withhold with respect to such payments.

10. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Restricted Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

11. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

12. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with

regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to this Agreement, including whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

13. Prompt Acceptance of Agreement. The Restricted Share Unit grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

14. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Share Unit grant under and participation in the Plan or future Restricted Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of restricted share unit grants and the execution of restricted share unit agreements through electronic signature.

15. Notices. All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

16. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

17. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 17 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 17 will not apply after a Change of Control.

18. Amendment. Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Restricted Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Restricted Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Restricted Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

19. Adjustments. The number of Shares issuable for each Restricted Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

20. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

21. No Right to Future Awards or Employment. The grant of the Restricted Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Restricted Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

22. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Restricted Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in the Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 17; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Restricted Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[_____

Awardee's Signature

_____

Date]

CARDINAL HEALTH, INC.
PERFORMANCE SHARE UNITS AGREEMENT

This Performance Share Units Agreement (this "Agreement") is entered into in Franklin County, Ohio. On [grant date] (the "Grant Date"), Cardinal Health, Inc., an Ohio corporation (the "Company"), has awarded to [employee name] ("Awardee") [target # of units] performance-based Stock Units (the "Performance Share Units" or "Award"). The Performance Share Units have been granted pursuant to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (the "Plan"), and are subject to all provisions of the Plan, which are incorporated in this Agreement by reference, and are subject to the provisions of this Agreement. Capitalized terms used in this Agreement which are not specifically defined have the meanings ascribed to them in the Plan.

1. Vesting of Performance Share Units. Subject to the provisions of this Agreement, zero to [maximum percentage] of the Performance Share Units vest when the Administrator certifies the payout level ("Payout Level") as a result of achievement of: (a) specific performance criteria (the "Performance Goals") for a performance period ("Performance Period") set forth in Exhibit A attached hereto; and (b) Qualifying Performance Criteria set by the Administrator for a Performance Period, if the Award is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code.

2. Transferability. The Performance Share Units are not transferable.

3. Termination of Employment.

(a) General. Except to the extent that vesting occurs pursuant to Paragraphs 3(b), (c), (d) or (e) or Paragraph 5, if a Termination of Employment occurs prior to the applicable payment date in Paragraph 6(a) (the "Payment Date") associated with a Performance Period, any Performance Share Units allocated to that Performance Period, whether vested or unvested, are forfeited by Awardee.

(b) Death or Disability. If a Termination of Employment by reason of Awardee's death or Disability occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will vest as if Awardee had remained employed through the Payment Date.

(c) Retirement. If a Termination of Employment by reason of Awardee's Retirement occurs at least 6 months after the Grant Date, then the outstanding unvested Performance Share Units for a Performance Period will vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the Payment Date multiplied by a fraction, the numerator of which is the number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period.[1]

(d) Involuntary Termination with Severance. If (i) neither Paragraph 3(c) nor Paragraph 3(e) is applicable, but Awardee has attained either (A) age 53 and at least eight years of continuous service with the Company and its Affiliates (collectively, the "Cardinal Group"), or (B) age 59 and at least four years of continuous service with the Cardinal Group, in each case including service with an Affiliate of the Company prior to the time that such Affiliate became an Affiliate of the Company, (ii) a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs at least 6 months after

[1] This provision is an alternative that may not be included in every award agreement.

the Grant Date, and (iii) no later than 45 days after the Termination of Employment, Awardee enters into awritten separation agreement and general release with the Cardinal Group (in such form as may reasonably be presented by the Company) (a "Separation Agreement"), and Awardee does not timely revoke such Separation Agreement, then the outstanding unvested Performance Share Units for a Performance Period will vest in an amount equal to the number of Performance Share Units that would have vested if Awardee had remained employed through the Payment Date multiplied by a fraction, the numerator of which is the number of days in the Performance Period up to the date of such Termination of Employment, and the denominator of which is the total number of days in such Performance Period.

(e) Involuntary Termination After Completion of a Performance Period. If a Termination of Employment by the Cardinal Group (other than a Termination for Cause) occurs after the completion of a Performance Period but prior to the Payment Date, then the Performance Share Units for the applicable Performance Period will vest as if Awardee had remained employed through the Payment Date.

4. Special Forfeiture and Repayment Rules. This Agreement contains special forfeiture and repayment rules intended to encourage conduct that protects the Cardinal Group's legitimate business assets and discourage conduct that threatens or harms those assets. The Company does not intend to have the benefits of this Agreement reward or subsidize conduct detrimental to the Company, and therefore will require the forfeiture of the benefits offered under this Agreement and the repayment of gains obtained from this Agreement, according to the rules specified below. Activities that trigger the forfeiture and repayment rules are divided into two categories: Misconduct and Competitor Conduct.

(a) Misconduct. During employment with the Cardinal Group and for three years after the Termination of Employment for any reason, Awardee agrees not to engage in Misconduct. If Awardee engages in Misconduct during employment or within three years after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within three years prior to the date the Misconduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay to the Company in cash an amount equal to: (A) the gross gain to Awardee resulting from the payment of the Performance Share Units pursuant to Paragraph 6 that had vested at any time within three years prior to the date the Misconduct first occurred less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the Payment Date.

As used in this Agreement, "**Misconduct**" means

(A) disclosing or using any of the Cardinal Group's confidential information (as defined by the applicable Cardinal Group policies and agreements) without proper authorization from the Cardinal Group or in any capacity other than as necessary for the performance of Awardee's assigned duties for the Cardinal Group;

(B) violation of the Standards of Business Conduct or any successor code of conduct or other applicable Cardinal Group policies, including but not limited to conduct which would constitute a breach of any representation or certificate of compliance signed by Awardee;

(C) fraud, gross negligence or willful misconduct by Awardee, including but not limited to fraud, gross negligence or willful misconduct causing or contributing to a material error resulting in a restatement of the financial statements of any member of the Cardinal Group;

(D) directly or indirectly soliciting or recruiting for employment or contract work on behalf of a person or entity other than a member of the Cardinal Group, any person who is an employee, representative, officer or director in the Cardinal Group or who held one or more of those positions at any time within the 12 months prior to Awardee's Termination of Employment;

(E) directly or indirectly inducing, encouraging or causing an employee of the Cardinal Group to terminate his/her employment or a contract worker to terminate his/her contract with a member of the Cardinal Group;

(F) any action by Awardee and/or his or her representatives that either does or could reasonably be expected to undermine, diminish or otherwise damage the relationship between the Cardinal Group and any of its customers, prospective customers, vendors, suppliers or employees known to Awardee; or

(G) breaching any provision of any employment or severance agreement with a member of the Cardinal Group.

Nothing in this Agreement will prevent Awardee from testifying truthfully as required by law, prohibit or prevent Awardee from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state or local government agency (e.g., Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.), or prevent Awardee from disclosing Cardinal Group's confidential information in confidence to a federal, state or local government official for the purpose of reporting or investigating a suspected violation of law.

(b) Competitor Conduct. If Awardee engages in Competitor Conduct during employment or within one year after the Termination of Employment for any reason, then

(i) Awardee immediately forfeits the Performance Share Units that have not yet vested or that vested at any time within one year prior to the date the Competitor Conduct first occurred and have not yet been paid pursuant to Paragraph 6, and those forfeited Performance Share Units automatically terminate, and

(ii) Awardee shall, within 30 days following written notice from the Company, pay the Company an amount equal to: (A) the gross gain to Awardee resulting from the payment of Performance Share Units pursuant to Paragraph 6 that had vested at any time since the earlier of one year prior to the date the Competitor Conduct first occurred or one year prior to the Termination of Employment, if applicable, less (B) $1.00. The gross gain is the Fair Market Value of the Shares represented by the Performance Share Units on the Payment Date.

As used in this Agreement, "**Competitor Conduct**" means accepting employment with, or directly or indirectly providing services to, a Competitor in the United States. If Awardee has a Termination of

Employment and Awardee's responsibilities to the Cardinal Group were limited to a specific territory or territories within or outside the United States during the 24 months prior to the Termination of Employment, then Competitor Conduct is limited to that specific territory or territories. A "Competitor" means any person or business that competes with the products or services provided by a member of the Cardinal Group for which Awardee had business responsibilities within 24 months prior to Termination of Employment or about which Awardee obtained confidential information (as defined by the applicable Cardinal Group policies or agreements).

(c) General.

(i) Nothing in this Paragraph 4 constitutes or is to be construed as a "noncompete" covenant or other restraint on employment or trade. The provisions of this Paragraph 4 do not prevent, nor are they intended to prevent, Awardee from seeking or accepting employment or other work outside the Cardinal Group. The execution of this Agreement is voluntary. Awardee is free to choose to comply with the terms of this Agreement and receive the benefits offered or else reject this Agreement with no adverse consequences to Awardee's employment with the Cardinal Group.

(ii) Awardee agrees to provide the Company with at least 10 days written notice prior to accepting employment with or providing services to a Competitor within one year after Termination of Employment.

(iii) Awardee acknowledges receiving sufficient consideration for the requirements of this Paragraph 4, including Awardee's receipt of the Performance Share Units. Awardee further acknowledges that the Company would not provide the Performance Share Units to Awardee without Awardee's promise to abide by the terms of this Paragraph 4. The parties also acknowledge that the provisions contained in this Paragraph 4 are ancillary to, or part of, an otherwise enforceable agreement at the time this Agreement is made.

(iv) Awardee may be released from the obligations of this Paragraph 4 if and only if the Administrator determines, in writing and in the Administrator's sole discretion, that a release is in the best interests of the Company.

5. Change of Control.

(a) Valuation. In the event of a Change of Control prior to a Payment Date, the Administrator, as constituted immediately before such Change of Control, shall determine and certify the Payout Level (the "Change of Control Payout Level") based on (i) actual performance through the most recent date prior to the Change of Control for which achievement of the Performance Goals can reasonably be determined; and (ii) the expected performance for the remainder of the Performance Period based on information reasonably available.

(b) Vesting and Substitute Awards.

(i) In the event of a Change of Control prior to a Payment Date, the percentage of the Performance Share Units determined in accordance with Exhibit A at the Change of Control Payout Level vests unless an award meeting the requirements of Paragraph 5(b)(ii) (a "Substitute Award") is provided to Awardee to replace or adjust the Award. If a Substitute Award is provided, any Performance Share Units that (A) except to the extent that clause (B) applies, would vest in accordance with Paragraphs 3(b) or (c) in connection with Awardee's Retirement or Disability if

Awardee's Termination of Employment occurred on the date of the Change of Control or (B) are eligible to vest in accordance with Paragraph 3(d) as a result of Awardee's Termination of Employment that actually occurs prior to the Change of Control, vest at the time of the Change of Control. No Substitute Award will be provided in the event of Awardee's Termination of Employment by reason of death, Disability, Retirement or the circumstances described in Paragraph 3(d) prior to a Change of Control.

(ii) An award meets the conditions of this Paragraph 5(b)(ii) (and hence qualifies as a Substitute Award) if, as determined by the Administrator as constituted immediately before the Change of Control, (A) it has a value at the time of grant or adjustment at least equal to the value of the Performance Share Units that would vest under Paragraph 5(b)(i) if there were no Substitute Award; (B) it is paid in publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control; (C) it is a restricted stock unit award with vesting and payment not conditioned on the achievement of any performance criteria or conditions; (D) it vests in full upon (1) a Termination for Good Reason by Awardee, (2) a Termination of Employment by the Company or its successor in the Change of Control other than a Termination for Cause, or (3) Awardee's death or Disability, in each case, occurring at or during the period of two years after the Change of Control; (E) if Awardee is subject to U.S. federal income tax under the Code, the tax consequences to Awardee under the Code of the Substitute Award are not less favorable to Awardee than the tax consequences of the Award; and (F) its other terms and conditions are not less favorable to Awardee than the terms and conditions of the Award (including the provisions that would apply in the event of a subsequent Change of Control). Without limiting the generality of the foregoing, the Substitute Award may take the form of a continuation of the Award if the modifications required by the preceding sentence are satisfied.

6. Payment.

(a) General. The Company shall pay Performance Share Units in Shares. Subject to the provisions of Paragraph 4 and Paragraphs 6(b) and (c), Awardee is entitled to receive from the Company (without any payment on behalf of Awardee other than as described in Paragraph 10) one Share for each vested Performance Share Unit not later than the 60th day after the end of a Performance Period, except that if Awardee's Termination of Employment occurs due to death after the end of the Performance Period, Awardee is entitled to receive the corresponding Shares from the Company on the date of death.

(b) Change of Control. Notwithstanding Paragraph 6(a), to the extent that the performance and service vesting requirements have been satisfied for the Performance Share Units on the dates set forth below, payment with respect to the Performance Share Units will be made as follows:

(i) On the date of a Change of Control, Awardee is entitled to receive one Share for each vested Performance Share Unit, subject to any adjustments made pursuant to Section 16(a) of the Plan, from the Company; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution as a deferral of compensation, Awardee is entitled to receive the corresponding Shares from the Company on the date that would have otherwise applied pursuant to Paragraphs 6(a), 6(b)(ii) or 6(b)(iii).

(ii) If Awardee's separation from service occurs during the period of two years following a Change of Control (and such Change of Control constitutes a change of control event as defined in accordance with Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder), Awardee is entitled to receive one Share for each vested Performance Share Unit from the Company on the date of Awardee's separation from service; provided, in such event that if Awardee on the date of separation from service is a "specified employee" (certain employees of the Cardinal Group within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), Awardee is entitled to receive the corresponding Shares from the Company on the first day of the seventh month after the date of Awardee's separation from service or, if earlier, the date of Awardee's death.

(iii) On the date of Awardee's Termination of Employment due to death following a Change of Control, Awardee is entitled to receive one Share for each vested Performance Share Unit from the Company on the date of death.

(c) Elections to Defer Receipt. Elections to defer receipt of the Shares beyond the Payment Date may be permitted in the discretion of the Administrator pursuant to procedures established by the Administrator in compliance with the requirements of Section 409A of the Code.

7. Dividend Equivalents. Awardee is not entitled to receive cash dividends on the Performance Share Units, but will receive a dividend equivalent payment from the Company in an amount equal to the dividends that would have been paid on each Share underlying the Performance Share Units if it had been outstanding between the Grant Date and the payment date of any such Share (i.e., based on the record date for cash dividends). Subject to an election to defer receipt as permitted under Paragraph 6(c), the Company shall pay dividend equivalent payments in cash as soon as reasonably practicable after the payment date of (and to the same extent as) the Performance Share Units to which such dividend equivalents relate.

8. Right of Set-Off. By accepting the Performance Share Units, Awardee consents to a deduction from, and set-off against, any amounts owed to Awardee that are not treated as "non-qualified deferred compensation" under Section 409A of the Code by any member of the Cardinal Group from time to time (including, but not limited to, amounts owed to Awardee as wages, severance payments or other fringe benefits) to the extent of the amounts owed to the Cardinal Group by Awardee under this Agreement.

9. No Shareholder Rights. Awardee has no rights of a shareholder with respect to the Performance Share Units, including no right to vote any Shares represented by the Performance Share Units, until such Shares are paid to Awardee.

10. Withholding Tax.

(a) Generally. Awardee is liable and responsible for all taxes owed in connection with the Performance Share Units (including taxes owed with respect to the cash payments described in Paragraph 7), regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Performance Share Units. The Company does not make any representation or undertaking regarding the tax treatment or the treatment of any tax withholding in connection with the grant, vesting or payment of the Performance Share Units or the subsequent sale of Shares issuable pursuant to vested Performance Share Units. The Company does not commit and is under no obligation to structure the Performance Share Units to reduce or eliminate Awardee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Performance Share Units (e.g., vesting or payment) that the Company determines may result in any domestic or foreign tax withholding amounts being paid by the Company, whether national, federal, state or local, including any employment tax obligation (the "Tax Withholding Obligation"), Awardee is required to arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Awardee's acceptance of this Agreement constitutes Awardee's instruction and authorization to the Company to withhold on Awardee's behalf the number of Shares from those Shares issuable to Awardee under this Award as the Company determines to be sufficient to satisfy the Tax Withholding Obligation. In the case of any amounts withheld for taxes pursuant to this provision in the form of Shares, the amount withheld may not exceed the amount legally required, and withholding above the minimum withholding requirements shall be available only if and to the extent that the Administrator has authorized such. The Company has the right to deduct from all cash payments paid pursuant to Paragraph 7 the amount of any taxes which the Company is required to withhold with respect to such payments.

11. Governing Law/Venue for Dispute Resolution/Costs and Legal Fees. This Agreement is governed by the laws of the State of Ohio, without regard to principles of conflicts of law, except to the extent superseded by the laws of the United States of America. **The parties agree and acknowledge that the laws of the State of Ohio bear a substantial relationship to the parties and/or this Agreement and that the Performance Share Units and benefits granted in this Agreement would not be granted without the governance of this Agreement by the laws of the State of Ohio. In addition, all legal actions or proceedings relating to this Agreement must be brought exclusively in state or federal courts located in Franklin County, Ohio and the parties executing this Agreement hereby consent to the personal jurisdiction of such courts.** Awardee acknowledges that the covenants contained in Paragraph 4 are reasonable in nature, are fundamental for the protection of the Company's legitimate business and proprietary interests, and do not adversely affect Awardee's ability to earn a living. In the event that it becomes necessary for the Company to institute legal proceedings under this Agreement, Awardee is responsible to the Company for all costs and reasonable legal fees incurred by the Company in connection with the proceedings. Any provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable or to disqualify the Award under any Applicable Law should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by the provision, without invalidating or rendering unenforceable the remaining provisions of this Agreement.

12. Defend Trade Secrets Act Notice. Under the U.S. Defend Trade Secrets Act of 2016, Awardee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; (b) is made to Awardee's attorney in relation to a lawsuit for retaliation against Awardee for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

13. Action by the Administrator. The parties agree that the interpretation of this Agreement rests exclusively and completely within the sole discretion of the Administrator. The parties agree to be bound by the decisions of the Administrator with regard to the interpretation of this Agreement and with regard to any and all matters set forth in this Agreement. In fulfilling its responsibilities under this Agreement, the Administrator may rely upon documents, written statements of the parties, financial reports or other material as the Administrator deems appropriate. The parties agree that there is no right to be heard or to appear before the Administrator and that any decision of the Administrator relating to

this Agreement, including whether particular conduct constitutes Misconduct or Competitor Conduct, is final and binding. The Administrator may delegate its functions under this Agreement to an officer of the Cardinal Group designated by the Administrator, to the extent permitted under the Plan.

14. Prompt Acceptance of Agreement. The Performance Share Units grant evidenced by this Agreement will, at the discretion of the Administrator, be forfeited if this Agreement is not manually executed and returned to the Company, or electronically executed by Awardee by indicating Awardee's acceptance of this Agreement in accordance with the acceptance procedures set forth on the Company's third-party equity plan administrator's web site, within 90 days of the Grant Date.

15. Electronic Delivery and Consent to Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Share Unit grant under and participation in the Plan or future Performance Share Units that may be granted under the Plan by electronic means or to request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the acceptance of performance share unit grants and the execution of performance share unit agreements through electronic signature.

16. Notices. All notices, requests, consents and other communications required or provided under this Agreement to be delivered by Awardee to the Company will be in writing and will be deemed sufficient if delivered by hand, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to the Company at the address set forth below:

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Deputy General Counsel

All notices, requests, consents and other communications required or provided under this Agreement to be delivered by the Company to Awardee may be delivered by e-mail or in writing and will be deemed sufficient if delivered by e-mail, hand, facsimile, nationally recognized overnight courier, or certified or registered mail, return receipt requested, postage prepaid, and will be effective upon delivery to Awardee.

17. Employment Agreement, Offer Letter or Other Arrangement. To the extent a written employment agreement, offer letter or other arrangement ("Employment Arrangement") that was approved by the Human Resources and Compensation Committee or the Board of Directors or that was approved in writing by an officer of the Company pursuant to delegated authority of the Human Resources and Compensation Committee provides for greater benefits to Awardee with respect to vesting of the Award on Termination of Employment by reason of specified events than provided in this Agreement or in the Plan, then the terms of such Employment Arrangement with respect to vesting of the Award on Termination of Employment by reason of such specified events supersede the terms of this Agreement to the extent permitted by the terms of the Plan.

18. Recoupment. This Agreement will be administered in compliance with Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded. In its discretion, moreover, the Administrator may require repayment to the Company of all or any portion of this Award if the amount of the Award was calculated based upon the achievement of

financial results that were subsequently the subject of a restatement of the Company's financial statements, Awardee engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to Awardee would have been lower than the amount actually paid to Awardee had the financial results been properly reported. This Paragraph 18 is not the Company's exclusive remedy with respect to such matters. Except as otherwise required by Applicable Law, this Paragraph 18 will not apply after a Change of Control.

19. Amendment. Any amendment to the Plan is deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment may impair the rights of Awardee with respect to an outstanding Performance Share Unit unless agreed to by Awardee and the Company, which agreement must be in writing and signed by Awardee and the Company. Other than following a Change of Control, no such agreement is required if the Administrator determines in its sole discretion that such amendment either (a) is required or advisable in order for the Company, the Plan or the Performance Share Units to satisfy any Applicable Law or to meet the requirements of any accounting standard or (b) is not reasonably likely to significantly diminish the benefits provided under the Performance Share Units, or that any such diminishment has been adequately compensated, including pursuant to Section 16(c) of the Plan.

20. Adjustments. The number of Shares issuable for each Performance Share Unit and the other terms and conditions of the Award evidenced by this Agreement are subject to adjustment as provided in Section 16 of the Plan.

21. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Awardee).

22. No Right to Future Awards or Employment. The grant of the Performance Share Units under this Agreement to Awardee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the Performance Share Units and any payments made under this Agreement will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement confers upon Awardee any right to be employed or remain employed by the Company or any of its Affiliates, nor limits or affects in any manner the right of the Company or any of its Affiliates to terminate the employment or adjust the compensation of Awardee.

23. Successors and Assigns. Without limiting Paragraph 2, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Awardee, and the successors and assigns of the Company.

CARDINAL HEALTH, INC.

By: _____

Its: _____

ACCEPTANCE OF AGREEMENT

Awardee hereby: (a) acknowledges that he or she has received a copy of the Plan, a copy of the Company's most recent annual report to shareholders and other communications routinely distributed to the Company's shareholders, and a copy of the Plan Description pertaining to the Plan; (b) accepts this Agreement and the Performance Share Units granted to him or her under this Agreement subject to all provisions of the Plan and this Agreement, including the provisions in this Agreement regarding "Special Forfeiture and Repayment Rules" set forth in Paragraph 4 and "Recoupment" set forth in Paragraph 18; (c) represents that he or she understands that the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed the Agreement; and (d) agrees that no transfer of the Shares delivered in respect of the Performance Share Units may be made unless the Shares have been duly registered under all applicable Federal and state securities laws pursuant to a then-effective registration which contemplates the proposed transfer or unless the Company has received a written opinion of, or satisfactory to, its legal counsel that the proposed transfer is exempt from such registration.

[_____

Awardee's Signature

_____

Date]

CARDINAL HEALTH, INC.

Statement of Performance Goals

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

(in millions, except ratios)	2013	2014	2015	2016	**2017**
Earnings from continuing operations before income taxes	$ 888	$ 1,798	$ 1,967	$ 2,276	**$ 1,924**
Plus fixed charges:					
Interest expense	119	129	137	178	**187**
Capitalized interest	2	1	2	6	**9**
Amortization of debt offering costs	4	4	8	6	**6**
Interest portion of rent expense	8	10	10	12	**14**
Fixed charges (1)	133	144	156	201	**217**
Plus: amortization of capitalized interest	3	3	2	3	**4**
Less: capitalized interest	(2)	(1)	(2)	(6)	**(9)**
Earnings (1)	$ 1,023	$ 1,944	$ 2,124	$ 2,473	**$ 2,135**
Ratio of earnings to fixed charges (1) (2)	8	14	14	12	**10**

(1) The sum of the components may not equal the total due to rounding.

(2) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings from continuing operations before income taxes plus fixed charges and capitalized interest. Fixed charges include interest expense, amortization of debt offering costs and the portion of rent expense that is deemed to be representative of the interest factor. Interest expense recorded on tax exposures has been recorded in income tax expense and has therefore been excluded from the calculation.

Subsidiaries of the Registrant

Listed below are majority-owned subsidiaries of Cardinal Health, Inc. as of June 30, 2017. Subsidiaries excluded from the list below would not, considered in the aggregate as a single subsidiary, constitute a "significant subsidiary" of Cardinal Health, Inc. as that term is defined in Rule 1-02(w) of SEC Regulation S-X.

Subsidiary Name	State/Jurisdiction of Incorporation
Access Closure, Inc.	California
Allegiance Corporation	Delaware
AssuraMed, Inc.	Delaware
Cardinal Health 2, LLC	Nevada
Cardinal Health 3, LLC	Delaware
Cardinal Health 5, LLC	Delaware
Cardinal Health 6, Inc.	Nevada
Cardinal Health 7, LLC	Delaware
Cardinal Health 100, Inc.	Indiana
Cardinal Health 104 LP	Ohio
Cardinal Health 105, Inc.	Ohio
Cardinal Health 107, LLC	Ohio
Cardinal Health 108, LLC	Delaware
Cardinal Health 110, LLC	Delaware
Cardinal Health 112, LLC	Delaware
Cardinal Health 114, Inc.	Delaware
Cardinal Health 115, LLC	Ohio
Cardinal Health 116, LLC	Delaware
Cardinal Health 118, LLC	Delaware
Cardinal Health 119, LLC	Delaware
Cardinal Health 121, LLC	Delaware
Cardinal Health 122, LLC	Delaware
Cardinal Health 123, LLC	Delaware
Cardinal Health 124, LLC	Delaware
Cardinal Health 126, LLC	Delaware
Cardinal Health 127, Inc.	Kansas
Cardinal Health 200, LLC	Delaware
Cardinal Health 201, Inc.	Delaware
Cardinal Health 222 (Thailand) Ltd.	Thailand
Cardinal Health 247, Inc.	Colorado
Cardinal Health 249, LLC	Delaware
Cardinal Health 414, LLC	Delaware
Cardinal Health Australia 503 Pty. Ltd.	Australia
Cardinal Health Austria 504 GmbH	Austria
Cardinal Health Belgium 505 BVBA	Belgium
Cardinal Health Canada Inc.	Canada
Cardinal Health Colombia S.A.S.	Colombia
Cardinal Health D.R. 203 II Ltd.	Bermuda
Cardinal Health Denmark ApS	Denmark
Cardinal Health Finland Oy	Finland
Cardinal Health Foundation	Ohio
Cardinal Health France 506 SAS	France
Cardinal Health Funding, LLC	Nevada

Subsidiary Name	State/Jurisdiction of Incorporation
Cardinal Health Germany 507 GmbH	Germany
Cardinal Health (H.K.) Co. Ltd.	Hong Kong
Cardinal Health International Philippines, Inc.	Philippines
Cardinal Health IPS, LLC	Delaware
Cardinal Health Ireland 419 Designated Activity Company	Ireland
Cardinal Health Ireland 508 Limited	Ireland
Cardinal Health Italy 509 Srl	Italy
Cardinal Health Japan G.K.	Japan
Cardinal Health Korea Limited	Korea
Cardinal Health (L) Co., Ltd.	Malaysia
Cardinal Health Luxembourg 522 S.a.r.l.	Luxembourg
Cardinal Health Malaysia 211 Sdn. Bhd.	Malaysia
Cardinal Health Malta 212 Limited	Malta
Cardinal Health Managed Care Services, LLC	Delaware
Cardinal Health Medical Products India Private Limited	India
Cardinal Health Mexico 244 S. de R.L. de C.V.	Mexico
Cardinal Health Mexico 514 S. de R.L. de C.V.	Mexico
Cardinal Health Netherlands 502 B.V.	Netherlands
Cardinal Health Norway AS	Norway
Cardinal Health Pharmaceutical Contracting, LLC	Delaware
Cardinal Health Pharmacy Services, LLC	Delaware
Cardinal Health Poland Spółlka z ograniczonąa odpowiedzialnośściąa	Poland
Cardinal Health Portugal 513 Unipessoal Lda.	Portugal
Cardinal Health P.R. 120, Inc.	Puerto Rico
Cardinal Health P.R. 218, Inc.	Puerto Rico
Cardinal Health P.R. 220, LLC	Puerto Rico
Cardinal Health Singapore 225 Pte. Ltd.	Singapore
Cardinal Health Spain 511 S.L.	Spain
Cardinal Health Specialty Pharmacy, LLC	Delaware
Cardinal Health Sweden 512 A.B.	Sweden
Cardinal Health Switzerland 515 GmbH	Switzerland
Cardinal Health Systems, Inc.	Ohio
Cardinal Health Technologies, LLC	Nevada
Cardinal Health Technologies Switzerland GmbH	Switzerland
Cardinal Health U.K. 432 Limited	United Kingdom
Cirpro de Delicias S.A. de C.V.	Mexico
Convertors de Mexico S.A. de C.V.	Mexico
Cordis Cashel Company Unlimited	Ireland
Cordis Corporation	Florida
Cordis (Shanghai) Medical Devices Co., Ltd.	China
Cornerstone Partners G.P.O., L.P.	Tennessee
Curaspan Health Group, Inc.	Delaware

Subsidiary Name	State/Jurisdiction of Incorporation
Dutch American Manufacturers II (D.A.M. II) B.V.	Netherlands
EPIC Insurance Company	Vermont
Griffin Capital, LLC	Nevada
Innovative Therapies, Inc.	Delaware
Instant Diagnostic Systems, Inc.	Alabama
Leader Drugstores, Inc.	Delaware
Marin Apothecaries	California
Medicine Shoppe International, Inc.	Delaware
NaviHealth, Inc.	Delaware
One Cloverleaf, LLC	Delaware
Pinnacle Intellectual Property Services, Inc.	Nevada
Pinnacle Intellectual Property Services-International, Inc.	Nevada
Post-Acute Care Center for Research, LLC	Delaware
Quiroproductos de Cuauhtemoc S. de R.L. de C.V.	Mexico
R Cubed, Inc.	Tennessee
RainTree GPO, LLC	Delaware
RGH Enterprises, Inc.	Ohio
RightCare Solutions, Inc.	Delaware
Rxealtime, Inc.	Nevada
Sonexus Health, LLC	Texas
The Harvard Drug Group, L.L.C.	Michigan
Tradex International, Inc.	Ohio
WaveMark, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-3 No. 333-215935 of Cardinal Health, Inc.,

(2) Registration Statements on Form S-4 No. 333-62938 and No. 333-74761 of Cardinal Health, Inc., and

(3) Registration Statements on Form S-8 No. 33-42357, No. 33-64337, No. 333-72727, No. 333-90423, No. 333-91849, No. 333-38192, No. 333-38198, No. 333-56010, No. 333-129725, No. 333-149107, No. 333-155156, No. 333-163128, No. 333-164736, No. 333-177728, No. 333-183471, No. 333-206339, No. 333-206340, and No. 333-214412 of Cardinal Health, Inc.;

of our reports dated August 10, 2017, with respect to the consolidated financial statements and schedule of Cardinal Health, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Cardinal Health, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Cardinal Health, Inc. and subsidiaries for the year ended June 30, 2017.

/s/ Ernst & Young LLP

Columbus, Ohio
August 10, 2017

Exhibit 31.1

I, George S. Barrett, certify that:

1. I have reviewed this Form 10-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ 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-K of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of George S. Barrett, Chairman and Chief Executive Officer of Cardinal Health, Inc. (the "Company"), and Michael C. Kaufmann, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K for the fiscal year ended June 30, 2017 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2017

/s/ GEORGE S. BARRETT

George S. Barrett

Chairman and Chief Executive Officer

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Financial Officer

Statement Regarding Forward-Looking Information

As used in this exhibit, "we," "our," "us" and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the "2017 Form 10-K"), our quarterly reports on Form 10-Q and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution services agreements with branded pharmaceutical manufacturers, changes in the amount of service fees we receive or, in cases where part of our compensation under these agreements is based on branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities;
- risks arising from possible violations of healthcare fraud and abuse laws;
- costs or claims resulting from potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from remediation efforts or recalls and related product liability claims and lawsuits, including class action lawsuits;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act, Chinese anti-corruption laws and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, non-renewal or early termination of contracts, or delinquencies or defaults by key customers;
- unfavorable changes to the terms of key customer or supplier relationships, or changes in customer mix;
- adverse changes in U.S. or foreign tax laws, including proposals relating to new taxes or import tariffs, unfavorable challenges to our tax positions and payments to settle these challenges, or failure to permanently repeal the U.S. medical device tax;
- uncertainties due to government healthcare reform, including possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;

- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- the risks of counterfeit products in the supply chain;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- increasing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- manufacturing disruptions, whether due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks to our business and information and controls systems in the event that the Pharmaceutical segment's multi-year systems replacement project or other business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of sensitive information;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, product liability claims or lawsuits, patent infringement claims, *qui tam* actions or other legal proceedings;
- possible losses relating to product liability claims regarding products for which we cannot obtain product liability insurance or for which such insurance is not adequate to cover our losses;
- our ability to maintain adequate intellectual property protections;
- risks and uncertainties relating to the acquisition of the Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses from Medtronic plc (the "Patient Recovery Business"), including the following: we may fail to realize the synergies and other benefits we expect from the acquisition; we may fail to retain key personnel of the acquired businesses; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems; we may face challenges retaining the customers of the acquired businesses; we may encounter unforeseen internal control, regulatory or compliance issues; and we may face other additional risks relating to regulatory matters, legal proceedings, tax laws or positions, supply interruptions, commodity price volatility and global operations, including the effects of local economic environments and currency volatility;
- risks relating to the use of a significant amount of cash, including borrowings under our existing credit arrangements, to fund the acquisition of the Patient Recovery Business, which is expected to result in increased short-term borrowings in the course of our operations during fiscal 2018;
- risks and uncertainties relating to the acquisition of Cordis, including the ability to achieve the expected synergies and positive impact to operating results and the additional risks the Cordis acquisition subjects us to relating to regulatory matters, legal proceedings, tax laws or positions and global operations, including the effects of local economic environments and currency volatility;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- increased costs for commodities used in the Medical segment including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- the costs, effects, timing or success of restructuring programs or plans;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the “Risk Factors” section of the 2017 Form 10-K.

The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue,” “likely,” and similar expressions generally identify “forward-looking statements,” which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.